

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM



VERSITY STUDENT HOUSING REIT, INC.

SHARES OF COMMON STOCK \$25,000 MINIMUM INVESTMENT

This confidential private placement memorandum (as amended or supplemented, including all appendices, this “Memorandum”) is being furnished on a confidential basis to prospective investors in connection with their evaluation of a proposed investment in Versity Student Housing REIT, Inc., a Maryland corporation (referred to herein as “we,” “us,” “our” and “our company”). We intend to acquire and actively manage a diversified portfolio of stabilized, income-oriented student housing properties located in the United States. We are externally managed by VSHR Adviser, LLC (the “Adviser”), a wholly-owned subsidiary of our sponsor, Versity Invest, LLC (“Versity”). Versity is a real estate company focused on acquiring and operating multifamily and student housing properties. We intend to elect to be taxed as a real estate investment trust (“REIT”) for federal income tax purposes.

We are offering an unlimited number of shares of our common stock, par value \$0.01 per share (the “Shares”), on a continuous basis. The purchase price per Share will be \$1,000 until we begin determining our net asset value (“NAV”) per Share. We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the purchase price per Share will vary and generally will equal our NAV per Share for the most recently completed calendar quarter, which we refer to herein as the “transaction price.” Once we begin determining an NAV per Share, in certain circumstances we may offer Shares at a transaction price that we believe reflects the NAV per Share more appropriately than the prior quarter’s NAV per Share.

We have adopted a distribution reinvestment plan (“DRIP”), whereby stockholders will have their cash distributions automatically reinvested in additional Shares unless they elect to receive their distributions in cash. The per Share purchase price for Shares purchased pursuant to the DRIP will be \$1,000 per Share until we begin determining a quarterly NAV per Share. Thereafter, the per Share price for Shares purchased pursuant to the DRIP will be equal to the transaction price at the time the distribution is payable.

We have adopted a share repurchase plan (“SRP”) whereby stockholders will be able to request that we repurchase all or any portion of their Shares on a quarterly basis, subject to the terms and conditions of our SRP.

The Shares are being offered and sold on a “best efforts” basis by Wealthforge Securities, LLC (the “Dealer Manager”), a broker-dealer registered with the Financial Industry Regulatory Authority, Inc. (“FINRA”), and other FINRA-member broker-dealers engaged by the Dealer Manager to participate in this offering.

The Shares are being offered and sold in a continuous private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), and are available for purchase only by investors that certify their qualification as “accredited investors,” as that term is defined in Rule 501(a) promulgated under Regulation D of the Securities Act.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any other federal, state or foreign securities commission or similar authority has determined whether this Memorandum is truthful or complete. The Shares have not been registered under the Securities Act or the securities laws of any state or country in reliance on exemptions from the registration requirements of such laws. There is no public market for the Shares, and the Shares are subject to significant restrictions on transfer. An investment in the Shares involves significant risk. See “Risk Factors.”

This Memorandum is dated February 24, 2023

PROSPECTIVE INVESTORS ARE ENCOURAGED TO DIRECT INQUIRIES TO:

**Versity Student Housing REIT, Inc.
c/o WealthForge Securities, LLC
3015 West Moore Street, Suite 102
Richmond, VA 23230
Phone: 833.591.3087
Email: versityinvestsupport@phxa.com**

IMPORTANT NOTICES TO INVESTORS

THE WORDS “WE,” “US,” “OUR” AND THE “FUND” REFER TO VERSITY STUDENT HOUSING REIT, INC., TOGETHER WITH ITS CONSOLIDATED SUBSIDIARIES, VSHR OPERATING PARTNERSHIP, LP (THE “OPERATING PARTNERSHIP”), A DELAWARE LIMITED PARTNERSHIP OF WHICH WE ARE THE GENERAL PARTNER, UNLESS THE CONTEXT REQUIRES OTHERWISE.

THIS MEMORANDUM HAS BEEN FURNISHED SOLELY FOR THE INFORMATION OF THE PROSPECTIVE INVESTOR TO WHOM IT HAS BEEN DELIVERED ON OUR BEHALF AND MAY NOT BE REPRODUCED, DISTRIBUTED OR USED BY SUCH RECIPIENT FOR ANY OTHER PURPOSES. EACH RECIPIENT OF THIS MEMORANDUM HEREBY AGREES TO (1) MAINTAIN THE CONFIDENTIALITY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM, AS WELL AS ANY SUPPLEMENTAL INFORMATION PROVIDED TO THE RECIPIENT BY THE FUND OR ANY OF ITS REPRESENTATIVES; AND (2) TO RETURN THIS MEMORANDUM, AS WELL AS ALL SUPPLEMENTAL INFORMATION PROVIDED TO THE RECIPIENT, UPON REQUEST.

INVESTMENT IN THE SHARES INVOLVES A HIGH DEGREE OF RISK THAT PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER BEFORE INVESTING. THERE CAN BE NO ASSURANCE THAT OUR INVESTMENT OBJECTIVES WILL BE ACHIEVED OR THAT INVESTORS WILL RECEIVE A COMPLETE RETURN OF THEIR CAPITAL. INVESTMENT IN THE SHARES IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS AND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE HIGH RISKS AND LACK OF LIQUIDITY INHERENT IN AN INVESTMENT IN THE SHARES.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THIS OFFERING. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE FUND, OUR ADVISER OR ANY OF THEIR RESPECTIVE AFFILIATES AS LEGAL, TAX, INVESTMENT OR OTHER ADVICE. EACH INVESTOR SHOULD MAKE ITS OWN INQUIRIES AND CONSULT ITS OWN ADVISORS.

STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE OF THIS MEMORANDUM UNLESS STATED OTHERWISE AND THE DELIVERY OF THIS MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY SUBSEQUENT DATE. NO SHARES MAY BE SOLD WITHOUT DELIVERY OF THIS MEMORANDUM.

THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, NOR IS SUCH REGISTRATION CONTEMPLATED. THE SHARES ARE BEING OFFERED AND SOLD UNDER THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY REGULATION D PROMULGATED UNDER THE SECURITIES ACT, AND EQUIVALENT EXEMPTIONS IN THE LAWS OF THE STATES AND OTHER JURISDICTIONS WHERE THE OFFERING IS MADE. INVESTMENT IN SHARES WILL BE AVAILABLE ONLY TO INVESTORS WHO CERTIFY THAT THEY QUALIFY AS ACCREDITED INVESTORS, AS SUCH TERM IS DEFINED IN RULE 501(A) OF REGULATION D OF THE SECURITIES ACT.

THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OR ANY OTHER JURISDICTION OR BY THE SEC, NOR HAS ANY REGULATORY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

ANY TARGET RETURNS SET FORTH HEREIN ARE BASED ON ESTIMATES AND ASSUMPTIONS ABOUT PERFORMANCE BELIEVED TO BE REASONABLE UNDER THE CIRCUMSTANCES. HOWEVER, THERE IS NO GUARANTEE THAT THE FACTS ON WHICH SUCH ESTIMATES AND ASSUMPTIONS ARE BASED WILL MATERIALIZE AS ANTICIPATED AND WILL BE APPLICABLE TO THE FUND. ANY TARGET RETURNS SET FORTH HEREIN ARE HYPOTHETICAL AND ARE NOT A GUARANTEE OF THE FUND’S FUTURE PERFORMANCE. IMPORTANT RISK FACTORS ARE SET FORTH IN THIS MEMORANDUM.

PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE, DOMICILE AND PLACE OF BUSINESS WITH RESPECT TO THE ACQUISITION, HOLDING OR DISPOSAL OF THE SHARES. THIS MEMORANDUM DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR OR IN CONNECTION WITH, AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THIS MEMORANDUM MAY NOT BE DISTRIBUTED IN ANY JURISDICTION, EXCEPT IN ACCORDANCE WITH THE LEGAL REQUIREMENTS APPLICABLE IN SUCH JURISDICTION.

ANY AND ALL INFORMATION PROVIDED HEREIN REGARDING THE PERFORMANCE OF INVESTMENT PROGRAMS OR VEHICLES SPONSORED OR MANAGED BY ELMTREE OR ANY OTHER PARTY IS PRESENTED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A GUARANTEE OF OUR FUTURE PERFORMANCE. THERE CAN BE NO ASSURANCE THAT WE WILL ACHIEVE COMPARABLE FINANCIAL RESULTS TO ANY SUCH OTHER PROGRAMS OR VEHICLES OR THAT WE WILL BE ABLE TO IMPLEMENT OUR INVESTMENT STRATEGY AND INVESTMENT APPROACH OR ACHIEVE OUR INVESTMENT OBJECTIVES. ANY INVESTMENT IN SHARES IS SUBJECT TO DIFFERENT TERMS, CONDITIONS AND RISKS THAN SUCH OTHER PROGRAMS AND VEHICLES. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

THE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ORGANIZATIONAL DOCUMENTS OF THE FUND, THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF STATES AND OTHER JURISDICTIONS. EACH INVESTOR SHOULD BE AWARE THAT IT MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF ITS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THERE IS CURRENTLY NO SECONDARY MARKET EXISTS FOR THE SHARES AND SUCH A MARKET IS NOT EXPECTED TO DEVELOP.

CERTAIN INFORMATION CONTAINED HEREIN IS BASED ON OR DERIVED FROM INFORMATION PROVIDED BY INDEPENDENT THIRD-PARTY SOURCES. WHILE SUCH INFORMATION IS BELIEVED TO BE ACCURATE AND RELIABLE FOR THE PURPOSES FOR WHICH IT IS USED HEREIN, NO REPRESENTATIONS ARE MADE AS TO THE ACCURACY OR COMPLETENESS THEREOF AND NONE OF THE FUND, OUR ADVISER OR ANY OF THEIR RESPECTIVE AFFILIATES ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS MEMORANDUM CONTAINS A SUMMARY OF THE FUND'S ORGANIZATIONAL DOCUMENTS AND CERTAIN OTHER DOCUMENTS REFERRED TO HEREIN. THE SUMMARIES OF SUCH DOCUMENTS SET FORTH HEREIN DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS. IF THE DESCRIPTION OF ANY DOCUMENT SET FORTH HEREIN IS INCONSISTENT WITH OR CONTRARY TO THE TERMS OF SUCH DOCUMENT, SUCH DOCUMENT SHALL CONTROL.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Memorandum contains forward-looking statements about our business, including, in particular, statements about our plans, strategies and objectives. You can generally identify forward-looking statements by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue” or other similar words or the negatives thereof. These statements include our plans and objectives for future operations, including plans and objectives relating to future growth and availability of funds, and are based on current expectations that involve numerous risks and uncertainties. Assumptions relating to these statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to accurately predict and many of which are beyond our control. Although we believe the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that these forward-looking statements will prove to be accurate and our actual results, performance and achievements may be materially different from that expressed or implied by these forward-looking statements. In light of the significant uncertainties inherent in these forward-looking statements, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans, which we consider to be reasonable, will be achieved.

You should carefully review the “Risk Factors” section of this Memorandum for a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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WHO MAY INVEST

An investment in the Shares involves a high degree of risk and is suitable only as a long-term investment for persons of adequate financial means who do not need liquidity from this investment. The offer and sale of the Shares are being made in reliance on an exemption from the registration requirements of the Securities Act. Because there is no public market for the Shares, it may be difficult for you to sell your Shares if stockholder demand for repurchases exceeds the volume limitations under our SRP, or if our board of directors modifies, suspends or terminates our SRP following a determination that such action is in the best interests of our stockholders. We reserve the right to declare any prospective investor ineligible to purchase the Shares based on any information that may become known or available to us concerning the suitability of such prospective investor or for any other reason. An investment in the Shares may only be made by investors who meet the investor suitability standards established by us (as described below).

Investor Suitability Standards

We are offering the Shares only to persons that are “accredited investors,” as that term is defined by Rule 501(a) of Regulation D of the Securities Act. All investors must complete and execute a subscription agreement in the form provided by us, pursuant to which each investor must certify, among other things, that it qualifies as an accredited investor and that it meets such other investor suitability standards for investment in Shares as may be established by us.

The investor suitability requirements set forth in the subscription agreement represent minimum suitability requirements for investors in the Shares. Accordingly, the satisfaction of such suitability requirements by an investor will not necessarily mean that the Shares are a suitable investment for such investor or that we will accept the investor as a subscriber. Furthermore, we may modify such requirements in our sole discretion from time to time, and any such modification may raise the suitability requirements for investors.

SUMMARY OF TERMS

This 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 “Risk Factors.”

The Fund	We are a newly-formed Maryland corporation. We intend to elect to be taxed as a REIT for federal income tax purposes.
The Sponsor	<p>Versity is a real estate company focused on acquiring and operating multifamily and student housing properties. Varsity was founded in 2022 by Blake W. Wettengel, our Chairman of the Board and Chief Executive Officer. As of the date hereof, Varsity and its affiliated companies own or manage 35 student housing and multifamily properties located throughout the United States with approximately 4,500 units and over 10,500 beds.</p> <p>For additional information regarding Varsity’s prior investment programs, see “Prior Performance and Representative Transactions.”</p>
Adviser	The Adviser, a wholly-owned subsidiary of Varsity, serves as our external adviser. The services provided by our Adviser, and the compensation paid by us to our Adviser in exchange for such services, are set forth in an advisory agreement with our Adviser (the “ <u>Advisory Agreement</u> ”). For additional information, see “Management—The Adviser and the Advisory Agreement.”
Investment Objectives	<p>Our primary investment objectives are to:</p> <ul style="list-style-type: none">• provide our stockholders with access to the student housing market;• preserve and protect invested capital;• provide reliable, predictable cash distributions; and• realize appreciation in our NAV from proactive investment management and asset management. <p>We cannot assure you that we will achieve our investment objectives. See “Risk Factors.”</p>
Investment Strategy	<p>We intend to acquire and actively manage a diversified portfolio of stabilized, income-oriented student housing properties located in the United States near Top 100 Colleges (as ranked by U.S. News and World Reports) with enrollments of over 20,000 students. We will focus on investments in core, stabilized student housing properties, however we may also selectively invest in development or value-add student housing properties. To a lesser extent, we may also invest in real estate-related securities in order to provide current income and a source of liquidity for our SRP, cash management and other purposes. At all times, we intend to make investments in a manner consistent with maintaining our qualification as a REIT.</p> <p>For additional information, see “Investment Strategy and Process.”</p>
UPREIT Structure	We plan to own all or substantially all our assets through the Operating Partnership. We are the sole general partner of the Operating Partnership and VSHR Special Limited Partner, LLC (the “ <u>Special Limited Partner</u> ”), a wholly-owned subsidiary of

Versity, owns a special limited partner interest in the Operating Partnership that entitles it to receive certain special allocations from the Operating Partnership. In addition, each of our Adviser and the Special Limited Partner may elect to receive units of limited partnership interest in the Operating Partnership in lieu of cash for the Management Fee (as defined below) we pay to our Adviser and the special allocations from the Operating Partnership to which the Special Limited Partner is entitled. The use of the 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.

Term of the Fund

We are a “perpetual-life REIT,” meaning that we are an investment vehicle of indefinite duration whose Shares are intended to be sold on a continuous basis.

As a perpetual-life REIT we are not required, by our charter or otherwise, to pursue a sale of our assets, a listing of the Shares on a securities exchange or any other event that provides liquidity to our stockholders by any date certain or at all.

We believe that our structure as a perpetual-life REIT, when compared to typical finite-life investment programs, will give us the ability to acquire assets with an emphasis on long-term income generation and allow us to manage our investment portfolio in a way that maximizes distributions to our stockholders. We also believe it will give us added flexibility to manage the timing of the sale of any or all of our assets, and not be limited by an artificially scheduled liquidity event.

The Offering

We are offering an unlimited number of Shares in a continuous private offering; *provided, however*, that we may terminate this offering at any time. The purchase price per Share will be \$1,000 until we begin determining our NAV per Share. We will commence determining our NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the purchase price per Share will vary and will equal our NAV per Share for the most recently completed calendar quarter, which we refer to as the transaction price. Once we begin determining our quarterly NAV per Share, we may offer Shares at a transaction price that we believe reflects the NAV per Share more appropriately than the prior quarter’s NAV per Share in cases where we believe there has been a material change (positive or negative) to the NAV per Share since the end of the prior quarter.

The Shares will not be listed on any securities exchange or any other trading market.

Minimum Investment

The minimum initial investment in Shares will be \$25,000, provided that such minimum amounts may be waived by the Dealer Manager.

Investor Suitability

Shares will be available for purchase only by investors who certify that they qualify as an “accredited investor,” as that term is defined by Rule 501(a) of the Securities Act, and who meet the minimum investment standards and any other investor suitability standards established by us.

Closings

We expect to hold closings on a monthly basis on the last business day of each month, provided that we may hold closings on different dates in our sole discretion.

Plan of Distribution

Wealthforge Securities, LLC, a FINRA-registered broker-dealer, will act as the Dealer Manager for this offering pursuant to a dealer manager agreement between us and the Dealer Manager (the “Dealer Manager Agreement”). Pursuant to the Dealer Manager Agreement, the Dealer Manager will identify and engage other FINRA-member

broker-dealers to participate in the distribution of the Shares in this offering (“Participating Dealers”).

This offering will be conducted on a “best efforts” basis, meaning that the Dealer Manager will only be required to use its best efforts to sell the Shares, and no underwriter, broker-dealer, Participating Dealer or other person will have any firm commitment or obligation to purchase any Shares.

Dealer Manager Fees

The Dealer Manager will be entitled to upfront dealer manager fees (“Dealer Manager Fees”) of up to 10.0% of (i) the fixed \$1,000 per Share price of each Share sold in this offering, and (ii) once we begin to determine a quarterly NAV per Share, the transaction price of each share of Common Stock sold in this offering; *provided, however*, that no Dealer Manager Fees will be paid with respect to Shares sold pursuant to the DRIP. All or a portion of the Dealer Manager Fees may be reallocated (paid) by the Dealer Manager to Participating Dealers.

The Dealer Manager Fees paid to the Dealer Manager will be paid as an operating expense of our company out of the gross per Share purchase price paid by investors.

For additional information, see “Plan of Distribution.”

Distributions

We intend to declare distributions as authorized by our board of directors (or a committee of the board of directors) and intend to pay such distributions on a monthly basis. Our distribution policy is set by our board of directors and is subject to change. We cannot guarantee the amount of distributions paid, if any.

For additional information, see “Description of Capital Stock—Distribution Policy.”

Distribution Reinvestment Plan

We have adopted the DRIP, whereby stockholders will have the cash distributions otherwise payable to them by us automatically reinvested in additional Shares unless they elect to receive such distributions in cash. Any cash distributions attributable to the Shares owned by participants in the DRIP will be immediately reinvested in additional Shares on behalf of the participants on the business day such distributions would have been paid to such stockholders. The per Share purchase price for Shares purchased pursuant to the DRIP will be \$1,000 until we begin determining a quarterly NAV per Share, which we will begin to do starting with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the per Share price for Shares purchased pursuant to the DRIP will be equal to the transaction price at the time the distribution is payable (which transaction price will generally be equal to our prior quarter’s NAV per Share). No Dealer Manager Fees will be payable in connection with the issuance of Shares pursuant to the DRIP.

Our board of directors may amend, suspend or terminate the DRIP for any reason at any time.

For additional information, see “Description of Capital Stock—Distribution Reinvestment Plan.”

Fees Payable to Adviser

Pursuant to the Advisory Agreement, we will pay our Adviser the following fees.

Management Fee.

We will pay our Adviser a monthly management fee (the “Management Fee”) in an amount equal to (i) until such time as we commence determining our NAV per Share,

1.5% of the gross proceeds to us from the sale of Shares in this offering in such month, and (ii) thereafter, one-twelfth (1/12) of 1.5% of our NAV for the applicable month. The Management Fee may be paid, at our Adviser's election, in either (i) cash or (ii) Shares or Operating Partnership units with an aggregate value equivalent to the cash fee otherwise payable (based upon the then-current NAV per share or Operating Partnership unit, as applicable, or, prior to the date that we commence determining a quarterly NAV, \$1,000 per Share or Operating Partnership unit, as applicable). See "Management—Fees to our Adviser—Management Fee."

Acquisition Fees

We will pay our Adviser a fee equal to 1.0% of the gross purchase price, inclusive of associated acquisition expenses and the amount of any debt assumed by us or the Operating Partnership in connection with the acquisition, for each investment in real property that we acquire (including investments contributed to the Operating Partnership in exchange for Operating Partnership units and excluding investments in real estate-related securities) (the "Acquisition Fee"). With respect to investments contributed to the Operating Partnership in exchange for Operating Partnership units, the "gross purchase price" for purposes of calculating the Acquisition Fee will be equal to the agreed upon value of the contributed investment used for purposes of determining the units to be issued to the contributor. No Acquisition Fee will be paid with respect to investments acquired from Versity or its affiliates. The Adviser may waive or defer the Acquisition Fee in whole or in part in its sole discretion.

Disposition Fees

We will pay our Adviser a fee equal to 1.0% of the sales price of each investment in real property sold or otherwise disposed of, including sales of one or more investments in portfolios (the "Disposition Fee"). The Adviser may waive or defer the Disposition Fee in whole or in part in its sole discretion.

For additional information, see "Management—The Adviser and the Advisory Agreement."

Property Management Services

We expect to enter into property management agreements with Book and Ladder, LLC, a California limited liability company and an affiliate of Versity (the "Property Manager"), with respect to the management and leasing of certain of our properties. The Property Manager was founded in 2020 by key members of Versity's management team as a fully-integrated property management company handling all aspects of multifamily and student housing property management.

Pursuant to the property management agreement with respect to each property managed by the Property Manager, we will pay the Property Manager a management fee at or below the percentage of gross revenues of the property that is usual and customary for comparable property management services rendered to similar properties in the same geographic market. To a lesser extent, we may also engage experienced third-party property managers, particularly with respect to properties located in markets where the Property Manager does not have a pre-existing market presence. We will pay such third-party property managers customary management fees at or below market rates.

Other Services

We may retain and compensate third parties, including certain of our Adviser's affiliates, from time to time for services relating to our investments or operations (in addition to the property management services discussed above), which may include accounting and audit services, account management services, data management services, information technology services, finance/budget services, human resources,

legal services, operational services, risk management services, tax services, treasury services, loan management services, construction management services, transaction support services, consulting services, architectural services, development management services, insurance services, and services related to other similar operational matters. Any fees or other compensation we pay in connection with such arrangements will be at or below market rates. Any such compensation paid to the Advisor's affiliates for any such services will not reduce the Management Fee payable to our Adviser or the performance participation allocation to the Special Limited Partner (as discussed below).

Special Limited Partner's Performance Participation Allocation

The Special Limited Partner holds a performance participation interest in the Operating Partnership (the "Performance Participation Allocation") that entitles it to receive, for so long as the Advisory Agreement remains in effect, an allocation from our Operating Partnership equal to 20% of the Total Return, subject to an 8% Hurdle Amount and a High Water Mark (each term as defined herein). Such allocation is made annually and accrues monthly.

For additional information, see "Summary of Our Operating Partnership Agreement—Special Limited Partner Interest."

Adviser Expenses

The Adviser will be responsible for, and will receive no reimbursement from us or the Operating Partnership with respect to, any expenses related to any personnel of our Adviser or its affiliates who provide investment advisory services to us or the Operating Partnership pursuant to the Advisory Agreement (including each of our officers and directors who are also directors, officers or employees of our Adviser or any of its affiliates), including, without limitation, salaries, bonuses and other wages, payroll taxes and the cost of employee benefit plans and insurance with respect to such personnel.

Organizational and Offering Expenses

The Adviser will pay on our behalf all costs and expenses in connection with our formation, the formation of the Operating Partnership or any of our respective subsidiaries, and the offer and sale of the Shares, including, without limitation, legal, accounting, printing, mailing, filing fees, and other costs and expenses ("Organization and Offering Expenses"). We will reimburse our Adviser for such Organization and Offering Expenses incurred by our Adviser on our behalf; *provided, however*, that the aggregate Organization and Offering Expenses reimbursed by us to our Adviser will not at any time exceed an amount equal to 1.5% of the gross offering proceeds from the sale of Shares in this offering (measured as of the date of each reimbursement of Organization and Offering Expenses). The Adviser may elect to receive reimbursement of Organization and Offering Expenses in cash or in Shares or Operating Partnership units with an equivalent value (based upon the then-current NAV per Share or Operating Partnership unit, as applicable, or, prior to the date that we commence determining a quarterly NAV, \$1,000 per Share or Operating Partnership unit, as applicable). The Adviser may, in its sole discretion, defer or waive reimbursement of all or any portion of any Organization and Offering Expenses incurred by our Adviser on our behalf.

Operating Expenses

We will reimburse our Adviser or its affiliates for all operating costs and expenses incurred by our Adviser or its affiliates on behalf of us or the Operating Partnership, including, without limitation, acquisition expenses, expenses associated with managing, developing, operating and selling our investments, fees paid to attorneys, consultants, technology providers and other services providers and salaries and other personnel-related expenses related to non-investment advisory services provided to us by our Adviser (excluding any expenses of our Adviser as discussed in "Adviser Expenses" above).

Share Repurchase Plan

We have adopted our SRP, whereby our stockholders will be able to request that we repurchase all or a portion of their Shares on a quarterly basis. Shares will not be eligible for repurchase until the stockholder requesting the repurchase has held such Shares for at least 12 months, provided that such minimum holding period requirement may be waived in the case of Shares issued pursuant to the DRIP and repurchase requests resulting from the death of a stockholder. In addition, stockholders who receive Shares in exchange for redeemed Operating Partnership units will be allowed to include the time period that such Operating Partnership units were previously held for purposes of the 12-month minimum holding period.

Shares that have been outstanding for more than 12 months but less 24 months will be repurchased pursuant to our SRP at a repurchase price per Share equal to ninety percent (90%) of: (i) \$1,000 until such time as we begin determining a quarterly NAV per Share, and (ii) thereafter, the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date).

Shares that have been outstanding for at least 24 months will be repurchased pursuant to our SRP at a repurchase price per Share equal to the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date).

We are not obligated to repurchase any Shares and we may choose to repurchase only some, or none, of the Shares that have been requested to be repurchased in any quarter in our discretion. Total repurchases pursuant to our SRP will initially be limited to no more than 5.0% of our outstanding Shares per calendar quarter. Once we begin determining an NAV per Share, the aggregate NAV of total repurchases of Shares pursuant to our SRP will be limited to no more than 5% of our aggregate NAV per calendar quarter (measured using the average aggregate NAV attributable to stockholders as of the end of the immediately preceding three months).

Our board of directors may make exceptions to, modify, suspend or terminate our SRP if it deems such action to be in our best interests and those of our stockholders.

For additional information, see “Share Repurchases.”

NAV Calculation

We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. The Adviser will be responsible for calculating our NAV in accordance with the valuation guidelines adopted by our board of directors. The Adviser will calculate our NAV per Share as of the last calendar day of each quarter by dividing our NAV at the end of each quarter by the number of Shares outstanding at the end of such quarter. The NAV calculation will generally be available within 15 calendar days after the end of the applicable quarter.

Our NAV will be based on the net asset values of our investments, the addition of any other assets (such as cash on hand), and the deduction of any other liabilities. RERC, LLC, an independent valuation firm, has been selected by our Adviser and approved by our board of directors to serve as our independent valuation advisor. Our independent valuation adviser will prepare the annual appraisals of our properties that our Adviser will consider when calculating our NAV.

For additional information, see “Net Asset Value Calculation and Valuation Guidelines.”

Reports to Stockholders

We will provide stockholders with:

- confirmation statements (after transactions affecting your Share ownership, except reinvestment of distributions in Shares);
- a quarterly statement providing material information regarding each stockholder's participation in the DRIP and an annual statement providing tax information with respect to income earned on Shares under the DRIP for the calendar year;
- 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; and
- an annual report (including audited consolidated financial statements as of the previously completed fiscal year prepared in accordance with GAAP), within 120 days after the end of each fiscal year or as soon as practicable thereafter (commencing with the year ended December 31, 2023).

Depending on legal requirements, we may post the foregoing information on our password-protected investor relations website, www.versityreit.com, or provide this information to our stockholders via U.S. mail or other courier, electronic delivery, or some combination of the foregoing.

Our quarterly NAV per Share, once we begin to determine it, will be posted on our password-protected website promptly after it has become available.

Tax Considerations

We intend to elect and qualify to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, we intend to operate in such a manner as to qualify for taxation as a REIT under the applicable provisions of the Code so long as our board of directors determines that REIT qualification remains in our best interest.

The tax consequences to any particular stockholder of holding Shares will depend on the stockholder's particular tax circumstances. **You are urged to consult your own tax advisors concerning the U.S. federal income tax consequences in light of your particular situation as well as consequences arising under the laws of any other taxing jurisdiction.**

For additional information, see "U.S. Federal Income Tax Considerations."

Additional Regulatory Considerations

We intend to engage primarily in the business of investing in real estate and to conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act").

For additional information, see "Certain Regulatory Considerations—Investment Company Act of 1940."

The section of this Memorandum titled "Certain ERISA Considerations" describes the effect that the purchase of Shares will have on individual retirement accounts ("IRAs") and retirement plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code.

For additional information, see "Certain ERISA Considerations."

Risk Factors

AN INVESTMENT IN SHARES INVOLVES A HIGH DEGREE OF RISK.
There can be no assurance that our investment objectives will be achieved.

For additional information, see “Risk Factors.”

Auditors

We have engaged CohnReznick, LLP to act as our independent auditors and prepare our annual audited financial statements.

INVESTMENT STRATEGY AND PROCESS

INVESTMENT OBJECTIVES

Our primary investment objectives are to:

- provide our stockholders with access to the student housing market;
- preserve and protect invested capital;
- provide reliable, predictable cash distributions; and
- realize appreciation in our NAV from proactive investment management and asset management.

We cannot assure you that we will achieve our investment objectives. See “Risk Factors.”

INVESTMENT STRATEGY

Overview

We intend to acquire and actively manage a diversified portfolio of stabilized, income-oriented student housing properties located in the United States near Top 100 Colleges (as ranked by U.S. News and World Reports) with enrollments of over 20,000 students. We will focus on investments in core, stabilized student housing properties, however we may also selectively invest in development or value-add student housing properties. To a lesser extent, we may also invest in real estate-related securities in order to provide current income and a source of liquidity for our SRP, cash management and other purposes. At all times, we intend to make investments in a manner consistent with maintaining our qualification as a REIT.

Investment Guidelines and Portfolio Allocations

Our board of directors has adopted investment guidelines which set forth, among other things, guidelines for investing in our targeted types of student housing properties and certain investment policies which we describe in more detail below. Our board of directors will review the investment guidelines on an annual basis or more frequently as it deems appropriate. Changes to our investment guidelines must be approved by our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors. Our board of directors may revise our investment guidelines without the consent or approval of our stockholders.

Our investment guidelines delegate to our Adviser authority to execute acquisitions and dispositions, in each case so long as such acquisitions and dispositions are consistent with the investment guidelines adopted by our board of directors. Our board of directors will at all times have oversight over our investments and may change from time to time the scope of authority delegated to our Adviser with respect to acquisitions and dispositions.

Pursuant to the Investment Guidelines, our Adviser may not execute any acquisition of any property or group of related properties requiring a net investment (including anticipated financing, which may not be in place at the time of acquisition) at the time of acquisition that is in excess of the greater of (i) \$100 million or (ii) if our NAV exceeds \$1 billion, 10% of total NAV at the time of acquisition, without the prior approval of a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors.

Over time we will seek to invest:

- At least 80% of our assets in student housing properties; and

- up to 20% of our assets in real estate-related securities, cash, cash equivalents and other short-term investments.

Notwithstanding the foregoing, the actual percentage of our portfolio that is invested in each investment type may from time to time differ significantly from the allocation targets set forth above due to various factors, including without limitation, large inflows of capital over a short period of time, our Adviser's assessment of the relative attractiveness of available investment opportunities or an increase in anticipated cash requirements or Share repurchase requests. We may not expect to be able to achieve the allocation targets set forth above until we have raised substantial proceeds in this offering and acquired a broad portfolio of our target investments in student housing properties. In addition, our allocation targets will in all cases be subject to any limitations or requirements relating to our intention to be treated as a REIT for U.S. federal income tax purposes. Certain investments, such as preferred equity investments, could be characterized by us for purposes of our allocation targets as either real estate or real estate debt depending on the terms and characteristics of such investments.

Property Management

The Property Manager was founded in 2020 by key members of Versity's management team as a fully-integrated property management company handling all aspects of multifamily and student housing property management. As of the date hereof, the Property Manager manages over 7,500 student housing beds across seventeen properties located in twelve states with a combined market value in excess of \$800 million. The Property Manager's goal is to provide an atmosphere that inspires the imagination and intellect of every resident, and where delivering that experience is a passion.

We expect to enter into property management agreements with the Property Manager for the management and leasing of certain of our student housing properties. Pursuant to the property management agreement with respect to each property managed by the Property Manager, we will pay the Property Manager a management fee at or below the percentage of gross revenues of the property that is usual and customary for comparable property management services rendered to similar properties in the same geographic market. To a lesser extent, we may also engage experienced third-party property managers, particularly with respect to properties located in markets where the Property Manager does not have a pre-existing market presence. We will pay such third-party property managers customary management fees at or below market rates.

Form of Ownership

The Operating Partnership or one or more subsidiary entities controlled by the Operating Partnership will acquire properties on our behalf. In many cases, we will acquire the entire equity ownership interest in properties and exercise control over such properties. However, as discussed below, we may also enter into joint ventures, general partnerships, co-tenancies and other participation arrangements with other investors, including affiliates of Versity, to acquire properties. We generally will acquire fee simple interests for the properties (in which we own both the land and the building improvements), but we may invest in leased fee and leasehold interests if we believe the investment is consistent with our investment strategy and objectives.

Joint Ventures and Other Co-Ownership Arrangements

We may enter into joint ventures, partnerships, tenant-in-common investments or other co-ownership arrangements with entities sponsored, advised or managed by, or otherwise affiliated with, our Adviser as well as third parties for the acquisition or improvement of properties. In some cases, we may not control the management of the affairs of the joint venture. In determining whether to invest in a particular joint venture, our Adviser will evaluate the real property that such joint venture owns or is being formed to own under the same criteria described herein for our selection of investments in properties.

The terms of any particular joint venture will be established on a case-by-case basis considering all relevant facts, including the nature and attributes of the potential joint venture partner, the proposed structure of the joint venture, the nature of the operations, the liabilities and assets associated with the proposed joint venture and the size of our interest in the venture. Other factors we will consider include our ability to manage and control the joint venture, our

ability to exit the joint venture and our ability to control transfers of interests held by other partners to the venture. Our interests may not be totally aligned with those of our partner.

In the event that the joint venture partner elects to sell property held in any such joint venture, we may not have sufficient funds to exercise any right of first refusal or other purchase right that we may have. Entering into joint ventures with affiliates of our Adviser will result in certain conflicts of interest.

Disposition Policies

Our investment strategy is not reliant on prompt sale of the properties we acquire and our strategy is generally to buy and hold properties. However, we may opportunistically exit an investment before the end of its anticipated hold period. One of our Adviser's primary considerations in evaluating any potential investment opportunity is the likely exit strategy. When determining whether to sell or otherwise dispose of a particular asset, the factors considered by our Adviser will include:

- Opportunities to enhance our overall investment returns by reallocating capital;
- Diversification benefits associated with disposing of the asset and rebalancing our portfolio;
- Underperforming assets or assets with declining value;
- Opportunities to pursue an asset that is more consistent with our investment strategy;
- Assets acquired as part of a portfolio acquisition that do not meet our investment objectives;
- The need to liquidate assets in order to satisfy repurchase requests, pay distributions, or for working capital; and
- Any other factor deemed relevant in the judgment of our Adviser.

The Adviser believes that holding our target properties for an extended period of time will enable us to execute our business plan, generate favorable cash-on-cash returns and drive long-term cash flow and NAV growth.

Generally, we will reinvest proceeds from the sale, financing or disposition of properties in a manner consistent with our investment strategy, although we may be required to distribute such proceeds to the stockholders in order to comply with REIT requirements.

Investments in Securities

Overview

Our investments in securities will focus on debt secured by student housing properties and securities of other companies that own or invest in student housing properties, including, but not limited to, mortgage loans, mezzanine and other forms of debt and equity securities of REITs and other real estate-related companies. We expect that for any investment in such real estate related-assets, the underlying real estate will generally meet our criteria for direct investment.

Real Estate-Related Debt

We may invest in loans, which may include commercial mortgage loans, bank loans, mezzanine loans and other interests secured by or relating to student housing real estate. Commercial mortgage loans secured by real estate 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.

Mezzanine loans that we invest in may take the form of subordinated loans secured by a pledge of the ownership interests of either the entity owning the real property or an entity that owns (directly or indirectly) the interest in the entity owning the real property. The terms and conditions of each mezzanine loan will be negotiated by our Adviser on a case-by-case basis. Our investments in mezzanine loans may involve a higher degree of risk than mortgage lending because the investment may become unsecured as a result of foreclosure by the senior lender.

Equity Securities

We may invest in equity securities of REITs and other real estate-related companies that invest in student housing properties, including common stock and preferred equity securities. These investments will be subject to the risks of the real estate market and securities market. Investing in certain REITs and real estate-related companies, which often have small market capitalizations, may involve the same risks as investing in other small capitalization companies. REITs and real estate-related companies may have limited financial resources and their securities may trade less frequently and in limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

Cash, Cash Equivalents and Other Short-Term Investments

To a limited extent, we intend to hold cash, cash equivalents and other short-term investments. These types of investments may include the following, to the extent consistent with our intended qualification as a REIT:

- money market instruments, cash and other cash equivalents (such as high-quality short-term debt instruments, including commercial paper, certificates of deposit, bankers' acceptances, repurchase agreements, interest-bearing time deposits and credit rated corporate debt securities);
- U.S. government or government agency securities; and
- Credit-rated corporate debt or asset-backed securities of U.S. or foreign entities, or credit-rated debt securities of foreign governments or multi-national organizations, and bank loans.

Leverage Policies

General; Leverage Ratio

We intend to use financial leverage to provide additional funds to support our investment activities. The Adviser believes that the prudent use of leverage will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified investment portfolio.

We will seek to obtain both secured and unsecured debt. 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 financing 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, student housing properties or make other investments.

Our target leverage ratio after we have raised substantial proceeds from the sale of Shares and acquired a broad portfolio of real estate investments is approximately 75%. As used herein, "leverage ratio" is measured by dividing (x) the sum of our consolidated property-level debt and entity-level debt, net of cash and restricted cash, by (y) the asset value of our real estate investments and equity in our real estate-related securities portfolio (in each case measured using the greater of fair market value and cost), including our net investment in unconsolidated investments. The leverage ratio calculation does not include (i) indebtedness incurred in connection with funding a deposit in advance of the closing of an investment, (ii) indebtedness incurred as other working capital advances, (iii) indebtedness on investments in real estate-related securities, or (iv) the pro rata share of debt within our unconsolidated investments. Further, the refinancing of any amount of existing indebtedness will not be deemed to constitute incurrence of new indebtedness for purposes of the leverage ratio calculation so long as no additional amount of net indebtedness is incurred in connection therewith (excluding the amount of transaction expenses associated with such

refinancing). We may exceed the target leverage ratio set forth above. There is no limit on the amount that we may borrow with respect to any individual asset or with respect to our entire portfolio.

Our actual leverage level will be affected by a number of factors, some of which are outside our control. Significant inflows of proceeds from the sale of Shares generally will cause our leverage ratio to decrease at least temporarily. Conversely, significant outflows of equity as a result of repurchases of Shares generally will cause our leverage ratio to increase at least temporarily. Our leverage ratio will also increase or decrease with decreases or increases, respectively, in the value of our portfolio. If we borrow under a line of credit to fund repurchases of Shares or for other purposes, our leverage will increase and may exceed our target leverage ratio. In such cases, our leverage may remain at the higher level until we receive additional net proceeds from our continuous offering or sell some of our assets to repay outstanding indebtedness.

Temporary Strategies

During periods in which our Adviser determines that economic or market conditions are unfavorable to investors and a defensive investment strategy would be to our benefit, we may temporarily depart from our investment strategy as set forth herein. During these periods, subject to compliance with the Investment Company Act and any other applicable law, we may deviate significantly from our target investment allocations or invest all or any portion of our assets in U.S. government securities, including bills, notes and bonds that are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities; certificates of deposit issued against funds deposited in a bank or a savings and loan association; commercial paper; bankers' acceptances; fixed time deposits; shares of money market funds; credit-linked notes or any other fixed income securities that our Adviser considers consistent with such a defensive investment strategy. It is impossible to predict when, or for how long, our Adviser will use these alternative strategies. There can be no assurance that such strategies will be successful.

INVESTMENT ALLOCATION POLICIES

Versity or its affiliates may form, sponsor, manage or advise other investment funds, vehicles or programs ("Other Programs"), including Other Programs that may have the same or similar investment objectives as ours. To the extent that we compete for investment opportunities with Other Programs, Versity will have to allocate such investment opportunities to the entity for which such investment opportunities are most suitable. Versity intends to allocate investment opportunities on a basis that it believes is fair and reasonable in its sole discretion, subject to the following considerations:

- any applicable investment objectives of ours and such Other Programs (which, for us, includes our primary objective of providing current income in the form of regular, stable cash distributions);
- the sourcing of the investment;
- the size and nature of the investment;
- the relative amounts of capital available for investment by us and such Other Programs and the length of time that such funds have been available for investment;
- the geography, location, expected return profile, expected distribution rates, anticipated cash flows, expected stability or volatility of cash flows, leverage profile, risk profile, expected future capital expenditures and other features of the investment and its impact on portfolio concentration and diversification;
- avoiding allocation that could result in de minimis or odd-lot investments;
- any structural and operational differences between us and such Other Programs and any applicable investment limitations or parameters (including, without limitation, exposure limits and diversification considerations) of us and such Other Programs;
- the eligibility of us and such Other Programs to make such investment under applicable laws and to service any debt associated with the investment;

- any other applicable tax, accounting, legal, regulatory compliance or operational considerations deemed relevant by our Adviser and its affiliates (including, without limitation, maintaining our qualification as a REIT and our status as a non-investment company exempt from the Investment Company Act); and
- any other requirements contained in our corporate governance documents and such Other Programs and any other considerations deemed relevant by our Adviser and its affiliates in good faith.

From and after the date when our board of directors is comprised of a majority of independent directors, our independent directors will be responsible for reviewing the allocation policies described above and ensuring that they are applied fairly to us.

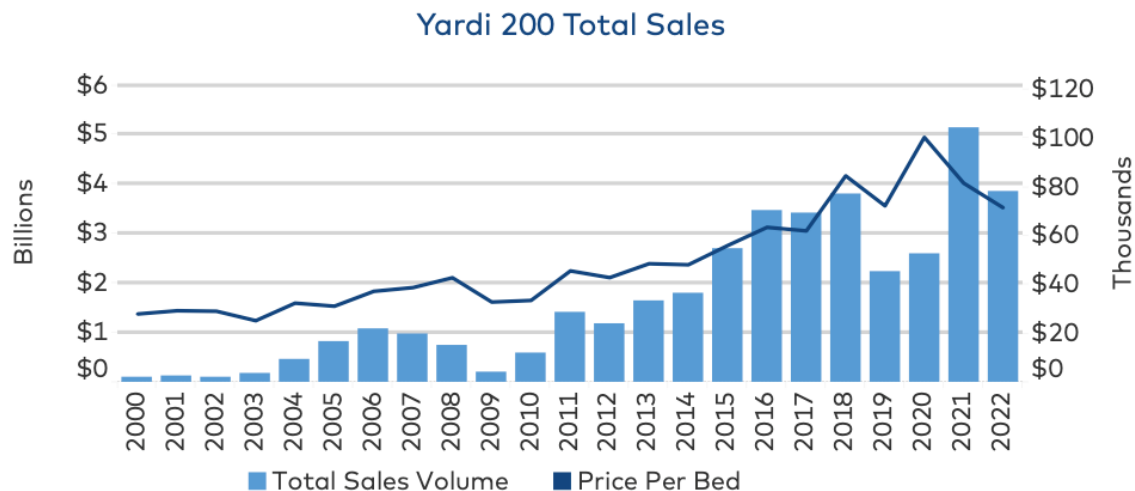
MARKET OPPORTUNITY

The Adviser believes that student housing properties of the type that we intend to acquire are attractive investment opportunities for the reasons discussed below.

Student Housing Market Overview

Student housing remains an ascendant asset class in the early stages of institutional adoption (Figure 1). Larger institutional and cross-border investors continue to be attracted to the category due to its favorable supply/demand characteristics as well as the sector's historical stability and resiliency of cash flows. Many of the questions coming out of the COVID pandemic were answered by the category in the 2021/2022 academic year. The 2022/2023 school year appears to have continued this trend. According to the Yardi Matrix 2022 Review & 2023 Outlook, fall preleasing for 2022 ended at a record 96.6% (2.3% ahead of the prior year).¹ Similarly, average rent per bedroom is \$789 as of September 2022 (a record high), 4.1% higher than the prior year.¹ Transaction volume (Figure 1) after the pandemic has continued its pre-pandemic upward trend. Capitalization rates for the category are largely unaffected by inflationary pressure in the economy as most transactions completed in the fall 2022 semester reflect pricing set earlier in the year.

Figure 1 – Source Yardi Matrix Student Housing Q4 2022 Report

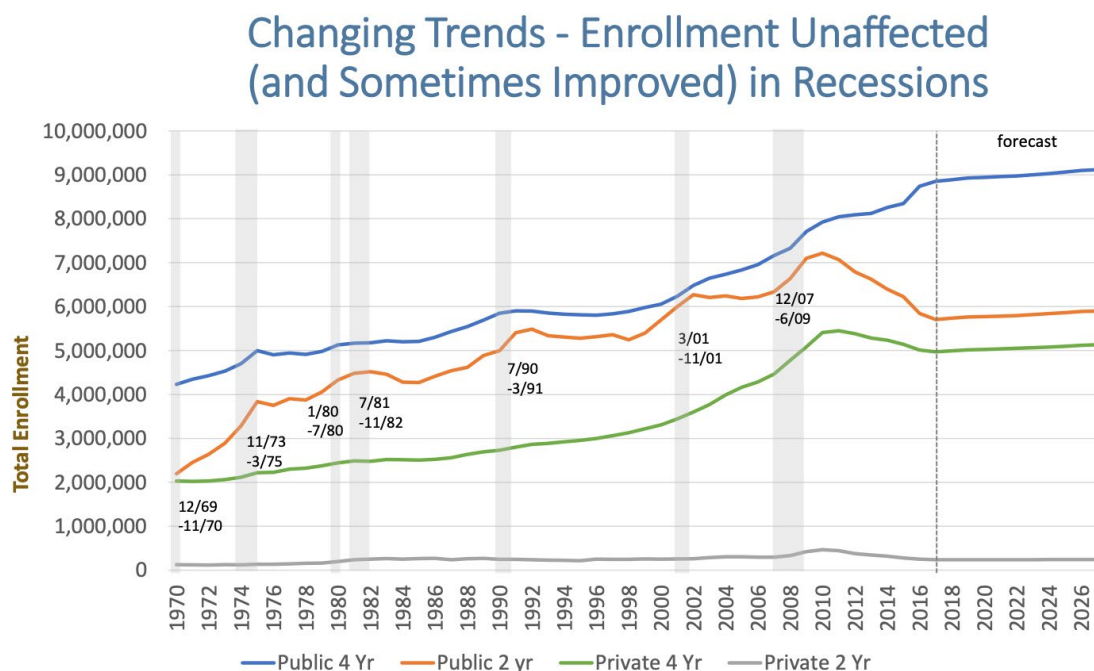


Source: Yardi Matrix

Demand Drivers for the Category

The historical stability of university enrollment (Figure 2) is driven by the economic advantage a college graduate has over non-college educated peers. According to the Bureau of Labor Statistics (BLS),² in 2021, median weekly earnings for those with four-year college degrees was 40% higher than those with only a high school diploma. The BLS further noted that the unemployment rate for those with a college degree in 2021 was 3.5%, versus 6.2% for those with a high school diploma only.²

Figure 2 – National Center for Educational Assistance



According to the National Center for Education Statistics, the post-secondary education market isn't one-size-fits-all. Enrollment tends to be most stable at public four-year universities. Public two-year schools tend to have far more volatility in enrollment followed by private four-year schools and finally private two-year institutions. Over 74% of U.S. college enrollment is at public two and four-year colleges and universities. This is in large part due to the affordability factor in choosing where to further one's education. According to data gathered by the Education Data Initiative, the average annual tuition at a public four-year school is less than a fourth of that of a private four-year school (\$9,377 vs \$37,641).³ This data is for in-state enrollees and excludes food and housing.

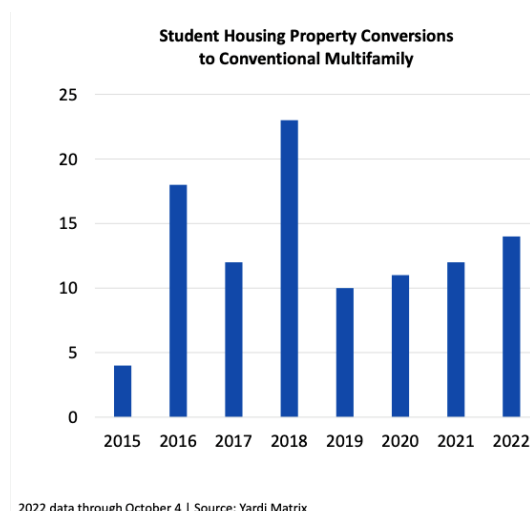
The lifetime earning advantage is not the only factor that drives the decision for many to attain post-secondary higher learning. Societal pressures and the "rite of passage" argument also play a role. Regardless of the factor, there is clearly more stability in enrollment at universities with a return-on-investment (ROI) advantage. The ROI variable ultimately guides most undergraduates when determining where to attend college, with the understanding that, to remain competitive and maximize lifetime earnings, one needs a college degree. For this reason, our Adviser is bullish on Power Five athletic conference schools with enrollment above 20,000 students that appear on the US News & World Report Top 100 Schools list.

Student Housing Supply

According to a 2021 report published by The Hope Center for College, Community, and Justice at Temple University,⁴ 48% of students at four-year universities experienced housing insecurity, up from 35% in 2019. Further, 14% had experienced homelessness. According to a 2020 report from UCLA, one in twenty University of California students experienced homelessness. For community college students, the number was one in five. This is due, in part, to supply/demand imbalances in extremely tight inner-city markets such as University of California at Berkeley and a lack of on-campus housing. A lack of on-campus options at many schools has forced more students into the off-campus purpose-built, conventional and shadow market. This market has been strained in recent years by low interest rates and loosening borrowing standards. A 2020 Freddie Mac report estimated that, as of the fourth quarter of 2020, the U.S. had a housing supply deficit of 3.8 million units, which has driven further tightening in the off-campus housing market.

The future points to a continued tight market for renters. While some of this can be attributed to enrollment growth at Tier 1, Power 5 conference schools with national name recognition, housing conversions are also playing a role (Figure 3).

Figure 3 – Yardi Matrix



Conversions from student housing to conventional multifamily continue amidst the tighter housing supply environment, rising interest rates, and inflationary pressure on raw materials and labor making new construction of supply more difficult than conversions.

Performance as an inflation hedge

The student housing category is colloquially referred to as “recession resilient” due to long-term trends in university enrollment and the economic value of a college education. From 1955 to 2015, enrollment at postsecondary institutions grew from 2.4 million students to 19.1 million.⁵ During the Great Recession, enrollment increased from 17.2 million students to 20.4 million.⁵ According to a recent study by The Georgetown University Center on Education and the Workforce, a bachelor’s degree is worth \$2.8 million over a lifetime.⁶

The student housing category is unique in that marries the familiarity of the multifamily asset class with economic centers (universities) that date back, in some cases, over 200 years. Using privately syndicated 1031-exchange data collected by Mountain Dell Consulting as a proxy for investor taste/demand, in 2021, 49% of all 1031 exchange transactions ended in a multifamily trade.⁷ The next closest category was retail at 13.25%. Student housing has only been distinguished from multifamily for purposes of such statistics in the last two years and today makes up close to 3% of transaction volume.

Unlike their conventional multifamily peers, student housing properties generally don’t have to contend with changing demographic and business center shifts. The Adviser believes that universities in business today will be in business well into the foreseeable future. Investors in the category lean heavily on proximity to campus, age of product, amenities mix and, most importantly (according to most students), quality of Wi-Fi for competitive advantage. Factoring these considerations in to any model, operators look to the historical stability of university enrollment as a guide for the future stability in recessions and inflationary periods, especially at high ROI four-year public universities.

Future Trends

The Adviser believes students will continue to push for purpose-built campus adjacent properties that offers lower-density options (*i.e.*, bed/bath parity) at the higher-end while universities struggle with the important issues of housing and food security.

Finally, our Adviser expects the continued proliferation of 12-month leases and parental guarantees to make the student housing category attractive to institutional investors.

Citations:

- ¹ Yardi Matrix – *National Student Housing Report, Fourth Quarter, 2022* (Nov 2022): <https://www.yardimatrix.com/publications/download/file/2931-MatrixStudentHousingReport-Q42022>
- ² Bureau of Labor Statistics – *Employment Projections* (Sep 2022): <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>
- ³ Education Data Initiative – *Average Cost of College & Tuition* (Oct 2022): <https://educationdata.org/average-cost-of-college>
- ⁴ The Temple News – *Hope Center reports on students' basic needs insecurity during pandemic* (Apr 2021): <https://temple-news.com/hope-center-reports-on-students-basic-needs-insecurity-during-pandemic/>
- ⁵ US Census Bureau – *Postsecondary Enrollment Before, During, and Since the Great Recession* (Apr 2018): <https://www.census.gov/content/dam/Census/library/publications/2018/demo/P20-580.pdf>
- ⁶ The Georgetown University Center on Education and the Workforce – *The College Payoff: Education, Occupations, Lifetime Earnings* (2011): (<https://files.eric.ed.gov/fulltext/ED524299.pdf>)
- ⁷ Institute for Portfolio Alternatives – *1031 Market Update* (April 2021) https://www.ipa.com/wp-content/uploads/2021/04/IPAWebinar_April_29_2021.pdf

THE SPONSOR AND PRIOR PERFORMANCE

SET FORTH BELOW IS CERTAIN INFORMATION REGARDING PRIOR INVESTMENTS IN WHICH VERSITY AND ITS AFFILIATES AND PREDECESSORS WERE INVOLVED. IN CONSIDERING THE INFORMATION SET FORTH BELOW, PROSPECTIVE INVESTORS SHOULD KEEP IN MIND THAT (1) SUCH PERFORMANCE IS HISTORICAL AND RELATES TO PROGRAMS AND INVESTMENTS WITH INVESTMENT OBJECTIVES THAT MAY DIFFER FROM OUR INVESTMENT OBJECTIVES AND WHICH WERE SUBJECT TO FEES, EXPENSES AND REGULATIONS WHICH MAY DIFFER FROM THOSE TO WHICH WE WILL BE SUBJECT, (2) THE PRIOR INVESTMENTS WERE MADE OVER THE COURSE OF VARIOUS MARKET AND MACROECONOMIC CYCLES AND SUCH CIRCUMSTANCES MAY BE DIFFERENT THAN THOSE IN WHICH WE WILL INVEST, (3) PAST PERFORMANCE, INCLUDING, WITHOUT LIMITATION, THE PERFORMANCE OF PRIOR INVESTMENTS AND INVESTMENT VEHICLES SET FORTH HEREIN, IS NOT INDICATIVE OF OUR FUTURE RESULTS, (4) THERE CAN BE NO ASSURANCE THAT WE WILL ACHIEVE COMPARABLE RESULTS TO ANY PRIOR INVESTMENTS OR INVESTMENT VEHICLES DISCUSSED HEREIN OR BE ABLE TO ACHIEVE OUR INVESTMENT OBJECTIVES, AND (5) INVESTORS IN SHARES WILL NOT, SOLELY BY VIRTUE OF SUCH INVESTMENT, MAKE AN INVESTMENT IN, OR OTHERWISE OBTAIN ANY INTEREST IN, ANY INVESTMENT OR INVESTMENT VEHICLE DISCUSSED BELOW. AN INVESTMENT IN THE SHARES INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS."

Versity and its Predecessor

Versity is a real estate company focused on acquiring and operating multifamily and student housing properties. Versity was founded in 2022 by Blake W. Wettengel, our Chairman of the Board and President. Mr. Wettengel and certain other key members of our management team were previously principals and executive officers of Versity's predecessor company, which Mr. Wettengel co-founded in 2007. Since that time, Mr. Wettengel, through Versity and its predecessor, has sponsored 49 other private placement programs, which have raised over \$1 billion in equity from over 3,000 investors for the purpose of investing in student housing and multifamily properties. As of the date hereof, Versity and its affiliated companies own or manage 35 student housing and multifamily properties located throughout the United States with approximately 4,500 units and over 10,500 beds.

Active Multifamily Investments

The tables below set forth summary information regarding the properties acquired by vehicles formed or managed by Versity and its predecessor entities, as of the date hereof (unless otherwise indicated). The Property Manager, an affiliate of Versity, serves as the property manager for the majority of the properties discussed below.

As used in the table:

- "DST" means that the property is held by a Delaware Statutory Trust (DST), and that investors hold beneficial interests in trust. Versity or an affiliate is the trustee of each DST.
- "LLC" means that the property is held by a limited liability company (LLC), and that investors hold membership interests in such limited liability company. Versity or its affiliate is the manage/managing member of each LLC.
- "TIC" means that the property is held by the owners as Tenants-in-Common. Versity or its affiliate has broad latitude in managing all aspects of the purchase, financing, management, operation and sale of the TIC properties.

- “Purchase Price” represents the purchase price paid for the property, plus all estimated costs and expenses related to the acquisition and financing, all estimated costs and expenses related to the offering and any initial contribution to reserve accounts, if applicable.
- “Pre-COVID Yield” rates reflect the respective property’s ability to fund distributions prior to April 2020 and reflect the strength of such property prior to the impact of the COVID-19 pandemic. Annualized calculations are based on distributions made in March 2020 and include loan amortization, if any, for the same period.
- “Current Yield” rates reflect the impact of the COVID-19 pandemic on the respective property’s ability to fund distributions paid or to be paid for April 2021. Annualized calculations are based on distributions made or to be made in May 2021 and include loan amortization, if any, for the same period.
- “Loan to Purchase Price Ratio” reflects the original loan-to-offering price as reflected in the private placement memorandum for that property.
- “Actual Cash-on-Cash Returns” have been calculated by annualizing the returns obtained by dividing the amounts distributed or to be distributed to investors for the current calendar year up to the date of this Memorandum by the total equity invested in the property. The Actual Cash on Cash return calculation includes both stated and bonus rents paid or to be paid to in accordance with the terms of the master lease for each property.
- “Projected Cash-on-Cash Proforma Return” reflects the original return forecasts made in the respective private placement memorandum for the current academic school year, typically the period from September through August, or for the current fiscal year for the property, as the case may be.

PREVIOUSLY SYNDICATED STUDENT HOUSING ASSETS MASTER LEASE PROPERTIES (ACTIVE)									
Property	School/City	Acquisition Date	Total Equity Invested	Loan To Purchase Price Ratio	Purchase Price	Pre-COVID Yield	Current Yield	Actual Cash-on-Cash Return	Projected Cash-on-Cash Proforma Return
One on 4th DST	Oklahoma State University	8/1/22	\$ 30,922,808	47.07%	\$ 58,422,808	n/a	4.32%	4.32%	4.32%
Hayworth Tanglewood, DST	Houston, TX	6/7/22	\$ 76,767,365	38.47%	\$ 124,767,365	n/a	4.05%	4.05%	4.05%
The Walk, DST	University of Alabama	4/29/22	\$ 27,834,000	52.99%	\$ 52,528,414	n/a	4.26%	4.26%	4.26%
Vintage, DST	Celebration, Florida	4/12/22	\$ 87,963,540	37.30%	\$ 140,309,540	n/a	4.22%	4.22%	4.22%
4th and J, DST*	San Diego, CA	10/28/21	\$ 49,590,628	40.68%	\$ 83,590,628	n/a	4.00%	4.00%	4.00%
Oakbrook, DST*	Louisiana State University	09/30/21	\$ 18,899,007	52.42%	\$ 39,719,007	n/a	5.68%	5.68%	5.68%
Shadowglen, DST*	Austin, Texas	06/31/21	\$ 26,893,742	45.00%	\$ 48,893,742	n/a	4.51%	4.51%	4.51%
Inspire on 22nd, DST*	University of Texas at Austin	06/14/21	\$ 41,886,885	48.25%	\$ 80,936,885	n/a	5.34%	5.34%	5.34%
Astoria, DST*	Celebration Florida	05/28/21	\$ 45,309,583	49.27%	\$ 89,309,583	n/a	5.18%	5.18%	5.18%

Wolf Run, DST*	University of Nevada Reno	03/15/21	\$ 28,403,007	51.86%	\$ 59,003,007	n/a	6.05%	6.05%	6.05%
Campus Walk, DST*	Chico State University	12/20/19	\$ 10,672,053	51.32%	\$ 21,922,053	5.25%	4.00%	4.00%	5.25%
Rockland, DST*	University of Kansas	10/09/19	\$ 20,129,750	49.50%	\$ 40,182,750	6.20%	1.00%	1.00%	6.20%
The Nine, DST*	University of Memphis	06/16/19	\$ 14,376,532	55.28%	\$ 32,146,532	0.00%	0.00%	0.00%	6.25%
Tailor Lofts, DST*	University of Illinois-Chicago	02/22/19	\$ 32,014,541	54.27%	\$ 70,014,541	5.50%	2.00%	2.00%	5.50%
345 Flats, DST*	Kent State University	11/30/18	\$ 19,395,880	39.66%	\$ 32,145,880	6.15%	3.60%	3.60%	6.15%
The Buckingham, DST*	Various	11/02/18	\$ 44,326,195	50.54%	\$ 89,626,195	6.25%	0.00%	0.00%	6.25%
Element, DST*	Sacramento State University	10/19/17	\$ 38,575,350	65.34%	\$ 81,885,000	6.10%	5.45%	5.45%	6.10%
Grant Street, DST	Purdue University	04/20/17	\$ 19,208,883	64.40%	\$ 40,592,500	6.60%	4.00%	4.00%	6.60%
CP Cincy, DST	University of Cincinnati	12/28/17	\$ 13,253,255	55.13%	\$ 17,400,000	6.25%	0.00%	0.00%	6.25%
Molly Barr, DST	University of Mississippi	09/23/16	\$ 11,299,699	65.00%	\$ 22,273,751	4.00%	4.00%	0.00%	6.85%
Red Mountain, DST	Dixie State University	09/17/15	\$ 3,642,944	75.18%	\$ 8,446,000	9.45%	2.25%	0.00%	7.75%
Tuscany Place, DST	Brigham Young University - Idaho	07/24/15	\$ 4,978,400	75.00%	\$ 10,350,000	6.20%	8.37%	5.00%	7.50%
The Plaza, DST	University of Colorado - Boulder	05/05/15	\$ 8,530,000	76.30%	\$ 24,771,500	10.15%	10.15%	7.25%	7.50%
Darby Row, DST	Notre Dame University	02/25/14	\$ 2,076,000	73.54%	\$ 5,408,500	7.20%	3.20%	0.00%	8.00%

* Property is managed by the Property Manager, an affiliate of Versity.

PREVIOUSLY SYNDICATED STUDENT HOUSING ASSETS NON-MASTER LEASE AND VALUE-ADD PROPERTIES (ACTIVE)									
Property	School	Acquisition Date	Total Equity Invested	Loan To Purchase Price Ratio	Purchase Price	Pre-COVID Yield	Current Yield	Actual Cash-on-Cash Returns	Projected Cash-on-Cash Proforma Returns
University Park, LLC*	University of California Berkeley	02/28/20	\$ 20,161,880	56.79%	\$ 46,661,880	-	-	-	-
The Ruckus, LLC*	Washington State University	06/20/19	\$ 4,550,000	0.00%	\$ 4,550,000	-	-	-	-
The Ridge, TIC*	West Virginia University	07/11/18	\$ 9,483,792	68.67%	\$ 19,783,792	6.25%	0.00%	0.00%	6.25%
9 and 9, TIC	Brigham Young University	12/26/13	\$ 1,522,750	67.23%	\$ 3,745,250	1.30%	1.30%	0.00%	8.00%

* Property Is managed by the Property Manager, an affiliate of Versity.

Full-Cycle Investments

The following table presents information regarding the completed programs sponsored by Versity or its predecessors as of the date hereof.

Property	Purchase Date	Sale Date	Hold (Years)	Purchase Price	Sales Price	IRR (1)	Total Return (2)
Chateau Sera, TIC	January 2012	July 2015	3.29	\$7,496,000	\$10,403,000	22.87%	87.68%
Aggie Flats, TIC	March 2013	June 2017	4.31	\$4,274,000	\$7,210,000	13.19%	58.83%
Meadowview, LLC	October 2012	June 2017	4.70	\$23,300,000	\$36,500,000	12.12%	45.69%
University Gardens, TIC	January 2013	February 2017	3.80	\$8,063,000	\$13,905,000	17.17%	76.77%
Venice ALF Fund, LLC	May 2011	February 2018	6.92	\$9,900,000	\$9,169,000	10.75%	100.65%
Chateau Sera DST	July 2015	March 2019	3.73	\$11,794,000	\$13,500,000	10.11%	38.44%
University Downs	November 2013	January 2019	5.32	\$4,843,000	\$10,500,000	12.72%	87.47%
Duck Flats, TIC	January 2012	April 2022	10.50	\$3,274,000	\$4,000,000	5.69%	58.82%
Duck Lofts, TIC	November 2010	April 2022	11.50	\$3,878,900	\$4,650,000	7.33%	76.16%
Sawmill, TIC	August 2016	May 2022	5.80	\$43,672,474	\$61,250,000	15.64%	91.30%
The Stretch, TIC	June 2019	June 2022	3.00	\$19,395,583	\$23,100,000	10.43%	33.85%

- (1) IRR (Internal Rate of Return) is based on total proceeds from distributions and gross proceeds from the sale of the asset.
- (2) Total Return is calculated by dividing (i) the sum of distributions to investors plus the proceeds from the sale of the asset returned to investors, by (ii) capital invested in the program.

Prior Real Estate Investment Funds

The table below sets forth certain information regarding prior real estate investment funds sponsored by Versity or its predecessors.

Fund	Schools	Offering Date	Total Equity	Pre-COVID Yield	Current Cash on Cash Returns	Projected Cash-on-Cash Proforma Returns
NB Private Capital Income Fund I, LLC (1)	n/a	11/1/20	\$ 1,199,357	n/a	7.00%	7.00%
Versity Income Fund II, LLC (2)	n/a	10/12/21	\$ 3,345,000	n/a	10.00%	7.00%
Versity Student Housing RIA REIT, Inc. (3)	-	-	-	-	-	-

- (1) NB Private Capital Income Fund II, LLC is a short-term income producing fund that provides growth capital to the firm in a historic time of growth potential. Distributions have not been impacted by COVID.
- (2) Versity Income Fund II, LLC is a short-term income producing fund that provides growth capital to the firm in a historic time of growth potential. Distributions have not been impacted by COVID.
- (3) Versity Student Housing RIA REIT, Inc. is a perpetual-life fund also managed by our Adviser that intends to acquire and actively manage a diversified portfolio of stabilized income-oriented student housing properties located in the United States. As of the date hereof, Versity Student Housing REIT, Inc. has not commenced raising capital or acquired any properties. We intend to co-invest in certain properties with Versity Student Housing RIA REIT, Inc.

MANAGEMENT

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. Our board of directors has retained our Adviser to manage the acquisition and dispositions of our investments, subject to the board of directors' supervision.

Our board of directors currently has three members, each of which is affiliated with Versity. Our board of directors may change the number of our directors, provided that the total number may not be less than the minimum number required by the MGCL or more than fifteen.

We expect that when our board of directors deems it appropriate, our board of directors will be expanded and after such expansion will be comprised of a majority of "independent directors" as defined by our charter. Pursuant to our charter, a director will be considered "independent" if he or she meets the independence requirements of the New York Stock Exchange (the "NYSE"). In accordance with the NYSE independence requirements, no director will qualify as independent unless our board affirmatively determines that the director has no material relationship with our company or Versity. Because it is not possible to anticipate or explicitly provide for all circumstances that might signal potential conflicts of interest or bear on the materiality of a director's relationship with our company or Versity, our board of directors, when making its independence determinations, will broadly consider all relevant facts and circumstances. From and after the date when our board of directors is comprised of a majority of independent directors, certain matters such as certain related party transactions and renewals of the Advisory Agreement will require the approval of a majority of the independent directors.

Each director will serve until the next annual meeting of our 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 holders of a majority of all the shares entitled to vote 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. Any vacancy on our board for any cause other than an increase in the number of directors may be filled by a majority of the remaining directors, even if such majority is less than a quorum, any vacancy in the number of directors created by an increase in the number of directors may be filled by a majority vote of the entire board of directors, and any individual so elected as director will serve until the next annual meeting of stockholders and until his or her successor is elected and qualifies.

For so long as the Advisory Agreement is in effect, (i) three of the director nominees to be voted on by our stockholders at our annual stockholder meeting will be directors, managers, officers or employees of our Adviser or an affiliate of our Adviser designated for nomination by our Adviser ("Adviser Designees"), subject to the approval of such nominations by our board of directors; *provided, however*, that from and after the date when our board of directors is comprised of a majority of independent directors, the number of such Adviser Designees will be reduced if necessary by a number that will result in a majority of the our board of directors being comprised of independent directors at all times, and (ii) our board of directors will consult with our Adviser with respect to any other directors (other than our Adviser Designees) nominated by our board of directors.

Our board of directors will generally meet quarterly or more frequently if necessary, in addition to meetings of any committees of the board of directors described below. Our directors are not required to devote all of their time to our business and are only required to devote the time to our business as their duties may require. Consequently, in the exercise of their fiduciary responsibilities, our directors will rely heavily on our Adviser and on information provided by our Adviser. Our board of directors is empowered to fix the compensation (if any) of all officers and directors for services rendered to us. For so long as we are externally managed, we do not intend to pay our officers any compensation and only intend to pay our independent directors compensation for their service as directors.

Our board of directors has adopted the Investment Guidelines and other written policies on investments and borrowings, the terms of which are summarized in this Memorandum. Our board of directors will review the Investment Guidelines with sufficient frequency and at least annually. A majority of our board of directors, including,

from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, may at any time amend the Investment Guidelines.

Directors and Executive Officers

Our directors and executive officers are set forth below. Each of our directors and executive officers is also a member of Versity's executive team and an executive officer of our Adviser.

<u>Name</u>	<u>Position</u>
Blake W. Wettengel	Chairman of the Board, Chief Executive Officer and President
Jennifer L. Welker	Treasurer
Tanya E. Muro	Director, Secretary
Frank J. Muhlon	Director
Jason D. Kjellson	Executive Vice President

Blake W. Wettengel. Mr. Wettengel is our Chairman of the Board, Chief Executive Officer and President and the Chief Executive Officer and Co-Founder of Versity and its affiliated entities. Under Mr. Wettengel's leadership, Versity has grown into a nationally recognized real estate operating company that has acquired, managed, or developed real estate investments valued in excess of \$500 million with properties across the country. During Mr. Wettengel's tenure in the student housing industry, he has overseen the acquisition and management of over 15,000 beds of multifamily properties, securing nearly \$1.5 billion in debt and equity investments. The firms founded by Mr. Wettengel have received multiple awards including a ranking in the Inc. 500, which recognizes the fastest growing companies in the country. Mr. Wettengel practiced law from 2005 to 2015, specializing in real estate and corporate transactions and related tax and securities matters. Mr. Wettengel received a B.A. in with honors from Brigham Young University and a J.D. from the University of California, Los Angeles (UCLA).

Jennifer L. Welker. Ms. Welker is our Treasurer and the Chief Financial Officer of Versity. She oversees all financial aspects of Versity, including acquisitions, accounting, financial reporting, cash management, budget/forecasting, and investor financial reporting. Prior to joining Versity, Mrs. Welker previously served as Vice President and Corporate Controller of the Picerne Group, where she was responsible for finance, accounting and financial reporting for the company's investment, management and development activities. Ms. Welker is a Certified Public Accountant. Ms. Welker received a B.S. in Business, with an emphasis in accounting, from San Jose State University.

Tanya E. Muro. Ms. Muro is a member of our board of directors and our Secretary and the Chief Operating Officer and Co-Founder of Versity and its affiliated entities. As Chief Operating Officer of Versity, Mrs. Muro is responsible for the global operations of the company. With over 20 years of experience in the commercial real estate industry, Mrs. Muro has closed more than \$2 billion in real estate investments, including land development and oil and gas transactions and the country's first tenant-in-common acquisition. Her leadership focuses on high performance areas while providing outstanding client service and driving profitable revenue growth. Mrs. Muro has managed investor relations with respect to over 3,500 investors while heading Business Development at multiple firms, which was ranked in the Inc. 500 as one of the fastest growing real estate companies in the country. Mrs. Muro has broad knowledge of regulatory bodies, including FINRA and the SEC. Mrs. Muro received a B.A. from Loyola Marymount University.

Frank J. Muhlon. Mr. Muhlon is a member of our board of directors and the Chief Investment Officer of Versity. Mr. Muhlon is an accomplished commercial real estate executive with over 20 years of transactional, asset management and advisory experience involving over \$15 billion of asset value, covering traditional property asset classes (*i.e.*, multifamily, office, retail, industrial, hospitality) and alternative assets (*e.g.*, healthcare/medical, self-storage, data centers, homebuilding, infrastructure and specialty). As Chief Investment Officer of Versity, he originates, executes, and manages multifamily and student housing investments nationally. Prior to joining Versity, Mr. Muhlon held senior positions with equity syndicate CrowdStreet, the real estate trading platform Ten-X, the middle market investment banking firm Orix USA/Houlihan Lokey, and the New York-based owner/developer Silverstein Properties. Mr. Muhlon received a B.S. in Finance from Rutgers University and a M.S. in Real Estate Finance from New York University.

Jason D. Kjellson. Mr. Kjellson is our Executive Vice President. Mr. Kjellson assists with Versity's underwriting, market selection, and asset identification and manages sales and business development teams nationwide. Mr. Kjellson's capital markets career spans over 25 years of sales, sales management, and investment banking. Mr. Kjellson has raised over \$2 billion of investor equity, including traditional equity markets and alternative asset classes with a real estate focus. In the real estate category, Mr. Kjellson has substantial experience with traditional and non-traditional asset classes (i.e., multifamily, office, homebuilding, land banking, senior housing and student housing). Prior to joining Versity, Mr. Kjellson was head of investment banking at Arque Capital and as national sales manager at New York's Time Equities. Prior to his career in finance Mr. Kjellson served 7 years in the United States Army earning numerous awards before being honorably discharged. Mr. Kjellson studied at the University of South Carolina, DePaul University and the University of Colorado and has a B.S. in Finance as well as FINRA 7, 22 and 63 securities licenses.

The individuals who serve as our executive officers have certain responsibilities arising from Maryland law, our charter and our bylaws. These responsibilities include executing contracts and other instruments in our name and on our behalf and such other responsibilities as may be prescribed by our board of directors from time to time. Our officers will devote such portion of their time to our affairs as is required for the performance of their responsibilities, but they are not required to devote all of their time to us.

Committees of the Board of Directors

Our entire board of directors is responsible for supervising our business. However, pursuant to our charter, our board of directors may delegate some of its powers to one or more committees as deemed appropriate by the board of directors. Members of any such committees formed by our board of directors will be appointed by our board of directors.

Corporate Governance

Code of Business Conduct and Ethics. We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees (if any), and to all of the officers and employees of our Adviser, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Compensation of Directors

We do not currently pay any of our directors retainers, fees for attending board or committee meetings or any other compensation for their service as directors.

We will reimburse each of our directors for reasonable out-of-pocket expenses incurred in attending board and committee meetings (including, but not limited to, airfare, hotel and food).

From and after the date when our board of directors is comprised of a majority of independent directors, we expect to compensate the independent directors for their service as directors. The compensation payable to the independent directors will be approved by our entire board of directors.

Executive Compensation

We are externally managed by our Adviser and have no paid employees. Our executive officers also serve as officers of our Adviser and are employees of our Adviser or Versity or one or more of their affiliates. Our Advisory Agreement provides that our Adviser is responsible for managing our investment activities, as such our executive officers do not receive any compensation from us or any of our subsidiaries for serving as our executive officers and instead receive compensation from our Adviser. We do not reimburse our Adviser for compensation it pays to our executive officers. Furthermore, we do not have employment agreements with our executive officers.

Although we do not pay our executive officers any cash compensation, we pay our Adviser the fees described below under the heading "—The Advisory Agreement."

The Adviser and the Advisory Agreement

Overview

We are externally managed by our Adviser. The Adviser is a wholly-owned subsidiary of our sponsor, Versity.

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 and our Operating Partnership. Pursuant to the Advisory Agreement, our board of directors has delegated to our Adviser the authority to source our investment opportunities and make decisions related to the acquisition and disposition of our assets in accordance with our Investment Guidelines and subject to oversight by our board of directors; *provided, however*, that (i) any investment that does not fit within the discretionary authority granted to our Adviser pursuant to the Investment Guidelines requires the prior approval of a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, and (ii) certain transactions involving Versity or its affiliates are subject to approval by a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors (as discussed below in “—Related Party Transactions”).

We believe that our Adviser currently has sufficient staff and resources so as to be capable of fulfilling the duties set forth in the Advisory Agreement.

Services

Pursuant to the terms of the Advisory Agreement, our Adviser 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 investment opportunities and executing the acquisition, management, financing and disposition of our assets, in accordance with our Investment Guidelines and 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 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; and
- engaging and supervising, on our and Operating Partnership’s behalf and at our and the Operating Partnership’s expense, various service providers.

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

The Adviser may retain, at our sole cost and expense, such service providers as our Adviser deems necessary or advisable in connection with our management and operation, which may include affiliates of our Adviser; provided, that any such services may only be provided by affiliates of the adviser to the extent such services are approved by a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, not otherwise interested in such transactions as being fair and reasonable to us and on terms and conditions not less favorable to us than those available from non-affiliated third parties.

Fees to our Adviser

Management Fee. We will pay our Adviser a monthly Management Fee, in an amount equal to (i) until such time as we commence determining our NAV per Share, 1.5% of the gross proceeds to us from the sale of Shares in this offering in such month, and (ii) thereafter, one-twelfth (1/12) of 1.5% of our NAV for the applicable month. The Management Fee may be paid, at our Adviser's election, in either (i) cash or (ii) Shares or Operating Partnership units with an aggregate value equivalent to the cash fee otherwise payable (based upon the then-current NAV per share or operating partnership unit, as applicable, or, prior to the date that we commence determining a quarterly NAV, \$1,000 per share or unit, as applicable). If our Adviser elects to receive any portion of its Management Fee in Shares or Operating Partnership units, our Adviser may elect to have us or the Operating Partnership, as applicable, repurchase such Shares or Operating Partnership units from our Adviser at a later date. Shares held by our Adviser will not be subject to the repurchase limits of our SRP or any reduction or penalty for an early repurchase. Operating Partnership units held by our Adviser will not be subject to any minimum holding period and will be redeemed by the Operating Partnership for cash unless our board of directors determines that any such repurchase for cash would be prohibited by applicable law or our charter, in which case such Operating Partnership units will be repurchased for Shares with an equivalent aggregate NAV. The Adviser may waive or defer the Management Fee in whole or in part in its sole discretion.

Acquisition Fee. We will pay our Adviser an Acquisition Fee equal to 1.0% of the gross purchase price, inclusive of associated acquisition expenses and the amount of any debt assumed by us or the Operating Partnership in connection with the acquisition, for each investment in real property that we acquire (including investments contributed to the Operating Partnership in exchange for Operating Partnership units and excluding investments in real estate-related securities). With respect to investments contributed to the Operating Partnership in exchange for Operating Partnership units, the "gross purchase price" for purposes of calculating the Acquisition Fee will be equal to the agreed upon value of the contributed investment used for purposes of determining the Operating Partnership units to be issued to the contributor. No Acquisition Fee will be paid with respect to investments acquired from Versity or its affiliates. The Adviser may waive or defer the Acquisition Fee in whole or in part in its sole discretion.

Disposition Fee. We will pay our Adviser a Disposition Fee equal to 1.0% of the sales price of each investment in real property sold or otherwise disposed of, including sales of one or more investments in portfolios. The Adviser may waive or defer the Disposition Fee in whole or in part in its sole discretion.

Expense Reimbursements to our Adviser

Adviser Expenses. The Adviser will be responsible for, and will receive no reimbursement from us or the Operating Partnership with respect to, any expenses related to any personnel of our Adviser or its affiliates who provide investment advisory services to us or the Operating Partnership pursuant to the Advisory Agreement (including each of our officers and directors who are also directors, officers or employees of our Adviser or any of its affiliates), including, without limitation, salaries, bonuses and other wages, payroll taxes and the cost of employee benefit plans and insurance with respect to such personnel ("Adviser Expenses").

Organization and Offering Expenses. The Adviser will pay all Organization and Offering Expenses on our behalf. We will reimburse our Adviser for all such Organization and Offering Expenses; *provided, however*, that the aggregate Organization and Offering Expenses reimbursed by us to our Adviser will not at any time exceed an amount equal to 1.5% of the gross offering proceeds from the sale of Shares in this offering (measured as of the date of each reimbursement of Organization and Offering Expenses). The Adviser may elect to receive reimbursement of Organization and Offering Expenses in cash or in Shares or Operating Partnership units with an equivalent value (based upon the then-current NAV per Share or Operating Partnership unit, as applicable, or, prior to the date that we commence determining a quarterly NAV, \$1,000 per Share or Operating Partnership unit, as applicable). The Adviser may, in its sole discretion, defer or entirely forego reimbursement for all or any portion of Organization and Offering Expenses incurred by our Adviser on our behalf.

Operating Expenses. We will reimburse our Adviser or its affiliates for all operating costs and expenses incurred by our Adviser or its affiliates on behalf of us or the Operating Partnership (excluding any Adviser Expenses), including, without limitation, (i) acquisition expenses, (ii) expenses associated with managing, developing, operating and selling

our investments, (iii) fees paid to attorneys, consultants, technology providers and other services providers and (iv) salaries, bonus and other wages, payroll taxes and the cost of employee benefit plans and insurance with respect to personnel of our Adviser (other than those which constitute Adviser Expenses).

Term, Termination and Termination Fee

Term. The Advisory Agreement will continue in full force and effect until December 31, 2027 (such period, the “Initial Term”), unless earlier terminated pursuant to the terms of the Advisory Agreement. Commencing on January 1, 2028, the Advisory Agreement will automatically renew for the first of an unlimited number of successive five-year terms (each a “Renewal Term”).

Termination. The Advisory Agreement may be terminated:

- immediately for Cause (as defined below) (i) prior to the date when a majority of our board of directors is comprised of independent directors, by the affirmative vote of our stockholders entitled to cast a majority of all the votes entitled to be cast on the matter; and (ii) by a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, by a majority of the independent directors;
- by our Adviser upon written notice delivered not less than 90 days prior to the last day of the Initial Term or any Renewal Term (with such termination to be effective as of the last day of the Initial Term or such Renewal Term, as applicable); or
- by a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, upon written notice delivered not less than 90 days prior to the last day of the Initial Term or any Renewal Term (with such termination to be effective as of the last day of the Initial Term or such Renewal Term, as applicable).

The Advisory Agreement defines “Cause” as (i) fraud, criminal conduct, gross negligence or breach of fiduciary duty owed to us or the Operating Company by our Adviser or its affiliates in connection with the performance of its duties under the Advisory Agreement, as determined by a final, non-appealable judgment of a court of competent jurisdiction; (ii) the breach or violation of any material provision of the Advisory Agreement by our Adviser that, after written notice of such violation, is not cured within 60 days; (iii) the bankruptcy or insolvency of our Adviser.

Termination Fee. In the event that the Advisory Agreement is terminated by our board of directors (other than for Cause), we will pay our Adviser a fee equal to three times the Management Fee to which our Adviser was entitled during the 12-month period immediately preceding the effective date of such termination.

Related Party Transactions

Pursuant to the Advisory Agreement, our Adviser may not complete on our behalf any transaction that involves (i) the sale of any investment to or (ii) the acquisition of any investment from, Versity, our Adviser or any of their affiliates unless such transaction is approved by a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, not otherwise interested in such transaction as being fair and reasonable to us. With respect to any such acquisition, the purchase price we pay will be limited to the cost of the investment to Versity, our Adviser or their affiliate, including acquisition-related expenses; *provided, however*, that if substantial justification exists due to the nature of the transaction or the asset, including, without limitation, in the case of an asset that is contributed to the Operating Partnership by Versity, our Adviser or their affiliate, the purchase price we pay or the value assigned to the asset for purposes of the contribution transaction, as applicable, will be limited to the current appraised value of the investment as determined by an independent appraiser.

In addition, our Adviser may not cause us to enter into any joint venture with Versity, our Adviser or any of their respective affiliates unless a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, not otherwise

interested in the transaction approve the joint venture as being fair and reasonable to us and on substantially the same, or no less favorable, terms and conditions as those received by the other affiliated joint venture partners.

Indemnification

To the fullest extent permitted by applicable law, we will indemnify and hold harmless our Adviser and its affiliates from all losses, including reasonable attorneys' fees, arising from or related to the performance of their duties under the Advisory Agreement, to the extent such losses are not fully reimbursed by insurance; *provided, however*, that we will not provide any indemnification with respect to losses arising from or related to our Adviser's fraud, willful misconduct, gross negligence or reckless disregard of its duties under the Advisory Agreement.

To the fullest extent permitted by applicable law, our Adviser will indemnify us and the Operating Partnership from all losses, including reasonable attorneys' fees, to the extent that such losses are not fully reimbursed by insurance and are incurred due to our Adviser's fraud, willful misconduct, gross negligence or reckless disregard of its duties under the Advisory Agreement.

NET ASSET VALUE CALCULATION AND VALUATION GUIDELINES

The Adviser will calculate our NAV on a quarterly basis commencing with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Our NAV will be based on the net asset values of our investments, the addition of any other assets (such as cash on hand), and the deduction of any liabilities, including the allocation/accrual of the Performance Participation Allocation to the Special Limited Partner, in all cases as described below. The discussion below sets forth our current intentions regarding the calculation of our NAV. To the extent that the manner in which we will calculate our NAV or any of the assumptions underlying our NAV change prior to the date that we commence calculating a quarterly NAV per Share, we will supplement or restate this Memorandum as appropriate.

General

Our board of directors has adopted valuation guidelines that contain a comprehensive set of methodologies to be used by our Adviser and our independent valuation advisor in connection with estimating the values of our assets and liabilities for purposes of our NAV calculation. These guidelines are designed to produce a fair and accurate estimate of the price that would be received for our investments in an arm's-length transaction between a willing buyer and a willing seller in possession of all material information about our investments. From time to time, our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of our independent directors, may adopt changes to the valuation guidelines if it (i) 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.

The calculation of our NAV is intended to be a calculation of the fair value of our assets less our outstanding liabilities as described below and will likely differ from the book value of our equity reflected in our financial statements. To calculate our NAV for the purpose of establishing a transaction 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. The Adviser will calculate the fair value of our real estate properties based in part on values provided by our independent valuation advisor. The Adviser may retain additional third-parties to assist with our valuations of certain investments. Because these fair value calculations will involve significant professional judgment in the application of both observable and unobservable attributes, the calculated 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 we calculate NAV in a certain way. As a result, other REITs or real estate investment programs 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.

Our Independent Valuation Advisor

With the approval of our board of directors, we have engaged RERC, LLC, a SitusAMC company, to serve as our independent valuation advisor. Our independent valuation advisor will prepare annual appraisals of our properties and review and provide a positive assurance report with respect to the reasonableness of the quarterly valuations of our real properties prepared by our Adviser. The Adviser, with the approval of a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of our independent directors, may engage additional independent valuation advisors in the future as our portfolio grows. While our independent valuation advisor is responsible for providing annual appraisals of our properties and reviewing internal valuations prepared by our Adviser, our independent valuation advisor is not responsible for, and will not calculate or determine, our NAV. The Adviser will be ultimately responsible for the calculation of our NAV.

Our 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, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of our independent directors. We will promptly disclose any changes to the identity or role of our independent valuation advisor in a supplement to this Memorandum. Our independent valuation advisor will discharge its responsibilities in accordance with our valuation guidelines and the terms of our valuation services agreement with our independent valuation advisor.

Pursuant to our valuation services agreement with our independent valuation advisor, our Adviser will receive annual appraisal reports for each of our properties from the independent valuation advisor. Based in part on these appraisals, our Adviser will render a final valuation in order to calculate our quarterly NAV. The appraisals for our investments performed by our independent valuation advisor will be one of several components considered by our Adviser in determining the value of our properties that will be used to calculate our NAV.

We will pay certain fees to our independent valuation advisor pursuant to our valuation services agreement with our independent valuation advisor. We will also indemnify our independent valuation advisor against certain liabilities arising out of this engagement. The compensation we pay to our independent valuation advisor will not be based on the estimated values of our properties.

Our independent valuation advisor may from time to time in the future perform other commercial real estate and financial advisory services for Versity and its affiliates, or in transactions related to the properties that are the subjects of the valuations being performed for us, or otherwise, so long as such other services do not adversely affect the independence of the independent valuation advisor.

Valuation of Investments in Properties

Consolidated Properties

For the purposes of calculating our quarterly NAV, the value of each property we acquire will initially reflect the cost to acquire the property from a third party. We anticipate that such cost will approximate fair value through the end of the fourth full quarter after the date that we acquire the property. However, if the property is acquired from an affiliate, the value of such property will be confirmed by our independent valuation advisor. In all cases, the value will include fees and expenses incurred as part of the acquisition.

In accordance with GAAP, we determine whether the acquisition of a property qualifies as an asset acquisition or business combination. We capitalize acquisition-related costs associated with asset acquisitions and expense such costs associated with business combinations.

Generally commencing with the first full calendar year after our acquisition of a property, such property will be valued by our independent valuation advisor no less than annually. Annual appraisals may be delayed for a short period in exceptional circumstances. Properties purchased as a portfolio may be valued as a single asset. Each appraisal will be performed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and in accordance with the requirements of the Code of Professional Ethics of the Appraisal Institute. Upon conclusion of the appraisal, our independent valuation advisor will prepare a written appraisal report with an estimated range of gross market value of the property. Concurrent with the appraisal process, our Adviser will value each property and, taking into account the appraisal report, among other factors, will determine the appropriate valuation within the range provided by our independent valuation advisor. Each appraisal must be reviewed, approved and signed by an individual with the professional designation of MAI (a Designated Member of the Appraisal Institute) or similar designation. We believe our policy of obtaining appraisals by an independent third party will meaningfully enhance the accuracy of our NAV calculation.

The Adviser will update the valuations of our properties quarterly, based on the then most recent annual appraisals for each property prepared by our independent valuation advisor and current material market data and other information deemed relevant by our Adviser. Such updates to property valuations may be outside of the range of values provided in the most recent appraisal. Our independent valuation advisor will provide a positive assurance report with respect to the reasonableness of the quarterly valuations of our real properties prepared by our Adviser. Although our independent valuation advisor will provide a positive assurance report with respect to our Adviser's quarterly updates

to the valuations of our properties, such updates are based on asset and portfolio level information provided by our Adviser, including historical operating revenues and expenses of the properties, lease agreements on the properties, revenues and expenses of the properties, information regarding recent or planned estimated capital expenditures and any other information relevant to valuing the real estate property, which information will not be independently verified by our independent valuation advisor.

The Adviser will monitor our properties for events that our Adviser believes may be expected to have a material impact on the most recent estimated values of such property, and will notify our independent valuation advisor of such events. If, in the opinion of our Adviser, an event becomes known to our Adviser (including through communication with our independent valuation advisor) that is likely to have any material impact on previously provided estimated values of the affected properties, our Adviser will adjust the valuation of such properties, subject to the review and confirmation for reasonableness of our independent valuation advisor. If deemed appropriate by our Adviser or our independent valuation advisor, any necessary adjustment will be determined as soon as practicable. Updated appraisals received during the year, if any, may also trigger an adjustment in the value of a property.

For example, a valuation adjustment may be appropriate to reflect the occurrence of an unexpected property-specific event such as a material change in vacancies, an unanticipated structural or environmental event at a property or a significant capital market event that may cause the value of a wholly-owned property to change materially. Valuation adjustments may also be appropriate to reflect the occurrence of broader market-driven events identified by our Adviser or our independent valuation advisor which may impact more than a specific property. Any such adjustments will be estimates of the market impact of specific events as they occur, based on assumptions and judgments that may or may not prove to be correct, and may also be based on the limited information readily available at that time.

In general, we expect that any adjustments to appraised values will be calculated promptly after a determination that a material change has occurred and the financial effects of such change are quantifiable by our Adviser. However, rapidly changing market conditions or material events may not be immediately reflected in our quarterly NAV. The resulting potential disparity in our NAV may be detrimental to stockholders whose Shares are repurchased or new purchasers of Shares, depending on whether our NAV per Share is overstated or understated.

Real estate appraisals will be reported on a free and clear basis (for example, without taking into consideration any mortgage on the property), irrespective of any property level financing that may be in place. We expect to use the discounted cash flow methodology (income approach) as the primary methodology to value properties, whereby a property's value is calculated by discounting the estimated cash flows and the anticipated terminal value of the subject property by the assumed new buyer's normalized weighted average cost of capital for the subject property. Consistent with industry practices, the income approach also incorporates subjective judgments regarding comparable rental and operating expense data, capitalization or discount rate, and projections of future rent and expenses based on appropriate evidence as well as the residual value of the asset as components in determining value. Other methodologies that may also be used to value properties include sales comparisons and replacement cost approaches. Under the sales comparison approach, the independent third-party appraiser develops an opinion of value by comparing the subject property to similar, recently sold properties in the surrounding or competing area. The replacement cost approach relies on the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. Because the appraisals performed by our independent valuation advisor, our Adviser's determination of the appropriate valuations for our properties based on the range of values provided in such reports and any subsequent updates to the valuation of our properties made by our Adviser involve subjective judgments, the estimated fair value of our assets that will be included in our NAV may not reflect the liquidation value or net realizable value of our properties.

In conducting their investigations and analyses, our independent valuation advisor will take into account customary and accepted financial and commercial procedures and considerations as it deems relevant, which may include, without limitation, the review of documents, materials and information relevant to valuing the property that are provided by us, such as (i) historical operating revenues and expenses of the property; (ii) lease agreements on the property; (iii) the revenues and expenses of the property; (iv) information regarding recent or planned estimated capital expenditures; and (v) any other information relevant to valuing the real estate property. Although our independent valuation advisor may review information supplied or otherwise made available by us for reasonableness, it will assume and rely upon the accuracy and completeness of all such information and of all information supplied or

otherwise made available to it by any other party, and will not undertake any duty or responsibility to verify independently any of such information. Our independent valuation advisor will not make or obtain an independent valuation or appraisal of any of our other assets or liabilities (contingent or otherwise) other than our real properties. 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 our independent valuation advisor, our independent valuation advisor will assume that such forecasts and other information and data were reasonably prepared in good faith on bases reflecting currently available estimates and judgments of our management and our Adviser, and will rely upon our Adviser to advise our independent valuation advisor promptly if any material information previously provided becomes inaccurate or was required to be updated during the period of review.

In performing their analyses, our Adviser and our independent valuation advisor will make numerous other assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond its control and our control, as well as certain factual matters. For example, our independent valuation advisor will assume that we have clear and marketable title to each real estate property valued, that no title defects exist unless specifically informed to the contrary, 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, our independent valuation advisor's review, opinions and conclusions will necessarily be based upon market, economic, financial and other circumstances and conditions existing prior to the valuation, and any material change in such circumstances and conditions may affect our independent valuation advisor's review and conclusions. Our independent valuation advisor's review reports may contain other assumptions, qualifications and limitations set forth in the respective appraisal reports that qualify the review, opinions and conclusions set forth therein. As such, the carrying values of our real properties may not reflect the price at which the properties could be sold in the market, and the difference between carrying values and the ultimate sales prices 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.

Pursuant to our valuation services agreement with our independent valuation advisor, each individual appraisal report for our assets will be addressed solely to us to assist our Adviser in calculating our NAV. The appraisal reports relating to our properties will not be addressed to the public and may not be relied upon by any other person to establish an estimated value of our Shares and will not constitute a recommendation to any person to purchase or sell our Shares.

The Adviser's valuation of each investment's liabilities, including any third-party incentive fee payments or investment level debt, deal terms and structure will not be reviewed by our independent valuation advisor or appraised.

Unconsolidated Properties Held Through Joint Ventures

Unconsolidated properties held through joint ventures generally will be valued in a manner that is consistent with the guidelines described above for consolidated properties. Once the value of a property held by the joint venture is determined by an independent appraisal and we determine the fair value of any other assets and liabilities of the joint venture, the value of our interest in the joint venture would then be determined by our Adviser using a hypothetical liquidation calculation to value our interest in the joint venture, which would be a percentage of the joint venture's NAV. Unconsolidated properties held in a joint venture that acquires multiple properties over time may be valued as a single investment.

Valuation of Real Estate Debt and Other Securities

In general, any real estate debt and other securities that we acquire will be valued by our Adviser based on market quotations or at fair value determined 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.

Liabilities

Our property-level mortgages and corporate-level credit facilities that are intended to be held to maturity, including those subject to interest rates hedges, are generally valued at par (*i.e.*, at their respective outstanding balances). This

policy of valuing at par applies regardless of whether any given interest rate hedge is considered as an asset or liability for GAAP purposes.

Notwithstanding the foregoing, if we assume debt in connection with acquiring a property, and the price we pay for the property reflects a discount or premium to account for the terms of the assumed debt compared to current market terms, the Advisor may, for purposes of determining our NAV, amortize the amount of such price discount or premium over some portion of the remaining life of the assumed debt. Debt terms such as the interest rate, the existence of a pre-payment penalty or a pre-payment lockout period will impact the discount or premium paid and will directly correspond with the amount to be amortized and the length of time over which it will be amortized.

Our property-level mortgages and corporate-level credit facilities that are not intended to be held to maturity (in conjunction with any associated interest rate hedges that are not intended to be held to maturity) are valued at fair value using widely accepted valuation methodologies. Estimated prepayment penalties are not factored into the valuation of our debt until a loan or interest rate hedge is actually prepaid or terminated unless an interest rate hedge is definitively not intended to be held to maturity, in which case a hedge mark to market adjustment are made at such time.

Debt that is not intended to be held to maturity includes any property-level mortgages that we definitively intend to prepay in association with any asset considered as held-for-sale from a GAAP perspective, other property-level mortgages or corporate-level credit facilities that we definitively intend to prepay, or any interest rate hedge that we definitively intend to terminate. In addition, for non-recourse mortgages and interest rate hedges, the combined value of each mortgage and associated interest rate hedge is limited to the value of the underlying assets, so as to not make the equity of said assets less than zero.

Costs and expenses incurred to secure such financings are amortized over the life of the applicable loan. Unless costs can be specifically identified, we allocate the financing costs and expenses incurred with obtaining multiple loans that are not directly related to any single loan among the applicable loans, generally pro rata based on the amount of proceeds from each loan.

The Adviser has agreed to advance all of our organization and offering expenses on our behalf (other than Dealer Manager Fees). We will reimburse our Adviser for such advanced expenses, provided that our Adviser may waive or defer the right to receive reimbursement of any or all of such organization and offering expenses. For purposes of calculating our NAV, the organization and offering expenses paid by our Adviser are not recognized as expenses or as a component of equity and reflected in our NAV until we reimburse our Adviser for these costs.

The Adviser's valuation of each of our investment's liabilities, including any third-party incentive fee payments or investment level debt, deal terms and structure will not be reviewed by our independent valuation advisor or appraised.

NAV and NAV Per Share Calculation

The Adviser will be responsible for calculating our NAV in accordance with the valuation guidelines. Commencing with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering, our Adviser will calculate our NAV per Share as of the last calendar day of each quarter by dividing our NAV at the end of each quarter by the number of Shares outstanding at the end of such quarter. The NAV calculation will generally be available within 15 calendar days after the end of the applicable quarter. Our board of directors will not be involved in the quarterly valuation of our assets and liabilities or determination of our NAV, but will periodically receive and review such information as it deems necessary to exercise its oversight responsibility.

Our NAV will be based on the net asset values of our investments (including any 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 Allocation to the Special Limited Partner). The Adviser will calculate our NAV using a process that reflects several components (each as described above), including the estimated fair value of (1) each of our properties based in part upon individual appraisal reports provided periodically by our independent valuation advisor, as finally determined and updated quarterly by our Adviser, with review and confirmation for reasonableness by our independent valuation advisor, (2) our investments in real estate debt and other securities, if any, and (3) our other assets. At the close of business on the date that is one business day after each record

date for any declared distribution, our NAV will be reduced to reflect the accrual of our liability to pay any distribution to our stockholders of record as of the record date.

Operating Partnership units will be valued in the same fashion as set forth above with respect to the Shares. The Operating Partnership units are economically equivalent to our Shares. Accordingly, on the last day of each quarter, the NAV per Operating Partnership unit will equal the NAV per Share. To the extent our Operating Partnership has issued a class of units that do not correspond to a class of our shares, such units will be valued in a manner consistent with these guidelines. The NAV of our Operating Partnership on the last day of each quarter will equal the sum of the NAVs of each outstanding Operating Partnership unit on such day.

Changes in our quarterly NAV may include, without limitation, accruals of our net portfolio income, interest expense, the Management Fee, any accrued Performance Participation Allocation, distributions, unrealized/realized gains and losses on assets, any applicable organization and offering costs and any expense reimbursements. Changes in our quarterly NAV may also include material non-recurring events, such as capital expenditures and material property acquisitions and dispositions occurring during the quarter. Notwithstanding anything herein to the contrary, our Adviser may in its discretion consider material market data and other information that becomes available after the end of the applicable quarter in valuing our assets and liabilities and calculating our NAV for a particular quarter. On an ongoing basis, our Adviser will adjust the accruals to reflect actual operating results and the outstanding receivable, payable and other account balances resulting from the accumulation of quarterly accruals for which financial information is available.

Relationship between NAV and Our Transaction Price

The purchase price per Share will be \$1,000 until we begin determining our NAV per Share. The Adviser will calculate our NAV on a quarterly basis commencing with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the purchase price per Share will vary and will equal the then-current transaction price, which will generally be our NAV per Share as of the last calendar day of the prior quarter. Generally, we will disclose our NAV per Share for each quarter on the first business day after the end of such quarter.

Our NAV may vary significantly from one quarter to the next. We may offer Shares based on a transaction price that we believe reflects the NAV per Share of such Shares more appropriately than the prior quarter's NAV per Share (including by updating a previously disclosed transaction price) or suspend this offering or our SRP 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 quarter. In cases where our transaction price is not based on the prior quarter's NAV per Share, the offering price and repurchase price will not equal our NAV per Share as of any time. The Adviser may determine whether a material change has occurred to our NAV per Share since the end of the prior quarter and whether to set a transaction price that differs from the previous quarter's NAV per Share, and in such cases, has discretion over what such transaction price will be.

We will provide the transaction price to our existing stockholders promptly after it becomes available via our password-protected investor relations website, www.versityreit.com, and will make it available upon request to any prospective investor or their financial adviser. Prospective investors will not be provided with direct notice of the transaction price when it becomes available. Therefore, prospective investors should confirm the applicable transaction price with their financial advisers.

As the Dealer Manager Fees payable to the Dealer Manager are a percentage of the transaction price, any increase or decrease in our transaction price will have a corresponding impact on the absolute amount of the Dealer Manager Fees paid in connection with your purchase and thus the number of Shares you would be able to purchase for the same aggregate amount. For example, an increase in the transaction price after your subscription was submitted (and before your subscription was accepted at a closing) would result in fewer Shares purchased for the same aggregate amount (inclusive of upfront costs).

Limits on the Calculation of Our 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, our assets will almost entirely consist of real estate properties and, as with any real estate valuation protocol and as described above, the valuation of our properties (and other assets and liabilities) is based on a number of judgments, assumptions and opinions about future events that may or may not prove to be correct. The use of different judgments, assumptions or opinions would likely result in a different estimate of the value of our properties (and other assets and liabilities). Any resulting potential disparity in our NAV per Share may be in favor of stockholders whose Shares are repurchased, existing stockholders or new purchasers of our Shares, as the case may be, depending on the circumstances at the time.

Additionally, while the methodologies contained in our valuation guidelines 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 significant disruption in relevant markets, a terrorist attack or an act of nature), our ability to calculate NAV may be impaired or delayed, including, without limitation, circumstances where there is a delay in accessing or receiving information from vendors or other reporting agents upon which we may rely upon in determining the quarterly value of our NAV. In these circumstances, a more accurate valuation of our NAV could be obtained by using different assumptions or methodologies. Accordingly, in special situations when, in our Adviser's reasonable judgment, the administration of the valuation guidelines would result in a valuation that does not represent a fair and accurate estimate of the value of our investment, alternative methodologies may be applied, provided that our Adviser must notify our board of directors of any alternative methodologies utilized and their impact on the overall valuation of our investment. Notwithstanding the foregoing, our board of directors may suspend this offering or our SRP if it determines that the calculation of our NAV is materially incorrect or unreliable or there is a condition that restricts the valuation of a material portion of our assets.

We will not include any discounts to our NAV for the illiquid nature of our Shares, including the limitations on your ability to sell Shares under our SRP and our ability to suspend or terminate our SRP at any time. Our NAV generally will not consider exit costs (*e.g.*, selling costs and commissions and debt prepayment penalties related to the sale of a property) that would likely be incurred if our assets and liabilities were liquidated or sold. While we may use market pricing concepts to value individual components of our NAV, our NAV per Share will not be derived from the market pricing information of open-end real estate funds listed on stock exchanges.

Our NAV per Share will not represent the amount of our assets less our liabilities in accordance with GAAP. We do not represent, warrant or guarantee that:

- a stockholder would be able to realize the NAV per Share if the stockholder attempts to sell its Shares;
- a stockholder would ultimately realize distributions per share equal to the NAV per Share upon liquidation of our assets and settlement of our liabilities or a sale of our company;
- our Shares would trade at the NAV per Share on a national securities exchange;
- a third party would offer the NAV per Share in an arm's-length transaction to purchase all or substantially all of our Shares; or
- the NAV per Share would equate to a market price of an open-ended real estate fund.

RISK FACTORS

An investment in Shares involves risks. You should specifically consider the following material risks in addition to the other information contained in this Memorandum before you decide to purchase Shares. The occurrence of any of the following risks might cause you to lose a significant part of your investment. The risks and uncertainties discussed below are not the only ones we face, but do represent those risks and uncertainties that we believe are most significant to our business, operating results, financial condition, prospects and forward-looking statements.

Risks Related to This Offering and Our Organizational Structure

We have no operating history and there is no assurance that we will be able to successfully achieve our investment objectives.

We are a newly formed entity with a limited operating history and may not be able to achieve our investment objectives. As of the date of this Memorandum, we have not made any investments except as described herein. We cannot assure you that the past experiences of our Adviser and its affiliates will be sufficient to allow us to successfully achieve our investment objectives. As a result, an investment in the Shares may entail more risk than the shares of common stock of a REIT with a substantial operating history.

You may not have the opportunity to evaluate our future investments before we make them, which makes your investment more speculative.

Except for any potential investments described herein and any other investments that may be described in one or more supplements to this Memorandum, we are not able to provide you with any information to assist you in evaluating the merits of any specific investments that we may make. We will seek to invest substantially all of the net offering proceeds from this offering, after the payment of fees and expenses, in the acquisition of or investment in assets consistent with the investment objectives and investment strategy described herein. However, because you will not, subject to the exceptions noted above, be able to evaluate the economic merit of our future investments before we make them, you have to rely entirely on the ability of our Adviser to select suitable and successful investment opportunities. Furthermore, our Adviser has broad discretion in selecting the properties we will invest in and you will not have the opportunity to evaluate potential investments. There is no guarantee that we will acquire any portion of any potential investment that we identify in this Memorandum or any supplement hereto. These factors increase the risk that your investment in our common stock may not generate returns comparable to other real estate investment alternatives.

The Adviser manages our portfolio pursuant to broad investment guidelines and generally is not required to seek the approval of our board of directors for each investment, financing or asset allocation decision it makes, which may result in our making riskier investments and which could adversely affect our results of operations and financial condition.

Our board of directors approved broad investment guidelines that delegate to our Adviser the authority to execute acquisitions and dispositions of investments on our behalf, in each case so long as such investments are consistent with the investment guidelines and our charter. There can be no assurance that our Adviser will be successful in applying any strategy or discretionary approach to our investment activities. Our board of directors will review our investment guidelines on an annual basis (or more often as it deems appropriate) and will review our investment portfolio periodically. The prior approval of a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of our independent directors, will be required only for the transactions that are not in accordance with our investment guidelines and certain transactions with Versity or its affiliates. Furthermore, transactions entered into on our behalf by our Adviser may be costly, difficult or impossible to unwind when they are subsequently reviewed by our board of directors.

Your ability to dispose of your Shares will likely be limited to repurchase by us. Your ability to have your Shares repurchased through our SRP is limited, and if you do sell your Shares to us, you may receive less than the price you paid.

The Shares have not been registered under the Securities Act, the securities laws of any U.S. state, or the securities

laws of any other jurisdiction, and therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not expected that the Shares will be registered under the Securities Act or other securities laws. There is no current public trading market for Shares, and we do not expect that such a market will ever develop. Therefore, repurchase of Shares by us will likely be the only way for you to dispose of your Shares.

We have adopted our SRP whereby our stockholders will be able to request, on a quarterly basis, that we repurchase all or any portion of their Shares, subject to the terms and conditions of our SRP. Your ability to have your Shares repurchased by us pursuant to the SRP is subject to significant limitations. Shares will not be eligible for repurchase until the stockholder requesting the repurchase has held such Shares for at least 12 months, provided that such minimum holding period requirement may be waived in the case of shares issued pursuant to the DRIP and repurchase requests resulting from the death of a stockholder. Shares that have been outstanding for more than 12 months but less 24 months will be repurchased pursuant to our SRP at a repurchase price per share equal to ninety percent (90%) of: (i) \$1,000 until such time as we begin determining a quarterly NAV per Share, and (ii) thereafter, the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date). Shares that have been outstanding for at least 24 months will be repurchased pursuant to our SRP at a repurchase price per Share equal to the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date). In addition, once we begin determining an NAV per Share, the aggregate NAV of total repurchases of Shares pursuant to our SRP will be limited to no more than 5% of our aggregate NAV per calendar quarter (measured using the average aggregate NAV attributable to stockholders as of the end of the immediately preceding three months).

We are not obligated to repurchase any Shares and we may choose to repurchase only some, or none, of the Shares that have been requested to be repurchased in any quarter in our discretion. The vast majority of our assets will consist of properties that cannot generally be readily liquidated 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 repurchase requests under our SRP. If the full amount of all Shares requested to be repurchased in any given quarter are not repurchased, funds will be allocated pro rata based on the total number of Shares being repurchased and subject to the limitations of the SRP. All unsatisfied repurchase requests must be resubmitted after the start of the next quarter, or upon the recommencement of our SRP, as applicable.

Our board of directors may make exceptions to, modify, suspend or terminate our SRP if it deems such action to be in our best interests. Because we are not required to authorize the recommencement of our SRP within any specified period of time, we may effectively terminate our SRP by suspending it indefinitely. As a result, your ability to have your Shares repurchased by us may be limited and at times you may not be able to liquidate your investment. For additional discussion of the terms of our SRP, see “Share Repurchases.”

Economic events that may cause our stockholders to request that we repurchase 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, unemployment, stock market volatility and other impacts of the COVID-19 pandemic, could cause our stockholders to seek to sell their Shares to us pursuant to our SRP at a time when such events are adversely affecting the performance of our assets. Even if we decide to satisfy all resulting repurchase requests, our cash flow could be materially adversely affected. In addition, if we determine to sell assets to satisfy repurchase 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.

The amount and source of distributions we may make to our stockholders is uncertain, and we may be unable to generate sufficient cash flows from our operations to make distributions to our stockholders at any time in the future.

Our ability to make distributions to our stockholders may be adversely affected by a number of factors, including the risk factors described in this Memorandum. Our board of directors will make determinations regarding distributions

based upon, among other factors, our financial performance, debt service obligations, debt covenants, REIT qualification and tax requirements and capital expenditure requirements. Among the factors that could impair our ability to make distributions to our stockholders are:

- the limited size of our portfolio in the early stages of our development;
- changes in the economy, including as a result of the COVID-19 pandemic or other outbreaks of infectious disease;
- our inability to invest the proceeds from sales of Shares on a timely basis in income-producing properties;
- our inability to realize attractive risk-adjusted returns on our investments;
- high levels of expenses or reduced revenues that reduce our cash flow or non-cash earnings; and
- defaults in our investment portfolio or decreases in the value of our investments.

As a result, we may not be able to make distributions to our stockholders at any time in the future, and the level of any distributions we do make to our stockholders may not increase or even be maintained over time, any of which could materially and adversely affect the value of your investment.

We may pay distributions from sources other than our cash flow from operations, including, without limitation, the sale of assets, borrowings or offering proceeds, and we have no limits on the amounts we may pay from such sources.

We may not generate sufficient cash flow from operations to fully fund distributions to stockholders. Therefore, we may fund distributions to our stockholders from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds (including from sales of our common stock or Operating Partnership units). 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 DRIP, the extent to which our Adviser elects to receive its management fee in Shares or Operating Partnership units and the Special Limited Partner elects to receive distributions on its Performance Participation Allocation in Operating Partnership units, how quickly we invest the proceeds from this and any future offering and the performance of our investments. Funding distributions from the sales of assets, borrowings, return of capital or proceeds of this offering will result in us having less funds available to make 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. We may be required to continue to fund our regular distributions from a combination of some of these sources if our investments fail to perform, if expenses are greater than our revenues or due to numerous other factors. We have not established a limit on the amount of our distributions that may be paid from any of these sources.

To the extent we borrow funds to pay distributions, we would incur borrowing costs and these borrowings would require a future repayment. The use of these sources for distributions and the ultimate repayment of any liabilities incurred could adversely impact our ability to pay distributions in future periods, decrease our NAV, decrease the amount of cash we have available for operations and new investments and adversely impact the value of your investment.

We may also defer operating expenses or pay expenses (including the fees of our Adviser or distributions to the Special Limited Partner) with Shares or Operating Partnership units in order to preserve cash flow for the payment of distributions. The ultimate repayment of these deferred expenses could adversely affect our operations and reduce the future return on your investment. We may repurchase shares or redeem Operating Partnership units from our Adviser or the Special Limited Partner shortly after issuing such Shares or Operating Partnership units as compensation. The payment of expenses in Shares or with Operating Partnership units will dilute your ownership interest in our portfolio of assets. There is no guarantee any of our operating expenses will be deferred and our Adviser and Special Limited Partner are under no obligation to receive fees or distributions in Shares or Operating Partnership units and may elect

to receive such amounts in cash.

We are dependent on Versity and its affiliates, including our Adviser, and their key personnel who provide services to us through the Advisory Agreement, and we may not find a suitable replacement for our Adviser if the Advisory Agreement is terminated, or for these key personnel if they become unavailable to us.

We have no separate facilities and are completely reliant on our Adviser. Our officers, including our President, are executive officers of our Adviser. The Adviser has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the officers and key personnel of our Adviser. The officers and key personnel of our Adviser evaluate, negotiate, close and monitor our investments; therefore, our success depends on their continued service. The departure of any of the officers or key personnel of our Adviser could have a material adverse effect on our performance.

The Adviser is not obligated to dedicate any specific personnel exclusively to us. In addition, none of our officers or the officers of our Adviser are obligated to dedicate any specific portion of their time to our business. Some of our officers have significant roles and responsibilities with other businesses ventures and companies. As a result, these individuals may not always be able to devote sufficient time to the management of our business. The Adviser may suffer or become distracted by adverse financial or operational problems in connection with Versity's business and activities unrelated to us and over which we have no control. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed. Should our Adviser 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 our stockholders.

In addition, we offer no assurance that VSHR Adviser, LLC will remain our Adviser or that we will continue to have access to Versity's officers and key personnel. If the Advisory Agreement is terminated and no suitable replacement is found, we may not be able to execute our business plan.

The termination or replacement of our Adviser could trigger a repayment event under our mortgage loans for some of our properties and the credit agreement governing any of our lines of credit.

Lenders for certain of our properties may request provisions in the mortgage loan documentation that would make the termination or replacement of our Adviser an event requiring the immediate repayment of the full outstanding balance of the loan. The termination or replacement of our Adviser could trigger repayment of outstanding amounts under any credit agreements that we may obtain. If a repayment event occurs, our results of operations and financial condition may be adversely affected.

Payments to our Adviser or the Special Limited Partner with respect to Shares or Operating Partnership units they elect to receive in lieu of cash Management Fees or distributions will dilute future cash available for distribution to our stockholders.

The Adviser or the Special Limited Partner may choose to receive Shares or Operating Partnership units in lieu of certain fees or distributions. The holders of all Operating Partnership units are entitled to receive cash from operations pro rata with the distributions being paid to us and such distributions to the holder of the Operating Partnership units will reduce the cash available for distribution to us and to our stockholders. Furthermore, under certain circumstances the Operating Partnership units held by our Adviser or the Special Limited Partner are required to be repurchased, and there may not be sufficient cash to make such a repurchase payment; therefore, we may need to use cash from operations, borrowings, offering proceeds or other sources to make the payment, which will reduce cash available for distribution to you or for investment in our operations. Repurchases of Shares issued to our Adviser as payment of Management Fees are not subject to the minimum holding periods or other limitations under our SRP. Operating Partnership units held by our Adviser (including those issued to our Adviser as payment of Management Fees) are not subject to any minimum holding period in order to be eligible for redemption by the Operating Partnership and will be redeemed for cash unless our board of directors determines that any such redemption for cash would be prohibited by applicable law or the partnership agreement. Operating Partnership units distributed to the Special Limited Partner with respect to its Performance Participation Allocation are not subject to any minimum holding period in order to be eligible for redemption by the Operating Partnership and will be redeemed for cash unless our board of directors

determines that any such redemption for cash would be prohibited by applicable law or the partnership agreement.

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 quarter differ from what we originally budgeted for that quarter.

We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Annual appraisals of our properties will be conducted on a rolling basis, such that properties are appraised at different times but each property would be appraised at least once per year. When these appraisals are reflected in our NAV calculations, there may be a material change in our NAV per Share amounts from those previously reported. The changes in a property's value may be as a result of property-specific changes or as a result of more general changes to real estate values resulting from local, nation or global economic changes. In addition, actual operating results for a given quarter may differ from what we originally budgeted for that quarter, which may cause a material increase or decrease in the NAV per Share amounts. We will not retroactively adjust the NAV per Share reported for the previous quarter. Therefore, because a new annual appraisal may differ materially from the prior appraisal or the actual results from operations may be better or worse than what we previously budgeted for a particular quarter, the adjustment to reflect the new appraisal or actual operating results may cause the NAV per Share to increase or decrease, and such increase or decrease will occur on the day the adjustment is made.

It may be difficult to reflect, fully and accurately, material events that may impact our quarterly NAV.

We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. The Adviser's determination of our quarterly NAV per Share will be based in part on appraisals of each of our properties provided at least annually by our independent valuation advisor in accordance with valuation guidelines approved by our board of directors. As a result, our NAV per Share in any given quarter may not fully reflect any or all changes in value that may have occurred since the most recent appraisal or valuation. The Adviser will review appraisal reports and monitor our properties, and is responsible for notifying the independent valuation advisor of the occurrence of any property-specific or market-driven event it believes may cause a material valuation change in the real estate valuation, but it may be difficult to reflect fully and accurately rapidly changing market conditions or material events that may impact the value of our assets or liabilities between valuations, or to obtain quickly complete information regarding any such events. For example, a material increase or decrease in vacancies or an unanticipated structural or environmental event at a property may cause the value of a property to change materially, yet obtaining sufficient relevant information after the occurrence has come to light and/or analyzing fully the financial impact of such an event may be difficult to do and may require some time. As a result, the NAV per Share may not reflect a material event until such time as sufficient information is available and analyzed, and the financial impact is fully evaluated, such that our NAV may be appropriately adjusted in accordance with our valuation guidelines. Depending on the circumstance, the resulting potential disparity in our NAV may be in favor or to the detriment of either stockholders who request that we repurchase their Shares, or stockholders who buy new Shares.

NAV calculations are not governed by governmental or independent securities, financial or accounting rules or standards.

We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. The method for calculating our NAV, including the components used in calculating our NAV, are not prescribed by rules of the SEC or any other regulatory agency. Further, there are no accounting rules or standards that will prescribe which components should be used in calculating NAV, and our NAV will not be audited by our independent registered public accounting firm. We will calculate our NAV solely for purposes of establishing the price at which we sell and repurchase Shares, and our NAV should not be viewed as a measure of our historical or future financial condition or performance. The components and methodology used in calculating our NAV may differ from those used by other companies now or in the future.

Additionally, errors may occur in calculating our NAV, which could impact the price at which we sell and repurchase Shares and the amount of our Adviser's management fee and the Special Limited Partner's Performance Participation Allocation. The Adviser will implement certain policies and procedures to address such errors in NAV calculations.

If such errors were to occur, our Adviser, depending on the circumstances surrounding each error and the extent of any impact the error has on the price at which Shares were sold or repurchased or on the amount of our Adviser's management fee or the Special Limited Partner's Performance Participation Allocation, may determine in its sole discretion to take certain corrective actions in response to such errors.

Any material adverse change to the Dealer Manager's ability to successfully build and maintain a network of Participating Dealers could have a material adverse effect on our business and this offering.

Any material adverse change to the ability of the Dealer Manager to build and maintain a network of Participating Dealers could have a material adverse effect on our business and this offering. If the Dealer Manager is unable to build and maintain a sufficient network of Participating Dealers to distribute Shares in this offering, our ability to raise proceeds through this offering and implement our investment strategy may be adversely affected. In addition, the Dealer Manager currently serves and may serve as the dealer manager or placement agent or in a similar capacity for other issuers. As a result, the Dealer Manager may experience conflicts of interest in allocating its time between this offering and such other issuers, which could adversely affect our ability to raise proceeds through this offering and implement our investment strategy. Further, the Participating Dealers retained by the Dealer Manager may have numerous competing investment products, some with similar or identical investment strategies and areas of focus as us, which they may elect to emphasize to their clients.

We face risks associated with the deployment of our capital.

In light of the nature of our continuous offering and our investment strategy and the need to be able to deploy capital quickly to capitalize on potential investment opportunities, we may have difficulty identifying and making suitable investments on attractive terms. There could be a delay between the time we receive net proceeds from the sale of Shares in the offering and the time we invest the net offering proceeds. We may also from time to time hold cash pending deployment into investments or have less than our targeted leverage, which cash or shortfall in target leverage may at times be significant, particularly at times when we are receiving high amounts of offering proceeds or times when there are few attractive investment opportunities. Such cash may be held in an account that may be invested in money market accounts or other similarly temporary investments. In the event we are unable to find suitable investments, such cash may be maintained for longer periods which would be dilutive to overall investment returns. This could cause a substantial delay in the time it takes for your investment to realize its full potential return and could adversely affect our ability to pay regular distributions of cash flow from operations. It is not anticipated that the temporary investment of cash into money market accounts or other similar temporary investments pending deployment into investments will generate significant interest, and low interest payments on the temporarily invested cash may adversely affect overall returns. In the event we fail to timely invest the net proceeds of this offering or do not deploy sufficient capital to meet our targeted leverage, our results of operations and financial condition may be adversely affected.

Our charter permits our board of directors to authorize us to issue preferred stock ranking senior to our common stock with respect to distribution rights or rights upon our liquidation, dissolution or winding up or on terms that may discourage a third party from acquiring us.

Our board of directors is permitted, subject to certain restrictions set forth in our charter, to authorize the issuance of shares of preferred stock without stockholder approval. Further, our board of directors may classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms or conditions of redemption of the stock and may amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue without stockholder approval. Thus, our board of directors could authorize us to issue shares of preferred stock ranking senior to our common stock with respect to distribution rights upon our liquidation, dissolution or winding up or with terms and conditions that could have the effect of delaying, deferring or preventing our change in control, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets, that might provide a premium price for holders of our common stock.

Maryland law limits, in some cases, the ability of a third party to vote shares acquired in a "control share acquisition."

The Maryland Control Share Acquisition Act provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by the acquirer, by officers or by employees who are directors of the corporation, are excluded from shares 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 acquirer or in respect of which the acquirer can exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of issued and outstanding control shares. The control share acquisition statute does not apply: (1) to shares acquired in a merger, consolidation or statutory share exchange if the Maryland 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. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Maryland law and our organizational documents limit our rights and the rights of our stockholders to recover claims against our directors and officers, which could reduce your and our recovery against them if they cause us to incur losses.

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 accordance with the applicable standard of conduct. In addition, our charter limits the personal liability of our directors and officers for monetary damages subject to the limitations of Maryland law. Moreover, our charter generally requires us to indemnify and advance expenses to our directors and officers for losses they may incur by reason of their service in those capacities. As a result, you and we may have more limited rights against our directors or officers than might otherwise exist under common law, which could reduce your and our recovery from these persons if they act in a manner that causes us to incur losses. In addition, we are obligated to fund the defense costs incurred by these persons in some cases.

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

We are required to comply with the Maryland General Corporation Law, which provides that any amendment to our charter or our dissolution must first be declared advisable by our board of directors. Therefore, our stockholders may vote to authorize the amendment of our charter or our dissolution, but only after such action has been declared advisable by our board of directors. Accordingly, the only proposals to amend our charter or to dissolve us that will be presented to our stockholders will be those that have been declared advisable by our board of directors and also require approval by our stockholders.

Your interest in us will be diluted if we issue additional shares or if the Operating Partnership issues additional Operating Partnership units.

Holders of our common stock will not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue up to 2,100,000,000 shares of capital stock, of which 2,000,000,000 shares are classified as common stock, and 100,000,000 shares are classified as preferred stock. In addition, our board of directors may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of capital stock or the number of authorized shares of capital stock of any class or series without stockholder approval. Our board of directors may elect, without stockholder approval, to: (1) sell additional shares of our common stock or Operating Partnership units in public or private offerings; (2) issue shares of our common stock or Operating Partnership units upon the exercise of the options we may grant to our independent directors or future employees; (3) issue shares of our common stock or Operating Partnership units to the Advisor, or the Special Limited Partner, or their successors or assigns, in payment of an outstanding obligation to pay fees for services rendered to us or in connection with the Performance Participation Allocation; (4) issue Operating Partnership units as consideration to sellers of properties we acquire, or (5) issue Shares to our Adviser as reimbursement of Organization and Offering Expenses paid by our Adviser on our behalf. To the extent we issue additional shares the percentage ownership interests in us of our current stockholders at the time of such issuance will be diluted. Because we will hold all of our assets through the Operating Partnership,

to the extent we issue additional Operating Partnership units, our stockholders' percentage ownership interest in our assets will be diluted. We expect to issue Operating Partnership units in connection with the acquisition of properties. Because Operating Partnership units may, in the discretion of our board of directors, be exchanged for shares of our common stock, any merger, exchange or conversion between our Operating Partnership and another entity ultimately could result in the issuance of a substantial number of shares of our common stock, thereby diluting the percentage ownership interest of other stockholders. Because of these and other reasons, you may experience substantial dilution in your percentage ownership of Shares or your interests in the underlying assets held by our Operating Partnership.

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

Pursuant to Maryland law and our charter, our directors and officers have duties to us and our stockholders in connection with their management of us. At the same time, we, as general partner of our Operating Partnership, have fiduciary duties under Delaware law to our Operating Partnership and to the limited partners of our Operating Partnership in connection with the management of our Operating Partnership. Our duties as general partner of our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to us and our stockholders. Under Delaware law, a general partner of a Delaware limited partnership owes its limited partners the duties of good faith and fair dealing. Other duties, including fiduciary duties, may be modified or eliminated in the partnership's partnership agreement. The partnership agreement of our Operating Partnership provides that, for so long as we own a controlling interest in our Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners may be resolved in favor of our stockholders.

Additionally, the partnership agreement of our Operating Partnership expressly limits our liability by providing that we and our officers, directors, agents and employees will not be liable or accountable to our Operating Partnership for losses sustained, liabilities incurred or benefits not derived if we or our officers, directors, agents or employees acted in good faith. In addition, our Operating Partnership is required to indemnify us and our officers, directors, employees, agents and designees to the extent permitted by applicable law from and against any and all claims arising from operations of our Operating Partnership, unless it is established that: (1) the act or omission was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (2) the indemnified party 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 provisions of Delaware law that allow the fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement of our Operating Partnership that purport to waive or restrict our fiduciary duties.

Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act.

We intend to conduct our operations so that neither we, nor our Operating Partnership nor the subsidiaries of our Operating Partnership are investment companies under the Investment Company Act. However, there can be no assurance that we and our subsidiaries will be able to successfully avoid operating as an investment company.

A change in the value of any of our assets could negatively affect our ability to avoid operating as an investment company or to maintain an exception from the definition of investment company under the Investment Company Act. To avoid operating as an investment company or to maintain compliance with an applicable exception under the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

If we were required to register as an investment company but failed to do so, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration, and other matters.

Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan, which could materially adversely affect our financial condition, NAV (once we begin to calculate a quarterly NAV) and ability to pay distributions to our stockholders.

We may fail to comply with the requirements for a private offering exemption.

The Shares are being offered and sold in reliance upon an exemption from the registration requirements of the Securities Act provided by Regulation D promulgated under the Securities Act and applicable state securities law exemptions. The Adviser and the Dealer Manager intend to use their best efforts to assure compliance with the requirements of the applicable exemptions. There can be no assurance that a court reviewing the facts and circumstances of this offering might not determine later that one or more of the applicable exemption provisions was not properly complied with. Should it be determined that we failed to comply with the requirements of Regulation D or any other applicable exemption from registration, certain stockholders could have a right to various remedies against us, including the right to rescind their investment. If a sufficient number of such stockholders should seek rescission, we could face financial demands which could adversely affect our ability to continue in business which, in turn, could result in adverse consequences to both rescinding and non-rescinding stockholders.

We may be required to register our common stock under the Exchange Act.

Pursuant to Section 12(g) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), we will be required to register our common stock under the Exchange Act if, as of December 31st of any year (i) we have over \$10 million in total assets, and (ii) our common stock is held of record by at least 2,000 persons. If, as of December 31st of any year, we have satisfied both such registration requirements, we will be required to file a registration statement with the SEC registering our common stock under the Exchange Act within 120 calendar days of such date.

We do not intend to limit the issuance and transfer of Shares such that the total number of holders of the Shares, as determined pursuant to the Exchange Act, is less than 2,000. As a result, we may ultimately be required to register our common stock under the Exchange Act. If we register under the Exchange Act, we will be subject to the extensive ongoing public reporting and compliance obligations imposed by the Exchange Act, including the requirement to file quarterly, annual and current reports with the SEC and the SEC’s proxy rules and regulations. We would incur significant legal, accounting and other costs and expenses in connection with registering our common stock under the Exchange Act and complying with the ongoing public reporting and other requirements of the Exchange Act. In addition, complying with such requirements would place significant additional demands on the time and resources of our Adviser and its affiliates.

Risks Related to Investments in Real Estate

Our operating results will be affected by economic and regulatory changes that impact the real estate market in general.

We are subject to risks generally attributable to the ownership of real property, including:

- changes in global, national, regional or local economic, demographic or capital market conditions;
- future adverse national real estate trends, including increasing vacancy rates, declining rental rates and general deterioration of market conditions;
- changes in supply of or demand for similar properties in a given market or metropolitan area, which could result in rising vacancy rates or decreasing market rental rates;
- increased competition for properties targeted by our investment strategy;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- increases in interest rates and lack of availability of financing;

- acts of nature, such as fires, earthquakes, floods, hurricanes, tornadoes and other severe weather events;
- adverse economic conditions as a result of an epidemic, pandemic or other health-related issue;
- changes in government rules, regulations and fiscal policies, including increases in property taxes, changes in zoning laws, limitations on rental rates, and increasing costs to comply with environmental laws.

All of these factors are beyond our control. Any negative changes in these factors could affect our performance and our ability to meet our obligations and make distributions to stockholders.

The pandemic of the novel coronavirus, or COVID-19, has caused severe disruptions in the U.S. and global economy and may have an adverse impact on our financial performance.

The novel coronavirus disease known as “COVID-19,” which was characterized on March 11, 2020, by the World Health Organization as a pandemic, has currently resulted in a widespread health crisis, which has adversely affected international, national and local economies and financial markets generally, and has had an unprecedented effect on many businesses and industries, including the student housing industry.

Our operations may be negatively affected by a range of external factors related to the COVID-19 pandemic that are outside of our control. If, due to a resurgence of COVID-19 cases, the emergence of new variants of COVID-19 or outbreaks of other infectious diseases, the colleges or universities proximate to our properties decide to cancel in-person classes or additional governmental measures are implemented restricting gatherings and physical movement, we may experience adverse effects, including a significant decreases in occupancy at such properties and difficulties in renewing leases and leasing vacant units. Students’ housing decisions may continue to be affected by the continued uncertainty associated with COVID-19 and its emerging variants and other potential outbreaks of infectious disease, which may diminish our leasing results. Additionally, in certain locations, governmental orders may restrict us from charging late fees and proceeding with financial eviction proceedings, which could adversely affect our revenues.

We may experience delays in the closing of financing and commencement of construction for development projects, resulting in the revenue anticipated to be earned from such projects being delayed to future years. Curtailed or deferred tenant demand and additional delays in development projects could materially adversely affect our revenue, and thus our ability to make distributions to stockholders and service indebtedness.

The COVID-19 pandemic has impacted the capital markets and could impact our cost of borrowing. Also, the pandemic may pose risks arising from market liquidity and credit concerns. Any deterioration of the capital markets could cause our income and expense to vary from expectations. The economic disruption caused by the COVID-19 pandemic could affect our future ability to remain in compliance with our debt covenants, depending on the ultimate impact to the valuation of collateral and any additional financing we obtain to meet our liquidity needs.

The rapid development and fluidity of the COVID-19 pandemic precludes any prediction as to the ultimate adverse impact of the pandemic on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to our performance. In addition, many of the other risk factors described within this Memorandum may be more likely to impact us as a result of the COVID-19 pandemic and the responses thereto.

The impact of climate change and damage from catastrophic weather and other natural events may adversely affect our financial condition or results of operations.

Certain of our properties may be located in areas that have experienced and may in the future experience severe weather and other catastrophic natural events from time to time, including fires, snow or ice storms, windstorms, tornadoes, hurricanes, flooding and earthquakes. In addition, to the extent that climate change continues to occur and exacerbates extreme weather and changes in precipitation and temperature, we may experience physical damage or decrease in demand for properties located in these areas or affected by these conditions. These adverse weather or natural events could cause substantial damages or losses to our properties which could exceed our insurance coverage. Should the impacts be material in nature or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our properties.

The ongoing conflict between Russia and Ukraine has caused severe disruptions in the U.S. and global economy and may have an adverse impact on our financial performance.

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including the United States), and therefore could adversely affect the performance of our investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to us and the performance of our investments and operations, and our ability of to achieve our investment objectives. Similar risks will exist to the extent that any investments, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

Volatile financial markets may adversely affect our financial performance.

U.S. and international financial markets have historically been volatile, particularly in recent years. The effects of this volatility may persist particularly as financial institutions respond to new, or enhanced, regulatory requirements and other national and international events affecting financial markets, all of which could impact the availability of credit and overall economic activity as a whole. Further, the fluctuation in market conditions makes judging the future performance of the real estate assets we will acquire difficult.

We will not be diversified with respect to the class of assets that we own.

We intend to invest solely in student housing properties. While we intend to invest in a significant number of properties across various geographical locations and markets, we will not invest in a diverse set of asset classes. Therefore, each of our investments could be subject to the same or similar rental property related risks and a decline in real estate values in general or a change in economic conditions which affects real property investment and rental markets could have a substantial adverse effect on our financial performance. Further, to the extent our Adviser concentrates our investments in a particular geographic region, our portfolio may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that geographic region. Investors have no assurance as to the degree of diversification in our investments, either by asset type or geographic region.

Because we will rely on Versity and its affiliates and third parties to manage the day-to-day affairs of any properties we may acquire, should the staff of a particular property perform poorly, our operating results for that property will similarly be hindered and our net income may be reduced.

We will depend upon the performance of the Property Manager and third-party property managers to effectively manage our properties. Rising vacancies across real estate properties have resulted in increased pressure on real estate investors and their property managers to maintain adequate occupancy levels. In order to do so, we may have to offer inducements, such as free rent and resident amenities, to compete for residents. Poor performance by those sales, leasing and other management staff members operating a particular property will necessarily translate into poor results of operations for that particular property. Should the Property Manager or third parties fail to identify problems in the day-to-day management of a particular property or fail to take the appropriate corrective action in a timely manner, our operating results may be hindered and our net income reduced.

There are risks inherent in the acquisition and management of multifamily properties.

There are risks associated with the operation of multifamily properties of the type that we intend to acquire, including, but not limited to, vacillations in the demand for residential space; risk of loss or damage to the improvements or property of tenants; environmental risks and other risks associated with ownership of real estate. Any of the above factors, or a combination thereof, could result in a decrease in the value of our investments which would have an adverse effect on our results of operations, reduce the cash flow available for distributions and the return on your investment.

Rental levels at the properties that we acquire can vary over time and we may not be able to maintain the occupancy rates we anticipate.

We will select the properties that we acquire based on, among other things, each property's projected rent levels. However, there can be no assurance that a property will continue to be occupied at the projected rents. It is anticipated that leases with the tenants at our properties will generally be for terms of one year or less. If the tenants of the properties do not renew or extend their leases, if tenants default under their leases at the properties, if issues arise with respect to the permissibility of certain uses at the properties, if tenants of the properties terminate their leases, or if the terms of any renewal (including concessions to the tenants) are less favorable than existing lease terms, the operating results of the properties could be substantially affected.

Our results of operations are subject to risks inherent in the student housing industry, including a concentrated lease-up period and seasonal cash flows.

Leases at our properties will typically require 12 monthly rental installments. Furthermore, all of our properties must be entirely re-leased each year during a limited leasing season. We will therefore be highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this season, exposing us to significant leasing risk. If we are unable to lease a substantial portion of our properties, or if the rental rates upon such leasing are significantly lower than expected rates, our cash flow from operations and our ability to make distributions to stockholders and service indebtedness could be adversely affected.

Additionally, prior to the commencement of each new lease period, generally during the first two weeks of August, we will prepare the units for new incoming residents. During this period (referred to as "turn"), we will incur significant expenses making our units ready for occupancy, which we will recognize as incurred. We will therefore experience seasonally decreased operating results and cash flows during the third quarter of each year as a result of expenses we incur during turn.

We may rely on our relationships with universities, and in such instances changes in university personnel or policies could adversely affect our operating results.

In some cases, we may rely on our relationships with colleges and universities for referrals of prospective student-tenants or for mailing lists of prospective student-tenants and their parents. Many of these colleges and universities own and operate their own competing on-campus facilities. Any failure to maintain good relationships with these colleges and universities could therefore have a material adverse effect on us. If colleges and universities refuse to make their lists of prospective student-tenants and their parents available to us or increase the costs of these lists, there could be a material adverse effect on us.

Changes in university admission policies could adversely affect our financial performance. For example, if a university reduces the number of student admissions or requires that a certain class of students, such as freshmen, live in a university-owned facility, the demand for our properties may be reduced and our occupancy rates may decline. While we may engage in marketing efforts to compensate for such changes in admission policy, we may not be able to affect such marketing efforts prior to the commencement of the annual lease-up period or at all.

A decrease in enrollment at the universities near which our properties are located could adversely affect our financial results.

University enrollment can be affected by a number of factors including, but not limited to, the current macroeconomic environment, the COVID-19 pandemic or outbreaks of other infectious diseases and the universities' response to curb its spread, students' ability to afford tuition or the availability of student loans, competition for international students, the impact of visa requirements for international students, higher demand for distance education, budget constraints that could limit a university's ability to attract and retain students, any degradation in a university's reputation and reports of crime or other negative publicity regarding the safety of the students residing on, or near, the university. If a university's enrollment were to significantly decline as a result of these or other factors, our ability to achieve our leasing targets and thus our properties' financial performance could be adversely affected.

We will face significant competition from university-owned student housing and from other private student housing communities located within close proximity to universities.

On-campus student housing traditionally has certain inherent advantages over off-campus student-focused multifamily housing because of, among other factors, closer physical proximity to the university campus and integration of on-campus facilities into the academic community. Colleges and universities can generally avoid real estate taxes, while we and other private sector owners are subject to full real estate tax rates. Also, colleges and universities may be able to borrow funds at lower interest rates than those available to us and other private sector owners. As a result, universities may be able to offer more convenient or less expensive student housing than we can, which may adversely affect our occupancy and rental rates. We also compete with other national and regional owner-operators of off-campus student housing in a number of markets as well as with smaller local owner-operators. There may be a number of purpose-built student housing properties that compete directly with us located near or in the same general vicinity of many of our student housing communities. Such competing student housing communities may be newer than our student housing communities, located closer to campus, charge less rent, possess more attractive amenities, or offer more services, shorter lease terms or more flexible leases. The construction of competing properties or decreases in the general levels of rents for housing at competing properties could adversely affect our rental income. In recent years there have been a number of significant new entrants in the student housing industry and in the future there may be additional new entrants with substantial financial and marketing resources. The entry of these companies into the student housing industry has increased and may continue to increase competition for tenants and for the acquisition, development and management of other student housing properties.

We may be unable to successfully acquire properties on favorable terms.

Our future growth will be in part dependent upon our ability to successfully acquire new properties on favorable terms. With respect to recently acquired properties, and as we acquire additional properties, we will continue to be subject to risks associated with managing new properties, including lease-up and integration risks. Acquired properties may not perform as expected and may have characteristics or deficiencies unknown to us at the time of acquisition. Future acquisition opportunities may not be available to us on terms that meet our investment criteria or we may be unsuccessful in capitalizing on such opportunities. Our ability to acquire properties on favorable terms and successfully operate them involves the following significant risks:

- our potential inability to acquire a desired property may be caused by competition from other real estate investors;
- competition from other potential acquirers may significantly increase the purchase price and decrease expected yields;
- we may be unable to finance an acquisition on favorable terms or at all;
- we may have to incur significant unexpected capital expenditures to improve or renovate acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;
- market conditions may result in higher than expected costs and vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of our properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of our properties.

Our failure to acquire or finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, could adversely affect us.

Difficulties of selling real estate could limit our flexibility.

We intend to evaluate the potential disposition of assets that may no longer meet our investment objectives. When we decide to sell an asset, we may encounter difficulty in finding buyers in a timely manner as real estate investments generally cannot be disposed of quickly, especially when market conditions are poor. This may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In some cases, we may also determine that we will not recover the carrying value of the property upon disposition and might recognize an impairment charge. In addition, in order to maintain our status as a REIT, the Code imposes restrictions on our ability to sell properties held fewer than two years, which may cause us to incur losses thereby reducing our cash flows and adversely impacting distributions to equity holders.

The properties we acquire will include certain amenities for the residents at the properties that could increase the potential liabilities at the properties.

In addition to the apartment buildings, the properties we intend to acquire will be improved with various amenities, such as swimming pools, exercise rooms, playgrounds, laundry facilities, business centers or rentable club houses. Certain claims could arise in the event that a personal injury, death, or injury to property should occur in, on, or around any of these improvements. There can be no assurance that particular risks pertaining to these improvements that currently may be insured will continue to be insurable on an economical basis or that current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, we may lose all or part of the investment. We may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited but shareholders will not be personally liable.

Potential liability for environmental matters could adversely affect our financial condition.

Although we intend to subject our properties to an environmental assessment prior to acquisition, we may not be made aware of all the environmental liabilities associated with a property prior to its purchase. There may be hidden environmental hazards that may not be discovered prior to acquisition. The costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or rent the property or to borrow using the property as collateral.

Various federal, state and local environmental laws impose responsibilities on an owner or operator of real estate and subject those persons to potential joint and several liabilities. Typical provisions of those laws include:

- responsibility and liability for the costs of investigation, removal, or remediation of hazardous substances released on or in real property, generally without regard to knowledge of or responsibility for the presence of the contaminants;
- liability for claims by third parties based on damages to natural resources or property, personal injuries, or costs of removal or remediation of hazardous or toxic substances in, on, or migrating from our property;
- responsibility for managing asbestos-containing building materials, and third-party claims for exposure to those materials; and
- environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures.

The properties we acquire may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

The presence of mold at one of our properties could require us to undertake a costly program to remediate, contain or remove the mold. Mold growth may occur when moisture accumulates in buildings or on building materials. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. The presence of mold at a property could expose us to liability from the residents and others if property damage or

health concerns arise.

Costs associated with complying with the Americans with Disabilities Act and the Fair Housing Amendment Act may decrease cash available for distributions.

Our properties may be subject to the Americans with Disabilities Act of 1990, as amended (the “Disabilities Act”) and the Fair Housing Amendment Act, as amended (the “Fair Housing Act”). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons and may require owners of multifamily dwellings to make reasonable exceptions in their policies and operations to afford people with disabilities equal housing opportunities. The Disabilities Act has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act’s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. The Fair Housing Act requires multifamily dwellings first occupied after March 13, 1991, to comply with design and construction requirements related to access and use by disabled persons. Any funds used for Disabilities Act and Fair Housing Act compliance will reduce our net income and the amount of cash available for distributions to our stockholders.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our cash flows and the return on our stockholders’ investment.

There are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution, or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential acts of terrorism could significantly increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Such insurance policies may not be available at reasonable costs, which may increase our cost of obtaining financing. We may not have adequate coverage for such losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss, which may reduce the value of your investment. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings, which would adversely impact our ability to pay distributions to our stockholders.

We may have no or only limited recourse for any problems later identified for properties we acquire, which could materially and adversely affect us, including our results of operations.

We anticipate that the sellers of the properties we acquire will sell such properties “as is,” “where is” and “with all faults,” without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase and sale agreements for the properties that we acquire may contain limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with no or limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property, which could materially and adversely affect our financial condition and ability to pay distributions to our stockholders.

We may be unable to secure funds for future capital improvements, which could adversely impact our ability to make cash distributions to our stockholders.

When residents do not renew their leases or otherwise vacate their apartment unit at one of our properties, in order to attract replacement residents, we may be required to expend funds for capital improvements to the vacated unit. In addition, we may require substantial funds to renovate a property in order to sell it, upgrade it or reposition it in the market. If we have insufficient capital reserves, we will have to obtain financing from other sources. We intend to establish capital reserves in an amount that we believe is necessary. A lender also may require escrow of capital reserves in excess of any established reserves. If these reserves or any reserves otherwise established are designated for other uses or are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. We cannot assure our stockholders that sufficient financing will

be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing for capital needs and capital improvements will increase our interest expense, and therefore our financial condition and our ability to make distributions to our stockholders may be adversely affected.

Our properties will be subject to property taxes that may increase in the future, which could adversely affect our cash flow.

Our properties will be subject to real and personal property taxes that may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. As the owner of the properties, we are ultimately responsible for payment of the taxes to the applicable government authorities. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale.

Increases in costs to own and maintain our properties may materially and adversely affect our results of operations and cash flows.

We may experience increased costs associated with operating expenses, including capital improvements, routine property maintenance, real estate taxes and utility expenses. Any increases in our expenses to own and maintain our properties would consequently reduce our results of operations and cash flows.

The operation of our properties will depend, in part, on the availability of public utilities and services, especially for water and electric power.

Public utilities, especially those that provide water and electric power, will be fundamental for the sound operation of our properties. The delayed delivery or any material reduction or prolonged interruption of these services could allow the residents at our properties to terminate their leases or result in increased costs to us.

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 our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

We may make a substantial amount of joint venture investments, including with affiliates of Versity. Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on the financial condition of our joint venture partners and disputes between us and our joint venture partners.

We may co-invest with affiliates of Versity or third parties in partnerships or other entities that own real estate properties. We may acquire non-controlling interests in joint ventures. Even if we have some control in a joint venture, we would not be able to exercise sole decision-making authority. Investments in joint ventures may, under certain circumstances, involve risks not present were another party not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their capital commitments or otherwise meet their financial obligations pursuant to the terms of the joint venture documentation. Joint venture partners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions

contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the joint venture partner would have full control over the joint venture. Disputes between us and joint venture partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our joint venture partners.

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 otherwise suitable for us.

If we have a right of first refusal to buy out a joint venture partner, we may be unable to finance such a buy-out if it becomes exercisable or we are required to purchase such interest at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to elect to purchase an interest of a joint venture partner subject to the buy/sell right, in which case we may be forced to sell our interest as the result of the exercise of such right when we would otherwise prefer to keep our interest. In some joint ventures we may be obligated to buy all or a portion of our joint venture partner's interest in connection with a triggering event, and we may be unable to finance such a buy-out when such triggering event occurs, which may result in interest or other penalties accruing on the purchase price. If we buy our joint venture partner's interest we will have increased exposure in the underlying investment. The price we use to buy our joint venture partner's interest or sell our interest will typically be determined by negotiations between us and our joint venture partner and there is no assurance that such price will be representative of the value of the underlying property or equal to our then-current valuation of our interest in the joint venture. Finally, we may not be able to sell our interest in a joint venture if we desire to exit the venture for any reason or if our interest is likewise subject to a right of first refusal of our joint venture partner, our ability to sell such interest may be adversely impacted by such right. Joint ownership arrangements with affiliates of Versity may also entail further conflicts of interest. Joint venture partners may receive ongoing fees in connection with providing service to the joint venture or its properties, including promote fees, beyond their equity investment, which would reduce the amount of our economic interest.

Some additional risks and conflicts related to our joint venture investments (including joint venture investments with affiliates) include:

- the joint venture partner may have economic or other interests that are inconsistent with our interests, including interests relating to the financing, management, operation, leasing or sale of the assets purchased by such joint venture;
- our joint venture partners may receive ongoing fees from our joint ventures, including promote payments and potential buyouts of their equity investments, all of which may reduce amounts otherwise payable to us;
- tax, Investment Company Act and other regulatory requirements applicable to the joint venture partner may cause it to want to take actions contrary to our interests;
- the joint venture partner may have joint control of the joint venture even in cases where its economic stake in the joint venture is significantly less than ours;
- under the joint venture arrangement, it is possible that neither we nor the joint venture partner will be in a position to unilaterally control the joint venture, and deadlocks may occur which could adversely impact the operations and profitability of the joint venture, including as a result of the inability of the joint venture to act quickly in connection with a potential acquisition or disposition;
- under the joint venture arrangement, we and the joint venture partner may have a buy/sell right and, as a result of an impasse that triggers the exercise of such right, we may be forced to sell our investment in the joint venture, or buy the joint venture partner's share of the joint venture at a time when it would not otherwise be in our best interest to do so;

- our participation in investments in which a joint venture partner participates will be less than what our participation would have been had such joint venture partner not participated, and because there may be no limit on the amount of capital that such joint venture partner can raise, the degree of our participation in such investments may decrease over time;
- under the joint venture arrangement, we and the joint venture partner could each have preemptive rights in respect of future issuances by the joint venture, which could limit a joint venture's ability to attract new third-party capital;
- under the joint venture arrangement, we and the joint venture partner could be subject to lock-ups, which could prevent us from disposing of our interests in the joint venture at a time we determine to be advantageous; and
- the joint venture partner could have a right of first offer, tag-along rights, drag-along rights, consent rights or other similar rights in respect of any transfers of the ownership interests in the joint venture to third parties, which could have the effect of making such transfers more complicated or limiting or delaying us from selling our interest in the applicable investment.

Furthermore, we may have conflicting fiduciary obligations if we acquire properties with our affiliates or other related entities. As a result, in any such transaction we may not have the benefit of arm's-length negotiations of the type normally conducted between unrelated parties.

Risks Associated with Investments in Real Estate-Related Securities

The operating and financial risks of issuers and the underlying default risk across capital structures may adversely affect our results of operations and financial condition.

Our debt securities investments will involve credit or default risk, which is the risk that an issuer or borrower will be unable to make principal and interest payments on its outstanding debt when due. The risk of default and losses on real estate debt instruments will be affected by a number of factors, including global, regional and local economic conditions, interest rates, the commercial real estate market in general, an issuer's equity and the financial circumstances of the issuer, as well as general economic conditions. Such default risk will be heightened to the extent we make relatively junior investments in an issuer's capital structure since such investments are structurally subordinate to more senior tranches in such issuer's capital structure, and our overall returns would be adversely affected to the extent one or more issuers is unable to meet its debt payment obligations when due. To the extent we hold an equity or "mezzanine" interest in any issuer that is unable to meet its debt payment obligations, such equity or mezzanine interest could become subordinated to the rights of such issuer's creditors in a bankruptcy. Furthermore, the financial performance of one or more issuers could deteriorate as a result of, among other things, adverse developments in their businesses, changes in the competitive environment or an economic downturn. As a result, underlying properties or issuers that we expected to be stable may operate, or expect to operate, at a loss or have significant fluctuations in ongoing operating results, may otherwise have a weak financial condition or be experiencing financial distress and subject our investments to additional risk of loss and default.

Investments in real estate debt are subject to risks including various creditor risks and early redemption features which may materially adversely affect our results of operations and financial condition.

The debt and other interests in which we may invest may include secured or unsecured debt at various levels of an issuer's capital structure. The real estate debt in which we may invest may not be protected by financial covenants or limitations upon additional indebtedness, may be illiquid or have limited liquidity, and may not be rated by a credit rating agency. Real estate debt is also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligation and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Our investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by us earlier than expected, resulting in a lower return to us than anticipated or reinvesting in a new obligation at

a lower return to us.

We may invest in commercial mortgage loans which are non-recourse in nature and include limited options for financial recovery in the event of default; an event of default may adversely affect our results of operations and financial condition.

We may invest from time to time in commercial mortgage loans, including mezzanine loans and B-notes, which are secured by multifamily properties and are subject to risks of delinquency and foreclosure and risks of loss. Commercial real estate loans are generally not fully amortizing, which means that they may have a significant principal balance or balloon payment due on maturity. Full satisfaction of the balloon payment by a commercial borrower is heavily dependent on the availability of subsequent financing or a functioning sales market, as well as other factors such as the value of the property, the level of prevailing mortgage rates, the borrower's equity in the property and the financial condition and operating history of the property and the borrower. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a commercial borrower. In addition, in the absence of any such takeout financing, the ability of a borrower to repay a loan secured by an income-producing property will depend 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. Furthermore, we may not have the same access to information in connection with investments in commercial mortgage loans, either when investigating a potential investment or after making an investment, as compared to publicly traded securities.

Commercial mortgage loans are usually non-recourse in nature. Therefore, if a commercial borrower defaults on the commercial mortgage loan, then the options for financial recovery are limited in nature. Default rates and losses on commercial mortgage loans will be affected by a number of factors, including global, regional and local economic conditions in the area where the mortgage properties are located, the borrower's equity in the mortgage property, the financial circumstances of the borrower, tenant mix, property management decisions, including with respect to capital improvements, property location and condition, competition from other properties offering the same or similar services, environmental conditions, real estate tax rates, tax credits and other operating expenses, governmental rules, regulations and fiscal policies, acts of God, terrorism, social unrest and civil disturbances. A continued decline in specific commercial real estate markets and property valuations may result in higher delinquencies and defaults and potentially foreclosures. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. The overall level of commercial mortgage loan defaults remains significant and market values of the underlying commercial real estate remain distressed in many cases. It has also become increasingly difficult for lenders to dispose of foreclosed commercial real estate without incurring substantial investment losses, ultimately leading to a decline in the value of such investments.

In the event of any default under a mortgage or real estate loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage or real estate loan, which could have a material adverse effect on our profitability. In the event of the bankruptcy of a mortgage or real estate loan borrower, the mortgage or real estate 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 or real estate 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. Additionally, in the event of a default under any senior debt, the junior or subordinate lender generally forecloses on the equity, purchases the senior debt or negotiates a forbearance or restructuring arrangement with the senior lender in order to preserve its collateral.

We may invest in subordinated debt, which is subject to greater credit risk than senior debt.

We may invest in debt instruments, including "mezzanine" or junior mortgage loans (e.g., B-Notes), that are subordinated in an issuer's capital structure. To the extent we invest in subordinated debt of an issuer's capital structure, including "mezzanine" debt, such investments and our remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of holders of more senior tranches in an issuer's capital structure and, to the extent applicable, contractual inter-creditor, co-lender and participation agreement provisions.

Investments in subordinated debt involve greater credit risk of default and loss than the more senior classes or tranches of debt in an issuer's capital structure. Subordinated tranches of debt instruments absorb losses from default before other more senior tranches of such instruments, which creates a risk particularly if such instruments (or securities) have been issued with little or no credit enhancement or equity. As a result, to the extent we invest in subordinate debt instruments, we would likely receive payments or interest distributions after, and must bear the effects of losses or defaults on, the senior debt (including underlying mortgage loans and senior mezzanine debt) before, the holders of other more senior tranches of debt instruments with respect to such issuer.

We will face risks related to our investments in mezzanine loans.

Although not directly secured by the underlying real estate, mezzanine loans are also subject to risk of subordination and share certain characteristics of subordinate loan interests described above. As with commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying properties and, therefore, is subject to similar considerations and risks.

With most mezzanine loans, the bulk of the loan balance is payable at maturity with a one-time "balloon payment." Full satisfaction of the balloon payment by a borrower is heavily dependent on the availability of subsequent financing or a functioning sales market, and full satisfaction of a loan will be affected by a borrower's access to credit or a functioning sales market. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a borrower. In addition, in the absence of any such takeout financing, the ability of a borrower to repay a loan may be impaired. Moreover, mezzanine loans are usually non-recourse in nature. Therefore, if a borrower defaults on the loan, then the options for financial recovery are limited in nature. To the extent the underlying default rates with respect to the pool or tranche of commercial real estate loans in which we directly or indirectly invest increase, the performance of our investments related thereto may be adversely affected.

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

We may invest from time to time in non-controlling preferred equity positions, common equity and other real estate-related interests of companies that invest in multifamily properties. Preferred equity investments generally rank junior to all existing and future indebtedness, including commercial mezzanine and mortgage loans, but rank senior to the owners' common equity. Preferred equity investments typically pay a dividend rather than interest payments and often have the right for such dividends to accrue if there is insufficient cash flow to pay currently. These interests are not secured by the underlying real estate, but upon the occurrence of a default, the preferred equity provider typically has the right to effectuate a change of control with respect to the ownership of the property. In addition, equity investments may be illiquid or have limited liquidity due to lock-out periods, limited trading volume or other limitations or prohibitions against their transfer, sale, pledge or disposition, including any necessary registration with the SEC requiring coordination with the issuer for the sale of such securities. Our investments in real estate-related equity securities will involve risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer. Issuers of real estate-related common equity securities generally invest in real estate or real estate-related assets and are subject to the inherent risks associated with investments in real estate.

We may invest in equity securities of other REITs and other real estate-related companies that invest in multifamily properties, which will subject us to certain risks including those risks associated with an investment in our own common stock.

Any investments we make in equity securities of REITs and other real estate-related companies that invest in multifamily properties will be subject to the risks of the real estate market and securities market.

REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs may be subject to management fees and other expenses, and therefore when we invest in REITs we will bear our proportionate share of the costs of the REITs' operations. Investing in REITs and real estate-related companies involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. The market value of REIT shares and the ability of the REIT to distribute income may be adversely affected by several factors, including the risks described herein that relate to an investment in the Shares. REITs depend generally on their ability to generate cash flow to make distributions to stockholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and

distributions of capital returns may be made at any time. In addition, distributions received by us from REITs may consist of dividends, capital gains or return of capital. Generally, dividends received by us from REIT shares and distributed to our stockholders will not constitute “qualified dividend income” eligible for the reduced tax rate applicable to qualified dividend income. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income.

A REIT may impose limits on how much of its securities any one investor may own. These ownership limitations may result in an investor being unable to purchase (or otherwise obtain economic exposure to) the desired amounts of certain REITs. In some circumstances, we may seek and obtain a waiver from a REIT to exceed the REIT’s ownership limitations without being subject to the adverse consequences of exceeding such limit were a waiver not obtained, provided that we comply with the provisions of the waiver.

REITs are subject to interest rate risk. Rising interest rates may cause REIT investors to demand a higher annual yield, which may, in turn, cause a decline in the market price of the equity securities issued by a REIT.

Investing in certain REITs and real estate-related companies, which often have small market capitalizations, may also involve the same risks as investing in other small capitalization companies. REITs and real estate-related companies may have limited financial resources and their securities may trade less frequently and in limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

We may make open market purchases or invest in publicly traded securities.

We may invest in securities that are publicly traded and are, therefore, subject to the risks inherent in investing in public securities. When investing in public securities, we may be unable to obtain financial covenants or other contractual rights, including management rights that it might otherwise be able to obtain in making privately negotiated investments. Moreover, we may not have the same access to information in connection with investments in public securities, either when investigating a potential investment or after making an investment, as compared to privately negotiated investments. In addition, an investment may be sold by us to a public company where the consideration received is a combination of cash and stock of the public company, which may, depending on the securities laws of the relevant jurisdiction, be subject to lock-up periods.

The lack of liquidity in our securities investments may adversely affect our business.

There can be no assurance that there will be a ready market for the resale of our real estate-related securities investments because such investments may not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by us, particularly for certain of our loan investments. The credit markets have periodically experienced decreased liquidity on the primary and secondary markets during periods of market volatility. Such market conditions could re-occur and would impact the valuations of our investments and impair our ability to sell such investments if we were required to liquidate all or a portion of our investments quickly. Additionally, certain of our investments in securities may be subject to holding period and other restrictions that limit our ability to sell such investments.

We may enter into tax protection agreements in connection with UPREIT transactions.

We are organized as an UPREIT. A sale of property directly to a REIT is generally a taxable transaction to the selling property owner. However, 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 (or their interests in the entities that own the property) to the Operating Partnership in exchange for limited partnership interests in the Operating Partnership on a tax-free basis. In connection with such transactions, the Operating Partnership may enter into what are commonly referred to as “tax protection agreements” with the parties that contribute properties to the Operating Partnership in exchange for limited partnership interests.

The primary purpose of such tax protection agreements is to protect the contributor of the property from recognizing gain upon the contribution transaction and for a specified period thereafter. Pursuant to a typical tax protection agreement, the Operating Partnership would agree that, for the specified period (i) there will be sufficient Operating Partnership liabilities allocated, for income tax purposes, to the contributing limited partner or available to be

guaranteed by the contributing limited partner to prevent the recognition of gain, and (ii) the Operating Partnership will not dispose of the contributed property in a taxable transaction that triggers the taxable built-in gain to the contributing limited partner. The additional costs associated with indemnifying property contributors from tax liabilities resulting from the sale of the contributed assets and other terms of any tax protection agreements that the Operating Partnership enters into may restrict our ability to sell one or more properties or pay off indebtedness when it would otherwise be favorable or prudent.

Risks Associated with Debt Financing

We are likely to obtain mortgage indebtedness and other borrowings, which increases our risk of loss due to potential foreclosure.

We plan to obtain long-term financing that may be secured by our properties. In some instances, we may acquire properties by financing a portion of the price of the properties and mortgaging or pledging some or all of the properties purchased as security for that debt. We may also incur mortgage debt on properties that we already own in order to obtain funds to acquire additional properties, to fund property improvements and other capital expenditures, to make distributions, and for other purposes. In addition, we may borrow as necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes. However, we can give no assurance that we will be able to obtain such borrowings on satisfactory terms.

Incurring mortgage debt increases the risk of loss of a property since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, reducing the value of our stockholders' investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we would not necessarily receive any cash proceeds. We may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own our properties as well as with respect to debt associated with our preferred equity investments, mezzanine loans or equity investments in a property or land which will be developed into a property. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect many properties.

Our properties may be cross-collateralized.

We may obtain a line of credit or other debt financing from a bank or other lender which we may utilize to acquire properties and fund our operations. Thus, our assets may be cross-collateralized. We have not obtained a commitment for such a line of credit. Therefore, the amount and terms of any such line of credit are uncertain. No assurance can be given that future cash flow will be sufficient to make the debt service payments on any loans and to cover all of our operating expenses. If our revenues are insufficient to pay debt service and operating costs, we may be required to seek additional working capital. There can be no assurance that such additional funds will be available. The degree to which we are leveraged could have an adverse impact on us, including (i) increased vulnerability to adverse general economic and market conditions, (ii) impaired ability to expand and to respond to increased competition, (iii) impaired ability to obtain additional financing for future working capital, capital expenditures, general corporate or other purposes and (iv) requiring that a significant portion of cash provided by operating activities be used for the payment of debt obligations, thereby reducing funds available for operations.

High mortgage rates or changes in underwriting standards may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our cash flows from operations and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on a property, we run the risk of being unable to refinance part or all of the property when the debt becomes due or of being unable to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. We may be unable to refinance or may only be able to partly refinance our properties if underwriting standards, including loan to value ratios and yield requirements, among other

requirements, are stricter than when we originally financed the properties. If any of these events occurs, our cash flow could be reduced or we might have to pay down existing mortgages. This, in turn, would reduce cash available for distribution to our stockholders, could cause us to require additional capital and may hinder our ability to raise additional capital.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan agreements we enter into may contain covenants that limit our ability to further mortgage a property or that prohibit us from discontinuing insurance coverage. These or other limitations would decrease our operating flexibility and our ability to achieve our operating objectives.

We have broad authority to incur debt and high debt levels could hinder our ability to make distributions and decrease the value of our stockholders' investment.

We are not limited, by applicable law or the terms of our organizational documents, with respect to the amount of indebtedness that we may incur in the aggregate or with respect to any single asset. High debt levels would cause us to incur higher interest charges and higher debt service payments and may also be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of our Shares.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We may obtain loans that require interest-only payments for a number of years before we are required to make payments on the principal. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum, or "balloon," payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

We are uncertain of our sources for funding our future capital needs. If we do not have sufficient funds from operations to cover our expenses or to fund improvements to our properties and cannot obtain debt or equity financing on acceptable terms, our ability to cover our expenses or to fund improvements to our properties may be adversely affected.

The proceeds of this offering will be used primarily for investments in student housing properties. Until we have made substantial investments, we do not expect to have sufficient funds from operations to cover all of our expenses. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any other reason, sources of funding may not be available to us. If we do not have sufficient funds from cash flow generated by our assets or out of net sale proceeds, or cannot obtain debt or equity financing on acceptable terms, our financial condition and ability to make distributions may be adversely affected.

If we draw on a line of credit to pay distributions, fund repurchases or for any other reason, our financial leverage ratio could increase beyond our target.

We may seek to obtain lines of credit in an effort to provide for a ready source of liquidity for any business purpose, including to pay distributions or fund repurchases of Shares in the event that repurchase requests exceed our operating cash flow or net proceeds from this offering. There can be no assurances that we will be able to borrow under or obtain such lines of credit on financially reasonable terms. In addition, we may not be able to obtain a line of credit of an

appropriate size for our business until such time as we have a substantial portfolio, or at all. If we borrow under a line of credit to pay distributions or fund repurchases of Shares, our financial leverage will increase and may exceed our target leverage ratio. Our leverage may remain at the higher level until we receive additional net proceeds from this offering or generate sufficient operating cash flow or proceeds from asset sales to repay outstanding indebtedness.

The derivative financial instruments that we may use to hedge against interest rate fluctuations may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on your investment.

We may use derivative financial instruments, such as interest rate cap or collar agreements and interest rate swap agreements, to hedge exposures to changes in interest rates on loans secured by our assets, but no hedging strategy can protect us completely. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements and that these arrangements may not be effective in reducing our exposure to interest rate changes. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, the use of such instruments may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the REIT income tests.

We may not have sufficient funds to pay interest payments if interest rates increase significantly.

It is anticipated that mortgage loans we obtain may have variable interest rates. In response to the last global economic recession, extraordinary monetary policy actions of the U.S. Federal Reserve and other central banking institutions, including the utilization of quantitative easing, were taken to create and maintain a low interest rate environment. However, the U.S. Federal Reserve raised its benchmark interest rate nine times between December 2015 and the end of 2020, including four times in 2018, each time by a quarter of a percentage point, before reducing interest rates three times in 2019 and twice in 2020. In response to the COVID-19 pandemic, the U.S. Federal Reserve reduced its benchmark interest rate to 0% in March 2020 before voting in November 2020 to keep short-term interest rates anchored in a range between 0% and 0.25%. Further, the U.S. Federal Reserve has signaled that it will raise interest rates in 2022 and increased rates 0.25% in March 2022, 0.5% in May 2022, 0.75% in June 2022, 0.75% in July 2022 and 0.75% in September 2022. Any change in the fiscal policies or stated target interest rates of the U.S. Federal Reserve or other central banking institutions, or market expectations of such change, are difficult to predict and may result in significantly higher long-term interest rates. Such a transition may be abrupt and may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness.

In the event that the interest rate on any mortgage loan increases significantly, we may not have sufficient funds to pay the required interest payments. In such event, our continued ownership of the applicable property that secures such loan may be threatened. Further, an increase in interest rates and adverse changes in fiscal policy or credit market conditions could have an adverse effect on consumer spending.

Risks Related to Conflicts of Interest

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

Versity has conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of Versity, our Adviser and their respective affiliates, 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 our Adviser) determine in our good faith judgment constitutes an actual and material conflict of interest, we and our affiliates (including our Adviser) will take such actions as we determine appropriate to mitigate the conflict. Transactions between us and Versity or its affiliates will require approval by our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of our independent directors. There can be no assurance that our board of directors or Versity will identify or resolve all conflicts of interest in a manner that is favorable to us, and prior to the date that our board is comprised of a majority of independent directors, there can be no guarantee that the approval of such transactions by our board of directors will effectively mitigate the potential conflicts inherent in such transactions.

The fees we pay in connection with this offering and the agreements entered into with Versity and its affiliates were not determined on an arm's-length basis and therefore may not be on the same terms we could achieve from a third party.

The compensation paid to our Adviser and its affiliates for services they provide us was not determined on an arm's-length basis. All service agreements, contracts or arrangements between or among Versity and its affiliates, including between our Adviser, and us, were not negotiated at arm's-length. Such agreements include our Advisory Agreement, the Operating Partnership's partnership agreement, the property management agreements with the Property Manager, and any other agreements we may enter into with affiliates of Versity from time to time.

The Adviser faces a conflict of interest because the Management Fee it receives will be based on our NAV (once we begin to determine our NAV), which our Adviser is responsible for determining.

We will pay our Adviser a monthly Management Fee in an amount equal to (i) until such time as we commence determining our NAV per Share, 1.5% of the gross proceeds to us from the sale of Shares in this offering in such month, and (ii) thereafter, one-twelfth (1/12) of 1.5% of our NAV for the applicable month. Our NAV will be calculated by our Adviser. In addition, the distributions to be received by the Special Limited Partner with respect to its Performance Participation Allocation will be based in part upon the Operating Partnership's net assets (which will be a component of our NAV). The calculation of our NAV includes certain subjective judgments with respect to estimating, for example, the value of our portfolio and our accrued expenses, net portfolio income and liabilities, and therefore, our NAV may not correspond to realizable value upon a sale of those assets. The Adviser may benefit by causing us to retain ownership of our assets at times when our stockholders may be better served by the sale or disposition of our assets in order to avoid a reduction in our NAV. If our NAV is calculated in a way that is not reflective of our actual NAV, then the purchase price of Shares or the price paid for the repurchase of your Shares on a given date may not accurately reflect the value of our portfolio, and your Shares may be worth less than the purchase price you paid, or more than the repurchase price you receive, for such Shares. The valuation of our investments will affect the amount and timing of the Management Fee paid to our Adviser and the Special Limited Partner's Performance Participation Allocation. As a result, there may be circumstances where our Adviser is incentivized to determine valuations that are higher than the actual fair value of our investments.

The Management Fee paid to our Adviser and the Special Limited Partner's Performance Participation Allocation may not create proper incentives or may induce our Adviser and its affiliates to make certain investments, including speculative investments, that increase the risk of our real estate portfolio.

We pay our Adviser the Management Fee regardless of the performance of our portfolio. The Adviser's entitlement to the 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 our Adviser the 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 existence of the Special Limited Partner's Performance Participation Allocation, which is based on our total distributions plus the change in our NAV, may create an incentive for our Adviser to make riskier or more speculative investments on our behalf or cause us to use more leverage than it would otherwise make in the absence of such performance-based compensation. In addition, the change in our NAV 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 receive distributions 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.

Because the Management Fee and Performance Participation Allocation will be based on our NAV, our Adviser may also be motivated to accelerate acquisitions in order to increase our NAV or, similarly, delay or curtail repurchases to maintain a higher NAV.

The compensation we will pay to our Adviser and the Property Manager may create a conflict between the interests of our Adviser and the Property Manager and those of our stockholders.

Our acquisition of a property will result in Acquisition Fees payable to our Adviser and our disposition of a property will result in Disposition Fees payable to our Adviser. The Acquisition Fees we pay to our Adviser are based on the gross purchase price (including any assumed debt) of our investments and will be payable regardless of the performance of our investments. Such fees may incentivize our Adviser to, among other things, accept a higher purchase price for assets than it otherwise would, purchase assets that may not otherwise be in our best interests, incur additional leverage on terms that might not otherwise be acceptable and dispose of assets on terms or at times that are not otherwise in our best interests. Additionally, the property management fees payable to the Property Manager will generally be payable regardless of the quality of property management services provided to us.

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

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

Versity may sponsor or manage other investment programs, which could result in the reallocation of Versity's personnel and the direction of potential investments to such other investment programs.

Versity may sponsor or manage other investment funds, vehicles or programs (collectively referred to herein as "Other Programs"), including Other Programs that may have the same or similar investment objectives or guidelines as us. As a result, certain investment opportunities may be suitable for both us and such Other Programs. The formation of an Other Program could result in the reallocation of Versity's personnel, including reallocation of existing real estate professionals, to such Other Program. In addition, potential investments that may be suitable for us may be directed toward Other Programs. Versity will allocate investment opportunities which are suitable for us and Other Programs on a basis that it believes is fair and reasonable in its sole discretion, subject to certain factors and considerations. See "Investment Strategy and Process—Investment Allocation Policies."

We may source, sell or purchase assets either to or from our Adviser and its affiliates, and such transactions may cause conflicts of interest.

We may directly or indirectly source, sell or purchase all or any portion of an asset (or portfolio of assets) to or from Versity and its affiliates. Such transactions will be subject to the approval of a majority of our board of directors, including, from and after the date when our board of directors is comprised of a majority of independent directors, a majority of the independent directors, not otherwise interested in the transaction. Such transactions involve conflicts of interest, as Versity and its affiliates may receive fees and other benefits, directly or indirectly, from or otherwise have interests in both parties to the transaction.

Risks Related to our REIT Status and Certain Other Tax Items

If we do not qualify as a REIT, we will face serious tax consequences that will substantially reduce the funds available to satisfy our obligations, to implement our business strategy and to make distributions to our stockholders for each of the years involved.

We expect to operate so as to qualify as a REIT under the Code. However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Notwithstanding the availability of cure provisions in the Code, various compliance requirements could be failed and could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, which under current laws would result in, among other

things, means being unable to deduct distributions to stockholders in computing our taxable income and being subject to federal and applicable state and local income tax on our taxable income at regular corporate income tax;

- any resulting tax liability could be substantial and could have a material adverse effect on our book value;
- unless we were entitled to relief under applicable statutory provisions, we would be required to pay taxes, and therefore, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT and for which we had taxable income; and
- we generally would not be eligible to re-elect to be taxed as a REIT for the subsequent four full taxable years.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the NAV of the Shares.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in Shares. On December 22, 2017, tax legislation commonly referred to as the “Tax Cuts and Jobs Act” was signed into law. The Tax Cuts and Jobs Act resulted in fundamental changes to the Code, with many of the changes applicable to individuals applying only through December 31, 2025. Among the numerous changes included in the Tax Cuts and Jobs Act is a deduction of up to 20% of qualified REIT dividends for non-corporate U.S. taxpayers for taxable years through 2025. The IRS has issued significant guidance under the Tax Cuts and Jobs Act, but guidance on additional issues, finalization of guidance and technical corrections legislation may adversely affect us or our stockholders. On March 27, 2020, federal legislation intended to ameliorate the economic impact of the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act, or the “CARES Act,” was signed into law. The CARES Act made technical corrections to, or modified on a temporary basis, certain of the provisions of the Tax Cut and Jobs Act, and it is possible that additional such legislation may be enacted in the future. In addition, further changes to the tax laws, unrelated to the Tax Cuts and Jobs Act or the COVID-19 pandemic, are possible. In particular, the federal income taxation of REITs may be modified, possible with retroactive effect, by legislative, administrative or judicial action at any time.

We cannot assure stockholders that the Tax Cuts and Jobs Act, the CARES Act, or any such other changes will not adversely affect the taxation of our stockholders. Any such changes could have an adverse effect on an investment in the Shares or on the market value or the resale potential of our assets. Stockholders are urged to consult with their tax advisors with respect to the impact of these legislative changes on their investment in the Shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in the Shares. Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter authorizes our board of directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that changes to U.S. federal income tax laws and regulations or other considerations mean it is no longer in our best interests to qualify as a REIT.

To maintain our REIT status, we may have to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute annually to our stockholders dividends equal to at least 90% of our net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. We will be subject to regular corporate income taxes on any undistributed REIT taxable income, each year, including any undistributed net capital gains. Additionally, we will be subject to a 4% nondeductible excise tax on any amount by which distributions paid by us in 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 previous years. Certain payments we make to our stockholders under our SRP may not be taken into account for purposes of these distribution requirements. If we do not have sufficient cash to make distributions necessary to preserve our REIT status for any year or to avoid taxation, we may be forced to borrow funds or sell assets even if the market conditions at that time are not favorable for these borrowings or sales. These options could increase our costs or reduce our equity.

Compliance with REIT requirements may cause us to forego otherwise attractive opportunities, which may hinder or delay our ability to meet our investment objectives and reduce your overall return.

To qualify as a REIT, we are required at all times to satisfy tests relating to, among other things, the sources of our income, the nature and diversification of our assets, the ownership of our stock and the amounts we distribute to our stockholders. Compliance with the REIT requirements may impair our ability to operate solely on the basis of maximizing profits. For example, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution.

Compliance with REIT requirements may force us to liquidate or restructure otherwise attractive investments.

To qualify as a REIT, at the end of each calendar quarter, at least 75% of the value of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than qualified real estate assets and government securities) generally cannot include more than 10% of the voting securities of any one issuer or more than 10% of the value of the outstanding securities (other than securities that qualify for the straight debt safe harbor) of any one issuer unless we and such issuer jointly elect for such issuer to be treated as a taxable REIT subsidiary, or TRS, under the Code. Debt will generally meet the “straight debt” safe harbor if the debt is a written unconditional promise to pay on demand or on a specified date a certain sum of money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on profits, the borrower’s discretion, or similar factors. Additionally, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 20% of the value of our assets may be represented by securities of one or more TRS. If we fail to comply with these requirements at the end of any calendar quarter, we must dispose of a portion of our assets within 30 days after the end of such calendar quarter (or within 6 months if certain requirements are met) or qualify for certain statutory relief provisions, in order to avoid losing our REIT qualification and suffering adverse tax consequences. In order to satisfy these requirements and maintain our qualification as a REIT, we may be forced to liquidate assets from our portfolio or not make otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Our charter does not permit any person or group to own more than 9.9% in value or number of shares, whichever is more restrictive, of our outstanding common stock or of our outstanding capital stock of all classes or series, and attempts to acquire our common stock or our capital stock of all other classes or series in excess of these 9.9% limits would not be effective without an exemption (prospectively or retroactively) from these limits by our board of directors.

For us to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year after the first year for which we elect to qualify as a REIT. Our charter prohibits beneficial or constructive ownership by any person or group of more 9.9%, in value or by number of shares, whichever is more restrictive, of the outstanding shares of our outstanding common stock or 9.9% in value or number of shares, whichever is more restrictive, of our outstanding capital stock of all classes or series, which we refer to as the “Ownership Limits.” The constructive ownership rules under the Code and our charter are complex and may cause shares of our outstanding common stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 9.9% of our outstanding common stock or our capital stock by a person could cause another person to be treated as owning in excess of 9.9% of the outstanding common stock or our capital stock, respectively, and thus violate the Ownership Limits. There can be no assurance that our board of directors, as permitted in the charter, will not decrease these Ownership Limits in the future. Any attempt to own or transfer shares of our common stock or capital stock in excess of the Ownership Limits without the consent of our board of directors will result either in the shares in excess of the limit being transferred by operation of our charter to a charitable trust, or in the transfer being void.

The Ownership Limits may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). Any exemptions to the Ownership Limits that we grant in the future may limit our board of directors’ power to increase the Ownership Limits or grant further exemptions.

Non-U.S. holders may be required to file U.S. federal income tax returns and pay U.S. federal income tax upon their disposition of shares of our common stock or upon their receipt of certain distributions from us.

In addition to any potential withholding tax on ordinary dividends, a non-U.S. holder other than a “qualified shareholder” or a “qualified foreign pension fund,” as each is defined for purposes of the Code, that disposes of a “United States real property interest” (“USRPI”) (which includes shares of stock of a U.S. corporation whose assets consist principally of USRPIs), is generally subject to U.S. federal income tax under the Foreign Investment in Real Property Tax Act of 1980, as amended (“FIRPTA”), on the gain from such disposition. FIRPTA gains must be reported on U.S. federal income tax returns and are taxable at regular U.S. federal income tax rates. Such tax does not apply, however, to the gain on disposition of stock in a REIT that is “domestically controlled.” Generally, a REIT is domestically controlled if less than 50% of its stock, by value, has been owned directly or indirectly by non-U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT’s existence. We cannot assure our stockholders that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, amounts received by a non-U.S. holder on certain dispositions of shares of our common stock (including a redemption) would be subject to tax under FIRPTA, unless (i) our shares of common stock were regularly traded on an established securities market and (ii) the non-U.S. holder did not, at any time during a specified testing period, hold more than 10% of our common stock. We do not expect the Shares to be regularly traded on an established securities market until such time, if ever, as we list the Shares on a national securities exchange. Furthermore, even if we are domestically controlled, distributions by us that are attributable to gains from dispositions of USRPIs will be subject to tax under FIRPTA and special withholding rules unless the conditions in clauses (i) and (ii) of the immediately preceding sentence are satisfied, subject to certain exceptions. See “U.S. Federal Income Tax Considerations—Taxation of Non-U.S. Holders of Our Common Stock—Sales of Our Common Stock.”

A non-U.S. holder other than a “qualified shareholder” or a “qualified foreign pension fund,” that receives a distribution from a REIT that is attributable to gains from the disposition of a USRPI as described above, including in connection with a repurchase of our common stock, is generally subject to U.S. federal income tax under FIRPTA to the extent such distribution is attributable to gains from such disposition, regardless of whether the difference between the fair market value and the tax basis of the USRPI giving rise to such gains is attributable to periods prior to or during such non-U.S. holder’s ownership of our common stock unless the relevant class of stock is regularly traded on an established securities market in the United States and such non-U.S. holder did not own more than 10% of such class at any time during the one-year period ending on the date of such distribution. In addition, a repurchase of our common stock, to the extent not treated as a sale or exchange, may be subject to withholding as an ordinary dividend.

We seek to act in the best interests of our company as a whole and not in consideration of the particular tax consequences to any specific holder of Shares. Potential non-U.S. holders should inform themselves as to the U.S. tax consequences, and the tax consequences within the countries of their citizenship, residence, domicile, and place of business, with respect to the purchase, ownership and disposition of Shares.

We may incur tax liabilities that would reduce our cash available for distribution to you.

Even if we qualify and maintain our status as a REIT, we may become subject to U.S. federal income taxes and related state and local taxes. For example, net income from the sale of properties that are “dealer” properties sold by a REIT (a “prohibited transaction” under the Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs with respect to undistributed income. Similarly, if we were to fail a gross income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect), we would be subject to tax on the income that does not meet the income test requirements. We also may decide to retain net capital gain we earn from the sale or other disposition of our investments and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. 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 unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also may be subject to state and local taxes on our income or property, including franchise, payroll, mortgage recording and transfer taxes, either directly or at the level of the other companies through which we indirectly own our assets, such as our taxable REIT subsidiaries, which are subject to full U.S. federal, state and local corporate-level income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to you.

Restrictions on the deduction of our interest expense could prevent us from satisfying the REIT distribution requirements and avoiding the incurrence of income or excise taxes.

Rules enacted as part of the Tax Cuts and Jobs Act may limit our ability (and the ability of entities that are not treated as disregarded entities for U.S. federal income tax purposes and in which we hold an interest) to deduct interest expense. The deduction for business interest expense may be limited to the amount of the taxpayer's business interest income plus 30% of the taxpayer's "adjusted taxable income" unless the taxpayer's gross receipts do not exceed \$25 million per year during the applicable testing period or the taxpayer qualifies to elect and elects to be treated as an "electing real property trade or business." The CARES Act increased the 30% limitation to 50% for taxable years beginning in 2019 or 2020 and permitted an entity to elect to use its 2019 adjusted taxable income to calculate the applicable limitation for its 2020 taxable year. Unless a partner elects otherwise, 50% of its share of a partnership's "excess business interest" for its 2019 taxable year will be treated as paid by the partner in its 2020 taxable year and will not be subject to any limitation. A taxpayer's adjusted taxable income will start with its taxable income and add back items of non-business income and expense, business interest income and business interest expense, net operating losses, any deductions for "qualified business income," and, in taxable years beginning before January 1, 2022, any deductions for depreciation, amortization or depletion. A taxpayer that is exempt from the interest expense limitations as an electing real property trade or business is ineligible for certain expensing benefits and is subject to less favorable depreciation rules for real property. The rules for business interest expense will apply to us and at the level of each entity in which or through which we invest that is not a disregarded entity for U.S. federal income tax purposes. To the extent that our interest expense is not deductible, our taxable income will be increased, as will our REIT distribution requirements and the amounts we need to distribute to avoid incurring income and excise taxes.

Our board of directors is authorized to revoke our REIT election without stockholder approval, which may cause adverse consequences to our stockholders.

Our charter authorizes our board of directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that changes to U.S. federal income tax laws and regulations or other considerations mean it is no longer in our best interests to qualify as a REIT. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in our best interests and in the best interests of our stockholders. In this event, we would become subject to U.S. federal income tax on our taxable income, and we would no longer be required to distribute most of our net income to our stockholders, which may cause a reduction in the total return to our stockholders.

You may have current tax liability on distributions you elect to reinvest in our common stock.

If you participate in the DRIP, you will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in Shares to the extent the amount reinvested was not a tax-free return of capital. Therefore, unless you are a tax-exempt entity, you may be forced to use funds from other sources to pay your tax liability on the reinvested dividends.

Generally, ordinary dividends payable by REITs do not qualify for reduced U.S. federal income tax rates.

Currently, the maximum tax rate applicable to qualified dividend income payable to certain non-corporate U.S. stockholders, including individuals, is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. REIT dividends that are not designated as qualified dividend income, or capital gain dividends are taxable as ordinary income. Although this does not adversely affect the taxation of REITs or dividends payable by REIT, the more favorable rates applicable to regular corporate qualified dividend income could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends. However, under the Tax Cuts and Jobs Act, for taxable years through 2025, non-corporate U.S. taxpayers may be entitled to claim a deduction in determining their taxable income of up to 20% of qualified REIT dividends (which are dividends other than capital gain dividends and dividends attributable to certain qualified dividend income received by us). Stockholders are urged to consult with their tax advisors regarding the effect of this change on their effective tax rate with respect to REIT dividends.

If the Operating Partnership failed to qualify as a partnership or is not disregarded for U.S. federal income tax

purposes, we would cease to qualify as a REIT.

If the IRS were to successfully challenge the status of the Operating Partnership as a partnership or disregarded entity for U.S. federal income tax purposes, it would be taxable as a corporation, which would reduce the amount of distributions that the Operating Partnership could make to us. This would also result in our failing to qualify as a REIT and becoming subject to a corporate-level tax on our income, which would substantially reduce our cash available to pay distributions and the yield on your investment.

Our taxable REIT subsidiaries are subject to special rules that may result in increased taxes.

We may conduct certain activities or invest in assets through one or more taxable REIT subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. Other than some activities relating to management of hotel and health care properties, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A domestic taxable REIT subsidiary is subject to U.S. federal income tax as a regular C corporation.

No more than 20% of the value of a REIT's total assets may consist of stock or securities of one or more taxable REIT subsidiaries. This requirement limits the extent to which we can conduct our activities through taxable REIT subsidiaries. The values of some of our assets, including assets that we hold through taxable REIT subsidiaries, may not be subject to precise determination, and values are subject to change in the future. In addition, as a REIT, we must pay a 100% penalty tax on IRS adjustments to certain payments that we made or receive if the economic arrangements between us and any of our taxable REIT subsidiaries are not comparable to similar arrangements between unrelated parties. We intend to structure transactions with any taxable REIT subsidiary on terms that we believe are arm's length to avoid incurring the 100% excise tax described above; however, the IRS may successfully assert that the economic arrangements of any of our intercompany transactions are not comparable to similar arrangements between unrelated parties.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from hedging transactions will be excluded from gross income for purposes of the 75% and 95% gross income tests if: (i) the instrument (A) hedges interest rate risk or foreign currency exposure on liabilities used to carry or acquire real estate assets, (B) hedges 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 tests or (C) hedges a position entered into pursuant to clause (A) or (B) after the extinguishment of such liability or disposition of the asset producing such income; and (ii) such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a taxable REIT subsidiary. This could increase the cost of our hedging activities because our taxable REIT subsidiary would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our taxable REIT subsidiary will generally not provide any tax benefit, except for being carried forward against future taxable income in the taxable REIT subsidiary.

Sales of our properties at gains are potentially subject to the prohibited transaction tax, which could reduce the return on a stockholder's investment.

Our ability to dispose of property is restricted as a result of our REIT status. Under applicable provisions of the Code regarding prohibited transactions by REITs, we will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) we own, directly or through a subsidiary entity, including the Operating Partnership, but excluding our TRS's, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business unless a safe harbor applies under the Code. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction

tax by (1) conducting activities that may otherwise be considered prohibited transactions through a TRS, (2) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or through any subsidiary other than a TRS, will be treated as a prohibited transaction, or (3) structuring certain dispositions of our properties to comply with certain safe harbors available under the Code. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business or that a safe harbor will apply.

There may be tax consequences to any modifications to our borrowings, our hedging transactions and other contracts to replace references to LIBOR.

We may become parties to loan agreements with LIBOR-based interest rates and derivatives with LIBOR-based terms used for hedging and may hold or acquire assets with LIBOR-based terms. We may have to renegotiate such LIBOR-based instruments to replace references to LIBOR. Under current law, certain modifications of terms of LIBOR-based instruments may have tax consequences, including deemed taxable exchanges of the pre-modification instrument for the modified instrument. Proposed Treasury Regulations have been issued that would treat certain modifications that would be taxable events under current law as non-taxable events. The proposed Treasury Regulations also would permit real estate mortgage investment conduits (“REMICs”) to make certain modifications without losing REMIC qualification. The proposed Treasury Regulations do not discuss REIT-specific issues of modifications to LIBOR-based instruments. It is not clear when the proposed Treasury Regulations will be finalized or what, if any, changes will be made to the proposed Treasury Regulations in final Treasury Regulations. The IRS has also issued Revenue Procedure 2020-44, which provides additional guidance to facilitate the market’s transition from LIBOR rates. This guidance clarifies the treatment of certain debt instruments modified to replace LIBOR-based terms. We will attempt to migrate to a post-LIBOR environment without jeopardizing our REIT qualification or suffering other adverse tax consequences but can give no assurances that we will succeed.

Retirement Plan Risks

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

There are special considerations that apply to investing in 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 Shares, 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 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 should consult their own advisors as to the effect of ERISA 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 or Section 4975 of the Code; (ii) our management, as well as various providers of fiduciary or other services to us (including our Adviser), 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 (iii) entities whose underlying assets are deemed to include plan assets within the meaning of Section 3(42) of ERISA and the regulations thereunder (*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”) (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 Shares to any Covered Plan is in no respect a representation by us or any other person associated with the offering of Shares 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.

DESCRIPTION OF CAPITAL STOCK

The following summary of the material provisions concerning our capital stock is qualified in its entirety by the terms of the MGCL and our charter, bylaws and the policies adopted by our board of directors. Copies of our charter and bylaws are available upon request.

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, bylaws and the policies adopted by our board of directors. Under our charter, we have authority to issue a total of 2,100,000,000 shares of capital stock. Of the total shares of stock authorized, 2,000,000,000 shares are classified as common stock with a par value of \$0.01 per share, and 100,000,000 shares are classified as preferred stock with a par value \$0.01 per share. In addition, our board of directors may amend our 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 our common stock are 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 our directors. Therefore, the holders of a majority of the outstanding shares of our common stock can elect our entire board of directors. Subject to any preferential rights of any outstanding class or series of shares of stock and to the provisions in our charter regarding the restriction on ownership and transfer of stock, the holders of common stock are 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, are entitled to receive all assets available for distribution to our stockholders. Upon issuance for full payment in accordance with the terms of this offering, all shares of our common stock issued in the offering 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 issue.

Our charter also contains a provision permitting our board of directors, without any action by our 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 dividends and other distributions, qualifications and terms or conditions of repurchase of any new class or series of shares of stock.

We will generally not issue certificates for shares of our common stock. Shares of our 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.

Preferred Stock

Our charter authorizes our 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 dividends and other distributions, qualifications and terms or conditions of repurchase of each class or series of preferred stock so issued. Because our board of directors has 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 our common stock.

If we ever created and issued preferred stock with a distribution preference over the Shares, payment of any distribution preferences of outstanding preferred stock would reduce the amount of funds available for the payment of distributions on the Shares. Further, holders of preferred stock are normally entitled to receive a liquidation preference in the event we liquidate, dissolve or wind up before any payment is made to the holders of our common stock, likely reducing the amount holders of our 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, offer or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management. Our board of directors has no present plans to issue any preferred stock, but may do so at any time in the future without stockholder approval.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, upon reasonable notice to our stockholders. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of our independent directors or our chief executive officer, president or chairman of the board of directors and must be called by our 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 a majority 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 secretary shall provide a written notice to our 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 nor more than 60 days after the delivery 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 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.

Under the MGCL, stockholders generally are 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 our board of directors have declared advisable and directed that the matter 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 holding a majority of the outstanding shares of our stock entitled to vote is required to approve any such action, and no such action can be taken by our board of directors without such majority vote of our stockholders. In addition, any amendment to our charter or our dissolution of must first be declared advisable by our board of directors. Therefore, except with respect to the election or removal of our directors, prior to a stockholder vote, our 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 our stockholders will be those that have been declared advisable by our board of directors. Stockholders are not entitled to exercise any of the rights of an objecting stockholder provided for in Title 3, Subtitle 2 of the MGCL unless our 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 have the power, without the concurrence of the directors, to remove a director from our board of directors with or without cause, by the affirmative vote of a majority of the shares of stock entitled to vote generally in the election of directors.

Pursuant to our charter, any stockholder and any designated representative thereof shall 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 are 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 are 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 our 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: Versity Student Housing REIT, Inc., 20 Enterprise, Suite 400, Aliso Viejo, CA 92656. It is the policy of our board of directors to comply with all proper requests for access to our corporate records in conformity with our charter and Maryland law.

Restrictions on Ownership and Transfer

Our charter contains restrictions on the number of shares of our 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 9.9% in value or number of shares, whichever is more restrictive, of our outstanding common stock or 9.9% 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 our board of directors.

Subject to certain limitations, our 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 required by our charter and as our board of directors may determine. Our board of directors may grant limited exemptions to certain persons who directly or indirectly own our stock.

Our charter further prohibits any person from beneficially or constructively owning shares of our stock that would result in our 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 our 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 our 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, is 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 our 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 our 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 shall 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 dividends 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 dividends 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 dividend 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 dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend 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 our 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 follows. 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 dividends and other 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 our 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 he 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 dividends and other distributions which have been paid to the proposed transferor and are owed to the proposed transferor to 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 our 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 more than 5% 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 our board of directors, within 30 days after the end of each taxable year, is required to give us written notice, stating his or her name and address, the number of shares of each class and series of our 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.

Distribution Policy

We intend to declare distributions based on record dates established by our board of directors and to pay such distributions on a monthly basis. Our distribution policy is set by our board of directors and is subject to change based on available cash flows. We cannot guarantee the amount of distributions paid, if any. You will not be entitled to receive a distribution if your Shares are repurchased prior to the applicable time of the record date. In connection with a distribution to our stockholders, our board of directors intends to approve a monthly distribution for a certain dollar amount per share for our common stock. We will then calculate each stockholder's specific distribution amount using applicable record and declaration dates. A stockholder's distributions will begin to accrue on the date it is admitted as a stockholder.

To qualify as a REIT, we are required to pay distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. We intend to distribute sufficient income so that we satisfy the requirements for qualification as a REIT. In order to qualify as a REIT, we are required to distribute 90% of our annual REIT taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains, to our stockholders. See the "Material U.S. Federal Income Tax Considerations—Taxation of REITs in General—Requirements for Qualification as a REIT" and "Material U.S. Federal Income Tax Considerations—Annual Distribution Requirements Applicable to REITs" sections of this Memorandum. Generally, income distributed to stockholders will not be taxable to us under the Code if we distribute at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains.

Distributions will be authorized at the discretion of our board of directors, in accordance with our earnings, cash flows and general financial condition. Our board of directors' discretion is 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. We have not established any limit on the amount of proceeds from this offering that may be used to fund distributions other than those limits imposed by our organizational documents and Maryland law.

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.

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, the sale of our assets, borrowings 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 DRIP, the extent to which our Adviser elects to receive the Management Fee in Shares or Operating Partnership units and the Special Limited Partner elects to receive distributions on its Performance Participation Allocation in Operating Partnership units, how quickly we invest the proceeds from this and any future offering and the performance of our investments. Funding distributions from the sale of our assets, borrowings or proceeds of this offering will result in us having less funds available to make 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. We believe the likelihood that we pay distributions from sources other than cash flow from operations will be higher in the early stages of the offering.

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.

Distribution Reinvestment Plan

We have adopted the DRIP, a copy of which is attached hereto as Appendix B, whereby stockholders will have their cash distributions automatically reinvested in Shares unless they elect to receive their distributions in cash. Any cash distributions attributable to the Shares owned by participants in the DRIP will be immediately reinvested in additional Shares on behalf of the participants on the business day such distribution would have been paid to such stockholder. See “U.S. Federal Income Tax Considerations” for information concerning the U.S. federal income tax consequences of participating in the DRIP.

The per Share purchase price for Shares purchased pursuant to the DRIP will be \$1,000 until we begin determining a quarterly NAV per Share, which we will begin to do starting with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the per Share price for Shares purchased pursuant to the DRIP will be equal to the transaction price at the time the distribution is payable (which transaction price will generally be equal to our prior quarter’s NAV per Share). Stockholders will not pay any Dealer Manager fees or other fees or compensation when purchasing Shares pursuant to the DRIP. Shares acquired under the DRIP will entitle the participant to the same rights and be treated in the same manner as Shares purchased in this offering.

We reserve the right to amend, suspend or terminate the DRIP at any time without the consent of our stockholders, provided that notice of any such amendment, suspension or termination will be disclosed in a supplement to this Memorandum. A participant’s participation in the DRIP will be terminated to the extent that a reinvestment of such participant’s distributions in Shares would cause the percentage ownership or other limitations contained in our charter to be violated. Participants may terminate their participation in the DRIP upon ten business days’ prior written notice to us.

Each participant in the DRIP is required to promptly notify us in writing if such participant experiences a material change in his, her or its financial condition, including without limitation the failure to continue to qualify as an “accredited investor” (as defined by Regulation D of the Securities Act) or any other investment suitability standards imposed by us.

We will provide on a quarterly basis to each participant in the DRIP a statement of account describing, as to such participant, (1) the distributions reinvested during the quarter, (2) the number of Shares purchased during the quarter, (3) the per Share purchase price for such Shares and (4) the total number of Shares purchased on behalf of the

participant under the DRIP. On an annual basis, tax information with respect to income earned on Shares under the DRIP for the calendar year will be provided to each applicable participant.

SUMMARY OF OUR OPERATING PARTNERSHIP AGREEMENT

The following summary of the material terms of the Limited Partnership Agreement of the Operating Partnership, which we refer to as the “partnership agreement,” is qualified in its entirety by the terms of the partnership agreement.

Management of Our Operating Partnership

The Operating Partnership was formed to acquire and hold assets on our behalf. 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. 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.

We are and expect to continue to be the sole general partner of the Operating Partnership. As of the date of this Memorandum, the only limited partners of the Operating Partnership are us and the Special Limited Partner (an affiliate of Versity). In the future, certain investors who have exchanged property for limited partnership units in the Operating Partnership may become additional limited partners.

As the sole general partner of the Operating Partnership, 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 partnership agreement and as required by applicable law. We 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 have delegated to our Adviser authority to make decisions related to the management of our and the Operating Partnership’s assets, including sourcing, evaluating and monitoring our 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 Special Limited Partner has expressly acknowledged and any future limited partners of the Operating Partnership will expressly acknowledge that we, as general partner, 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 are not liable under the partnership 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 partnership 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 cease to qualify as a REIT, (2) avoid any 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 “U.S. Federal Income Tax Considerations.”

Capital Contributions

We intend to contribute the net proceeds from this offering, after payment of fees and expenses attributable to our offering and operations, to the Operating Partnership as capital contributions. 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 this offering and our operations.

If the Operating Partnership requires additional funds at any time in excess of capital contributions made by us, the Operating Partnership may borrow funds from a financial institution or other lenders or we or any of our affiliates may provide such additional funds through loans, purchase of additional partnership interests or otherwise (which we or such affiliates will have the option, but not the obligation, of providing). In addition, the Operating Partnership may admit additional limited partners whose investments may be subject to a different Management Fee and repurchase limitations if our board of directors concludes in good faith that such admittance is in our best interest.

Limited Partnership Units Generally

Limited partnership units represent an interest as a limited partner in the Operating Partnership. The Operating Partnership may issue additional partnership units and classes of partnership units with rights different from, and superior to, those of limited partnership units of any class, without the consent of the limited partners or our stockholders. Holders of limited partnership units do not have any preemptive rights with respect to the issuance of additional units.

Limited partners do not have the right to participate in the management of the Operating Partnership. Limited partners who do not participate in the management of the Operating Partnership, by virtue of their status as limited partners, generally are not liable for the debts and liabilities of the Operating Partnership beyond the amount of their capital contributions. The voting rights of the limited partners are generally limited to approval of specific types of amendments to the partnership agreement.

Special Limited Partner Interest

So long as the Advisory Agreement has not been terminated (including by means of non-renewal), the Special Limited Partner will hold the Performance Participation Allocation, which entitles it to receive an allocation from our Operating Partnership equal to 20% of the Total Return, subject to an 8% Hurdle Amount and a High Water Mark (each term as defined below). Such allocation will be made annually and accrue quarterly.

Specifically, the Special Limited Partner will be allocated a performance participation in an amount equal to, if the Total Return for the applicable period exceeds the sum of (i) the Hurdle Amount for that period and (ii) the Loss Carryforward Amount (any such excess, “Excess Profits”), 20% of such Excess Profits.

“Total Return” for any period since the end of the prior calendar year shall equal the sum of:

- all distributions accrued or paid (without duplication) on the Operating Partnership units outstanding at the end of such period since the beginning of the then-current calendar year, *plus*
- the change in aggregate NAV of such units since the beginning of the year, before giving effect to (x) changes resulting solely from the proceeds of issuances of Operating Partnership units, and (y) any allocation/accrual to the Performance Participation Allocation. For any period prior to the date that we begin to determine a quarterly NAV, the change in the aggregate NAV for purposes of the Total Return calculation shall be deemed to be zero.

For the avoidance of doubt, the calculation of Total Return will (i) include any appreciation or depreciation in the NAV of units issued during the then-current calendar year but (ii) exclude the proceeds from the initial issuance of such units.

“Hurdle Amount” means, for any period during a calendar year, that amount that results in a 8% annualized internal rate of return on the NAV of the Operating Partnership units outstanding at the beginning of the then-current calendar year and all Operating Partnership units issued since the beginning of the then-current calendar year, taking into account the timing and amount of all distributions accrued or paid (without duplication) on all such units and all issuances of Operating Partnership units over the period and calculated in accordance with recognized industry practices. The ending NAV of the Operating Partnership units used in calculating the internal rate of return will be

calculated before giving effect to any allocation/accrual to the Performance Participation Allocation, provided that the calculation of the Hurdle Amount for any period will exclude any Operating Partnership units repurchased during such period, which units will be subject to the Performance Participation Allocation upon repurchase as described below. For purposes of the foregoing Hurdle Amount calculation, for any period prior to the date that we commence determining a quarterly NAV per Share, the “NAV” of the applicable Operating Partnership units will be deemed to be equal to \$1,000 per unit.

Except as described in Loss Carryforward below, any amount by which Total Return falls below the Hurdle Amount will not be carried forward to subsequent periods.

“Loss Carryforward Amount” will initially equal zero and shall cumulatively increase by the absolute value of any negative annual Total Return and decrease by any positive annual Total Return, provided that the Loss Carryforward Amount will at no time be less than zero and provided further that the calculation of the Loss Carryforward Amount will exclude the Total Return related to any Operating Partnership units repurchased during such year, which units will be subject to the Performance Participation Allocation upon repurchase as described below. The effect of the Loss Carryforward Amount is that the recoupment of past annual Total Return losses will offset the positive annual Total Return for purposes of the calculation of the Performance Participation Allocation. This is referred to as a “High Water Mark.”

The Special Limited Partner will also be allocated a performance participation with respect to all Operating Partnership units that are repurchased at the end of any month (in connection with repurchases of Shares in our SRP) in an amount calculated as described above with the relevant period being the portion of the year for which such unit was outstanding, and proceeds for any such unit repurchase will be reduced by the amount of any such performance participation.

Distributions on the Performance Participation Allocation may be payable in cash or Operating Partnership units at the election of the Special Limited Partner. If the Special Limited Partner elects to receive such distributions in Operating Partnership units, the Special Limited Partner may request the Operating Partnership to repurchase such Operating Partnership units from the Special Limited Partner at a later date, subject to the terms of the partnership agreement. The Operating Partnership will repurchase all or any portion of the Operating Partnership units held by the Special Limited Partner at any time upon the request of the Special Limited Partner. The Operating Partnership will repurchase Operating Partnership units held by the Special Limited Partner for cash unless our board of directors determines that any such repurchase for cash would be prohibited by applicable law or the partnership agreement, in which case such Operating Partnership units will be repurchased for Shares.

The NAV of the Operating Partnership calculated on the last trading day of a calendar year shall be the amount against which changes in NAV is measured during the subsequent calendar year. In our first calendar year of operations, the Performance Participation Allocation, if any, will be calculated with respect to the applicable portion of the calendar year commencing upon the date of the first sale of Shares in this offering.

The measurement of the foregoing net assets change is also subject to adjustment by our board of directors to account for any unit dividend, unit split, recapitalization or any other similar change in the Operating Partnership’s capital structure or any distributions made after the commencement of this offering that the 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 Special Limited Partner will not be obligated to return any portion of the Performance Participation Allocation paid based on our subsequent performance.

Changes in our Operating Partnership’s NAV per unit will generally correspond to changes in our NAV per Share. Distributions with respect to the Performance Participation Allocation are calculated from the Operating Partnership’s Total Return over a calendar year. As a result, the Special Limited Partner may be entitled to receive compensation under the Performance Participation Allocation for a given year even if some of our stockholders who purchased Shares during such year experienced a decline in NAV per Share. Similarly, stockholders whose Shares are repurchased during a given year may have their Shares repurchased at a lower NAV per Share as a result of an accrual for the estimated Performance Participation Allocation at such time, even if no Performance Participation Allocation for such year are ultimately payable to the Special Limited Partner at the end of such calendar year.

In the event the Advisory Agreement is terminated, the Special Limited Partner will be allocated any accrued Performance Participation Allocation with respect to all Operating Partnership units as of the date of such termination.

Issuance of Additional Limited Partnership Interests

As sole general partner of the Operating Partnership, we will have the ability to cause the Operating Partnership to issue additional limited partnership interests, preferred partnership interests or convertible securities. We have issued Operating Partnership units, and may issue more in the future, including in connection with the acquisition of properties.

Our 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 on a tax-free basis. The Operating Partnership may enter into tax protection agreements with parties that contribute properties to the Operating Partnership in exchange for limited partnership interests. Such agreements would obligate the Operating Partnership to indemnify such parties if certain taxable events are triggered. 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.

Transferability of Interests

Without the consent of a majority in interest of the limited partners of the Operating Partnership, other than interests held by us, we may not voluntarily withdraw as the general partner of the Operating Partnership, engage in any merger, consolidation or other business combination or transfer our general partnership interest in the Operating Partnership (except to a wholly owned subsidiary), unless: (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 amount they would have received if they had exercised their exchange rights immediately prior to such transaction or (2) in the case of a merger or other business combination, 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 the general partner of the Operating Partnership.

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 general partner.

Redemption of Operating Partnership Units

Subject to the terms of any agreements between the Operating Partnership and one or more limited partners with respect to the Operating Partnership units held by such limited partners, each limited partner, after holding any Operating Partnership units for at least one year, has the right to require the Operating Partnership to redeem all or a portion of such Operating Partnership units for Shares or cash. As the general partner of the Operating Partnership, we will determine, in our sole discretion, whether Operating Partnership units tendered for redemption will be redeemed for cash or Shares. Operating Partnership units redeemed for cash will be redeemed at a price per Operating Partnership unit equal to the most recent NAV per Share as of the redemption date. Operating Partnership units redeemed for Shares will be exchanged for Shares on a one-for-one basis.

The Special Limited Partner and our Adviser are not subject to the foregoing one-year holding requirement and may request that the Operating Partnership redeem all or any portion of the Operating Partnership units held by them at any time. Operating Partnership units held by the Special Limited Partner and our Adviser will be redeemed for cash, unless our board of directors determines that any such repurchase for cash would be prohibited by applicable law or the partnership agreement, in which case such Operating Partnership units will be repurchased for Shares.

No limited partner (other than the Special Limited Partner and our Adviser) may deliver more than two redemption requests during each calendar year. No limited partner (other than the Special Limited Partner and our Adviser) may exercise a redemption request for less than 1,000 Operating Partnership units or, if such limited partner holds less than 1,000 Operating Partnership units, all of the units held by such limited partner.

We, as the general partner, may not amend the Partnership Agreement in any manner that would adversely affect the existing redemption rights with respect to Operating Partnership units without the consent of limited partners holding a majority of the Operating Partnership units.

Exculpation

We, 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.

Indemnification

The partnership agreement provides for the indemnification of us, as general partner, by the Operating Partnership for liabilities we incur 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 is contrary to public policy and therefore unenforceable.

Tax Matters

We are the Operating Partnership's tax matters partner (and partnership representative, as applicable) and have the authority to make tax elections under the Code on the Operating Partnership's behalf.

PLAN OF DISTRIBUTION

We are offering Shares on a “best efforts” basis through the Dealer Manager, a registered broker-dealer. Because this is a “best efforts” offering, the Dealer Manager must use its best efforts to sell the Shares, but no underwriter, broker-dealer, financial adviser or other person will be obligated to purchase any Shares. We are offering an unlimited number of Shares on a continuous basis, provided that our board of directors may terminate this offering at any time.

We entered into the Dealer Manager Agreement with the Dealer Manager, pursuant to which the Dealer Manager agreed to, among other things, serve as our exclusive dealer manager in connection with the offer and sale of the Shares in this offering.

Purchase Price

The purchase price per Share will be \$1,000 until we begin determining our NAV per Share. We will commence determining our NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the purchase price per Share will vary and will equal the then-current transaction price, which will generally be our NAV per Share as of the last calendar day of the prior quarter. Generally, we will disclose our NAV per Share for each quarter on the first business day after the end of such quarter. Our NAV may vary significantly from one quarter to the next, and although the transaction price for Shares you purchase will generally be based on the prior quarter’s NAV per Share, the NAV per Share for the quarter in which you make your purchase may be significantly different. We may offer Shares based on a transaction price that we believe reflects the NAV per Share of such Shares more appropriately than the prior quarter’s NAV per Share or suspend this 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 quarter.

If Subscription documents are received less than five business days prior to the monthly closing date, the purchase of Shares reflected by such Subscription documents may, unless we elect otherwise, be executed in the immediately following month’s closing at the transaction price applicable to that closing. As a result of this process, the price per Share at which a subscription is executed may be different than the price per Share for the month in which the subscription was submitted.

Compensation to the Dealer Manager

We entered into the Dealer Manager Agreement with the Dealer Manager, pursuant to which the Dealer Manager has agreed to, among other things, manage our relationships with Participating Dealers engaged by the Dealer Manager to participate in the distribution of Shares. The Dealer Manager also coordinates our marketing and distribution efforts with Participating Dealers and their registered representatives with respect to communications related to the terms of this offering, material aspects of our operations and subscription procedures.

Upfront Dealer Manager Fees

The Dealer Manager will be entitled to upfront Dealer Manager Fees of up to 10.0% of (i) the fixed \$1,000 per Share price of each Share sold in this offering, and (ii) once we begin to determine a quarterly NAV per Share, the transaction price of each share of Common Stock sold in this offering; *provided, however*, that no Dealer Manager Fees will be paid with respect to Shares sold pursuant to the DRIP. All or a portion of the Dealer Manager Fees may be reallocated (paid) by the Dealer Manager to Participating Dealers.

The Dealer Manager Fees paid to the Dealer Manager will be paid as an operating expense of our company out of the gross per Share purchase price paid by investors. For example, assuming a per Share price of \$1,000 and payment of the maximum Dealer Manager Fees of 10.0%, the net proceeds to us from the sale of a Share, after payment of such Dealer Manager Fees, will be \$900 (*i.e.*, \$1,000 less \$100 in Dealer Manager Fees). As a result, less than 100% of the gross purchase price paid by investors will be available to us for investments and other purposes. In addition, absent sufficient appreciation in the value of our assets to offset the upfront Dealer Manager Fees, our NAV per Share when we begin our quarterly NAV determinations will be lower than the \$1,000 purchase price per Share.

Expense Reimbursement

The Dealer Manager will bear and pay all of its costs and expense in connection with the performance of its duties under the Dealer Manager Agreement without any reimbursement from us.

Term and Termination of the Dealer Manager Agreement

The Dealer Manager Agreement will continue in effect until it is terminated (including via non-renewal). The Dealer Manager Agreement may be terminated under certain circumstance set forth in the Dealer Manager Agreement, including:

- upon the mutual agreement of us and the Dealer Manager;
- by either us or the Dealer Manager upon the material breach of the Dealer Manager Agreement by the other party, effective either (i) immediately if the breach cannot be cured or (ii) upon 10 days written notice if the breach is curable and remains uncured at the end of such 10 day period; or
- by either us or the Dealer Manager if the other party is subject to a voluntary or involuntary bankruptcy or insolvency.

Indemnification

To the maximum extent permitted by law, Versity will indemnify the Dealer Manager and all Participating Dealers against losses (including reasonable attorneys' fees) based upon (i) any untrue statement or omission of a material fact contained in this Memorandum or any other offering materials; *provided, however*, that such indemnity will not apply to any losses arising based upon an untrue statement or omission of material in any information furnished by or on behalf of the Dealer Manager; (ii) any material breach by us of a representation, warranty or covenant in the Dealer Manager Agreement; or (iii) any material failure by us to comply with state or federal securities laws applicable to this offering; *provided, however*, that we will not provide any such indemnification to the extent such losses resulted from, among other things, the Dealer Manager's material breach of a representation, warranty or covenant in the Dealer Manager Agreement.

To the maximum extent permitted by applicable law, the Dealer Manager will indemnify us and our affiliates against losses (including reasonable attorneys' fees) based upon (i) any material breach of the Dealer Manager Agreement by the Dealer Manager, (ii) any breach by the Dealer Manager of applicable securities laws or regulations in connection with its performance of its obligations under the Dealer Manager Agreement, or (iii) any untrue statement or omission of material fact contained in this Memorandum or any other offering materials (only to the extent that such untrue statement or omission was made in reliance upon written information furnished to us by the Dealer Manager specifically for use with reference to the Dealer Manager); *provided, however*, that the Dealer Manager will not provide any such indemnification to the extent such losses resulted from, among other things, our material breach of a representation, warranty or covenant in the Dealer Manager Agreement.

A copy of the Dealer Manager's privacy policy is attached hereto as Appendix C.

SHARE REPURCHASES

General

While you should view your investment as long term with limited liquidity, pursuant to our SRP stockholders may request that we repurchase all or any portion of their Shares on a quarterly basis, subject to the minimum holding period and the other terms discussed below. Due to the illiquid nature of investments in real estate, we may not have sufficient liquid resources to fund repurchase requests.

The procedures relating to the repurchase of Shares are as follows:

- Under our SRP, to the extent we choose to repurchase any Shares in any particular quarter we will repurchase Shares as of the opening of the last calendar day of that quarter (a “Repurchase Date”). To have your Shares repurchased, your repurchase 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 quarter. Settlements of Share repurchases will generally be made within three business days of the Repurchase Date. Repurchase requests will be effected at a repurchase price established as set forth under “—Repurchase Price” below.
- A stockholder may withdraw his or her repurchase request by notifying our transfer agent, Phoenix American Financial Services, Inc., directly or through the stockholder’s financial intermediary, on our toll-free, automated telephone line, (833) 591-3087. The line is open on each business day between the hours of 9:00 a.m. and 6:00 p.m. (Eastern time). Repurchase requests must be cancelled before 4:00 p.m. (Eastern time) on the last business day of the applicable quarter.
- If a repurchase request is received after 4:00 p.m. (Eastern time) on the second to last business day of the applicable quarter, the repurchase request will be executed, if at all, on the next quarter’s Repurchase Date at the repurchase price applicable as of such Repurchase Date (established as set forth under “—Repurchase Price” below), unless such request is withdrawn prior to the repurchase. Repurchase 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. All questions as to the form and validity (including time of receipt) of repurchase requests and notices of withdrawal will be determined by us, in our sole discretion, and such determination shall be final and binding.
- Repurchase requests may be made by mail or by contacting your financial intermediary. If making a repurchase request by contacting your financial intermediary, your financial intermediary may require you to provide certain documentation or information. If making a repurchase request by mail to our transfer agent, you must complete and sign a repurchase authorization form, which can be found on our password-protected investor relations website, www.versityreit.com. Written requests should be sent to the following address:

Phoenix American Financial Services, Inc.
2401 Kerner Blvd
San Rafael, CA 94901

- For processed repurchases, stockholders may request that repurchase proceeds are to be paid by mailed check provided that the check is mailed to an address on file with us for at least 30 days. Stockholders may also receive repurchase proceeds via wire transfer, provided that wiring instructions for their brokerage account or designated U.S. bank account are provided. For all repurchases paid via wire transfer, the funds will be wired to the account on file with us 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 a bank or brokerage account on file. Funds will be wired only to U.S. financial institutions (ACH network members).
- If a stockholder has made multiple purchases of Shares, any repurchase request will be processed on a first in/first out basis unless otherwise requested in the repurchase request.

Sources of Funds for Repurchases

We may fund repurchase requests from sources other than cash flow from operations, including, without limitation, the sale of our assets, borrowings or offering proceeds, and we have no limits on the amounts we may pay from such sources.

In an effort to have adequate cash available to support our SRP, we may reserve borrowing capacity under a line of credit. We could then elect to borrow against this line of credit in part to repurchase Shares presented for repurchase during periods when we do not have sufficient proceeds from operating cash flows or the sale of Shares in this continuous offering to fund all repurchase requests. If we determine to obtain a line of credit, we expect that it would afford us borrowing availability to fund Share repurchases.

Minimum Holding Period

Shares will not be eligible for repurchase pursuant to our SRP unless such Shares have been issued and outstanding for at least 12 months; *provided, however*, that such minimum holding period requirement may be waived in the case of repurchase requests resulting from the death of a stockholder and with respect to shares issued pursuant to the DRIP. Our waiver of the minimum holding period resulting from the death of a stockholder will be subject to our receipt of written notice from the estate of the stockholder or the recipient of the Shares through bequest or inheritance. We must receive the written repurchase request within 12 months after the death of the stockholder, and such written request must be accompanied by a certified copy of the official death certificate of the stockholder. In addition, stockholders who receive Shares in exchange for redeemed Operating Partnership units will be allowed to include the time period that such Operating Partnership units were previously held for purposes of the 12 month minimum holding period. If spouses are joint registered holders of Shares, the request to have the Shares repurchased 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 legal entity, the right to waiver of the minimum holding period upon death does not apply.

Repurchase Price

Shares that have been outstanding for more than 12 months but less 24 months will be repurchased pursuant to our SRP at a repurchase price per Share equal to ninety percent (90%) of: (i) \$1,000 until such time as we begin determining a quarterly NAV per Share, and (ii) thereafter, the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date).

Shares that have been outstanding for at least 24 months will be repurchased pursuant to our SRP at a repurchase price per Share equal to the current transaction price on the repurchase date (which will generally be equal to the NAV per Share as of the last day of the quarter immediately preceding the repurchase date).

Repurchase Limitations

We may repurchase fewer Shares than have been requested in any particular quarter, or none at all, in our discretion at any time. We may reject for any reason, or cancel, any repurchase request. Total repurchases pursuant to our SRP will initially be limited to no more than 5.0% of our outstanding Shares per calendar quarter (measured using the issued and outstanding Shares as of the last day of the immediately preceding quarter). Once we begin to determine a quarterly NAV per Share, the aggregate NAV of total repurchases of Shares will be limited to no more than 5% of our aggregate NAV per calendar quarter (measured using the average aggregate NAV attributable to stockholders as of the end of the immediately preceding three months).

In the event that we determine to repurchase some but not all of the Shares submitted for repurchase during any quarter, Shares submitted for repurchase during such quarter will be repurchased on a pro rata basis. All unsatisfied repurchase requests must be resubmitted after the start of the next quarter, or upon the recommencement of our SRP, as applicable.

Should repurchase requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on us as a whole, or should we otherwise determine that investing our liquid assets

in real properties or other investments rather than repurchasing our Shares is in our best interests as a whole, we may choose to repurchase fewer Shares in any particular quarter than have been requested to be repurchased, or none at all. Further, our board of directors may make exceptions to, modify, suspend or terminate our SRP if it deems such action to be in our best interest and the best interest of our stockholders. Material modifications, including any amendment to the 5% quarterly limitation on repurchases, to and suspensions of our SRP will be promptly disclosed in a supplement to this Memorandum and on our password-protected website. In addition, we may determine to suspend our SRP due to regulatory changes, changes in law or if we become aware of undisclosed material information that we believe should be disclosed before Shares are repurchased. Once our SRP is suspended, our board of directors must affirmatively authorize the recommencement of the plan before stockholder requests will be considered again.

Shares held by our Adviser acquired as payment of the Management Fee will not be subject to our SRP, including with respect to any of the foregoing repurchase limits or minimum holding period.

CERTAIN REGULATORY CONSIDERATIONS

Securities Act of 1933

The Shares have not been registered under the Securities Act, or any other securities laws, including state securities or blue sky laws, and we do not intend to register the Shares under such laws. The Shares are offered in reliance upon the exemption from registration thereunder provided by Section 4(a)(2) thereof and Rule 506(b) of Regulation D promulgated thereunder. Each prospective purchaser is required to represent, among other customary private placement representations, that it is an “accredited investor,” as that term is defined in Regulation D, and is acquiring the Shares for investment purposes only and not for resale or distribution.

Securities Exchange Act of 1934

Pursuant to Section 12(g) of the Exchange Act, we will be required to register our common stock under the Exchange Act if, as of December 31st of any year (i) we have over \$10 million in total assets, and (ii) our common stock is held of record by at least 2,000 persons. If, as of December 31st of any year, we have satisfied both such registration requirements, we will be required to file a registration statement with the SEC registering our common stock under the Exchange Act within 120 calendar days of such date. We do not intend to limit the issuance and transfer of Shares such that the total number of holders of the Shares, as determined pursuant to the Exchange Act, is less than 2,000. As a result, we may ultimately be required to register our common stock under the Exchange Act. If we register under the Exchange Act, we will be subject to the extensive ongoing public reporting and compliance obligations imposed by the Exchange Act, including the requirement to file quarterly, annual and current reports with the SEC and the SEC’s proxy rules and regulations. We would incur significant legal, accounting and other costs and expenses in connection with registering our common stock under the Exchange Act and complying with the ongoing public reporting and other requirements of the Exchange Act. In addition, complying with such requirements would place significant additional demands on the time and resources of our Adviser and its affiliates.

Investment Company Act of 1940

We intend to engage primarily in the business of investing in real estate and to conduct our operations, directly and through wholly or majority-owned subsidiaries, so that neither we, the Operating Partnership nor any of the subsidiaries of the Operating Partnership is required, as such requirements have been interpreted by the SEC, to register as an investment company under the Investment Company Act. A company is an “investment company” under the Investment Company Act:

- under Section 3(a)(1)(A), if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- under Section 3(a)(1)(C), if it 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 its total assets (exclusive of government securities and cash items) on an unconsolidated basis, which we refer to as the “40% test.” The term “investment securities” generally includes all securities except U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We intend to acquire real estate and real estate-related securities directly, primarily by acquiring fee interests in real property. We may also make investments indirectly through joint venture entities, including joint venture entities in which we do not own a controlling interest. We plan to conduct our businesses primarily through the Operating Partnership, a majority-owned subsidiary, and expect to establish other direct or indirect majority-owned subsidiaries to hold particular assets.

We will conduct our operations so that we, the Operating Partnership and most, if not all, of the wholly and majority-owned subsidiaries of the Operating Partnership comply with the 40% test. We will monitor our holdings on an

ongoing basis to determine compliance with this test. The Operating Partnership and most, if not all, of the wholly and majority-owned subsidiaries of the Operating Partnership will not rely on exceptions under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Consequently, interests in the Operating Partnership and in these subsidiaries of the Operating Partnership (which are expected to constitute a substantial majority of our assets) generally will not constitute “investment securities.” Accordingly, we believe that we, the Operating Partnership and most, if not all, of the wholly and majority-owned subsidiaries of the Operating Partnership will not be considered investment companies under Section 3(a)(1)(C) of the Investment Company Act.

In addition, we believe that neither we, the Operating Partnership nor any of the wholly or majority-owned subsidiaries of the Operating Partnership will be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because they do not engage primarily or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we, the Operating Partnership and the subsidiaries of the Operating Partnership will be primarily engaged in non-investment company businesses related to real estate. Consequently, we intend to conduct our and the Operating Partnership and its subsidiaries’ respective operations such that none of them are required to register as an investment company under the Investment Company Act.

We determine whether an entity is our majority-owned subsidiary. 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, or by another company which is a majority-owned subsidiary of such person. The Investment Company Act defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat entities in which we own at least 50% of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. If the SEC or its staff was to disagree with our treatment of one or more subsidiary entities as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any adjustment in our strategy could have a material adverse effect on us.

If we, the Operating Partnership or any of the wholly or majority-owned subsidiaries of the Operating Partnership would ever inadvertently fall within one of the definitions of “investment company,” we intend to rely on the exception from the definition of investment company provided by Section 3(c)(5)(C) of the Investment Company Act, 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.” The SEC staff has taken the position that this exception generally requires that at least 55% of an entity’s assets be comprised of mortgages and other liens on and interests in real estate, also known as “qualifying assets,” and at least another 25% of the entity’s assets must be comprised of additional qualifying assets or a broader category of assets that we refer to as “real estate-related assets” under the Investment Company Act (and no more than 20% of the entity’s assets may be comprised of miscellaneous assets).

We will classify our assets for purposes of our Section 3(c)(5)(C) exception based upon no-action positions taken by the SEC staff and interpretive guidance provided by the SEC and its staff. These no-action positions are based on specific factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than 20 years ago. No assurance can be given that the SEC or its staff will concur with our classification of our assets. In addition, the SEC or its staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of the Investment Company Act. If we are required to re-classify our assets, we may no longer be in compliance with the exception from the definition of an investment company provided by Section 3(c)(5)(C) of the Investment Company Act.

For purposes of determining whether we satisfy the 55%/25% test under Section 3(c)(5)(C), based on certain no-action letters issued by the SEC staff, we intend to classify our fee interests in real property, held by us directly or through our wholly owned or majority-owned subsidiaries, as qualifying assets. In addition, based on no-action letters issued by the SEC staff, we will treat our investments in any joint ventures that in turn invest in qualifying assets such as real property as qualifying assets, but only if we are active in the management and operation of the joint venture and have the right to approve major decisions by the joint venture; otherwise, they will be classified as real estate-related assets. 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 participating in certain investment opportunities that are otherwise suitable for us. We expect that no less than 55% of our assets will consist of investments in real property, including any joint ventures that we control or in which we share control. We will treat any investments in real estate-related securities as real estate-related assets, for purposes of determining whether we satisfy the 55%/25% test.

A change in the value of any of our assets could negatively affect our ability to maintain our exception from the definition of investment company under the Investment Company Act. To maintain compliance with the Section 3(c)(5)(C) exception, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

Qualifying for the Section 3(c)(5)(C) exception will limit our ability to make certain investments. For example, these restrictions may limit our and our subsidiaries' ability to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities, non-controlling equity interests in real estate companies or in assets not related to real estate.

To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon the definition of investment company and the exemptions to that definition, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

Although we intend to monitor our portfolio, there can be no assurance that we will be able to maintain compliance with any applicable exception from the definition of investment company under the Investment Company Act. If we are required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration, and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of Shares by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts (“IRAs”) and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “Similar Laws”) and any entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each of the foregoing, a “Plan”).

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “ERISA Plan”) and prohibit certain transactions involving the assets of an ERISA 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 an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in our Shares of a portion of the assets of any Plan, a fiduciary should consider whether an investment in our 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 Shares.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA 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 ERISA 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 an ERISA 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 an ERISA 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 ERISA plan assets. Certain exemptions are available from the prohibited transaction rules. However, there can be no assurance that an exemption will apply in any particular situation. It is also possible that one exemption 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 such exemption contains conditions and limitations on its application. Fiduciaries of ERISA Plans considering acquiring and holding our Shares in reliance any such exemption should carefully review the exemption 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 an ERISA 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 an ERISA Plan acquires an “equity interest” in an entity that is neither a “publicly offered security” (as discussed below) nor a security issued by an investment company

registered under the Investment Company Act, the ERISA 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 (i) that less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors" as defined in Section 3(42) of ERISA (the "25% Test"), or (ii) that the entity is an "operating company" as defined in the Plan Assets Regulation (as discussed below). 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, our Shares will initially not qualify as a "publicly offered security" and there can be no assurance that we will not exceed the 25% Test at any point.

Operating Company

The Plan Assets Regulation defines an "operating company" as an entity primarily engaged (directly or indirectly through a majority-owned subsidiary or subsidiaries) in the production or sale of a product or service other than the investment of capital, and includes a venture capital operating company ("VCOC") and a real estate operating company ("REOC"). An entity will qualify as a VCOC during a period if (i) on the initial date on which it makes an investment (other than short-term investments pending long-term commitment) and on certain specified annual testing dates, at least 50% of its assets (valued at cost and excluding certain short-term investments) consist of "venture capital investments" (as defined below) or "derivative investments" (as defined in the Plan Assets Regulation), and (ii) during such period, the entity in the ordinary course of its business actually exercises management rights with respect to one or more of the operating companies in which it invests. The Plan Assets Regulation defines the term "venture capital investment" as an investment in an operating company (other than a VCOC but including a REOC) with respect to which the investor obtains management rights. The Plan Assets Regulation defines "management rights" as contractual rights directly between the investor and the operating company that entitle the investor to substantially participate in, or substantially influence the conduct of, the management of the operating company. An entity will qualify as a REOC during a period if (i) on the initial date on which it makes an investment (other than short-term investments pending long-term commitment) and on certain specified annual testing dates, at least 50% of its assets (valued at cost and excluding certain short-term investment) are invested in real estate which is managed or developed and with respect to which such entity has the right to substantially participate directly in the management or development activities and (ii) during such period, the entity in the ordinary course of its business is engaged directly in real estate management or development activities. We anticipate that the Operating Partnership will initially qualify as a VCOC or REOC and we expect the shares of our common stock to eventually qualify as a "publicly offered security" as described below. However, no assurance can be given that either of the foregoing will be the case.

Publicly Offered Securities

For purposes of the Plan Assets Regulation, a "publicly offered security" is 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 after the end of the fiscal year of the issuer during which the offering of such securities to the public has occurred, or (ii) part of a class of securities that is registered under Section 12 of the Exchange Act. The Shares will not initially qualify as a "publicly offered security" because they will not be (i) a class of securities registered under Section 12 of the Exchange Act or (ii) "widely held" (due to the Shares being held initially by a limited number of stockholders). We expect that our Shares will eventually qualify for the exception for a "publicly offered security," however, no assurance can be given that this will be the case.

If our assets are deemed to constitute ERISA "plan assets" (*i.e.*, if our shares fail to qualify as publicly offered securities, or we fail to qualify as a VCOC or REOC as of our initial valuation date, or during any subsequent annual valuation period, and we have also failed the 25% Test), 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 an ERISA 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 an ERISA Plan may be delegated to certain “investment managers” who acknowledge that they are fiduciaries of the ERISA Plan. In such case, an ERISA 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 an ERISA Plan, the fiduciary of any such ERISA 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 an ERISA 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 ERISA Plan.

Representation

By acceptance of our Shares, each purchaser and subsequent transferee of a Share will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Shares constitutes assets of any Plan or (ii) the purchaser or transferee made its own discretionary decision to invest in our Shares and the holding of the Shares by such purchaser or transferee will not constitute a fiduciary breach or non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The sale of our Shares to an ERISA Plan is in no respect a representation by us or any other person associated with this offering 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 investment professional or other fiduciary unrelated to the Advisor or any of its or our respective affiliates about whether an investment in our Shares, 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.

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 our Shares.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain material U.S. federal income tax considerations relating to the ownership of Shares as of the date hereof by U.S. holders and non-U.S. holders, each as defined below. Except where noted, this summary deals only with Shares held as a capital asset and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, regulated investment companies, tax-exempt entities (except as described in “—Taxation of Tax-Exempt Holders of Our Common Stock” below), insurance companies, persons holding common stock as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, investors in pass-through entities or U.S. holders of common stock whose “functional currency” is not the U.S. dollar. This summary does not discuss any alternative minimum tax considerations or any state, local or non-U.S. tax considerations. Furthermore, the discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, possibly with retroactive effect, resulting in U.S. federal income tax consequences different from those discussed below.

On December 22, 2017, tax legislation commonly referred to as the Tax Cuts and Jobs Act was signed into law. The Tax Cuts and Jobs Act made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations. Most of the changes applicable to individuals are temporary and would apply only to taxable years beginning before January 1, 2026. The IRS has issued significant guidance under the Tax Cuts and Jobs Act, but guidance on additional issues, finalization of proposed guidance and technical corrections legislation may adversely affect us or our stockholders. On March 27, 2020, federal legislation intended to ameliorate the economic impact of the COVID-19 pandemic, the CARES Act, was signed into law. The CARES Act made technical corrections to, or modified on a temporary basis, certain of the provisions of the Tax Cut and Jobs Act, and it is possible that additional such legislation may be enacted in the future. Further changes to the tax laws, unrelated to the Tax Cuts and Jobs Act or the COVID-19 pandemic, are possible. Prospective stockholders are urged to consult with their tax advisors with respect to the impact of the Tax Cuts and Jobs Act, the impact of legislation enacted to address the economic impact of the COVID-19 pandemic, and any other regulatory or administrative developments and proposals and their potential effect on investment in our common stock.

No ruling on the U.S. federal, state, or local tax considerations relevant to our operation or to the purchase, ownership or disposition of our common stock has been requested from the IRS or other tax authority. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. The summary is also based upon the assumption that we and our subsidiaries and affiliated entities will operate in accordance with our and their applicable organizational documents.

The U.S. federal income tax treatment of holders of Shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular stockholder of holding Shares will depend on the stockholder’s particular tax circumstances. You are urged to consult your own tax advisors concerning the U.S. federal income tax consequences in light of your particular situation as well as consequences arising under the laws of any other taxing jurisdiction.

Our Taxation as a REIT

We intend to elect and qualify to be taxed as a REIT under the Code. Furthermore, we intend to operate in such a manner as to qualify for taxation as a REIT under the applicable provisions of the Code so long as our board of directors determines that REIT qualification remains in our best interest.

We have not received, and do not intend to seek, any legal opinions or rulings from the IRS regarding our status as a REIT or our satisfaction of the REIT qualification requirements. The IRS may challenge our status as a REIT, and a court could sustain any such challenge. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal income tax laws. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that falls within specified categories, the diversity of the ownership of our shares, and the percentage of our taxable income that we distribute. Accordingly, no assurance can be given that our actual

results of operations for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of our failure to qualify as a REIT, see “—Failure to Qualify.”

The sections of the Code and the corresponding regulations that govern the U.S. federal income tax treatment of a REIT and its stockholders are highly technical and complex. The following discussion is qualified in its entirety by the applicable Code provisions, rules and regulations promulgated thereunder and administrative interpretations thereof.

Taxation of REITs in General

As indicated above, our qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under “—Requirements for Qualification as a REIT.” While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future. See “—Failure to Qualify.”

Provided that we qualify as a REIT, generally we will 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 taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the “double taxation” at the corporate and stockholder levels that generally results from an investment in a C corporation (i.e., a corporation generally subject to U.S. federal corporate income tax). Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. In general, the income that we generate, to the extent distributed to our stockholders as a dividend, is taxed only at the stockholder level.

If we qualify as a REIT, we will nonetheless be subject to U.S. federal tax in the following circumstances:

- We will pay U.S. federal income tax on our taxable income, including undistributed net capital gains, that we do not distribute to stockholders during, or within a specified time after, the calendar year in which the income is earned.
- If we have net income from “prohibited transactions,” which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, unless we qualify for a safe harbor exception, such income will be subject to a 100% tax.
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or from certain leasehold terminations as “foreclosure property,” we may thereby avoid (a) the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction) and (b) the inclusion of any income from such property not qualifying for purposes of the gross income tests discussed below, but the income from the sale or operation of the property may be subject to U.S. corporate income tax at the highest corporate income tax rate.
- If we fail to satisfy either the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, multiplied in either case by a fraction intended to reflect our profitability.
- If (i) we fail to satisfy the asset tests (other than a de minimis failure of the 5% asset test or the 10% vote or value test, as described below under “—Asset Tests”) due to reasonable cause and not to willful neglect, (ii) we dispose of the assets or otherwise comply with such asset tests within six months after the last day of the quarter in which we identify such failure and (iii) we file a schedule with the IRS describing the assets that caused such failure, we will pay a tax equal to the greater of \$50,000 or the net income from the nonqualifying assets during the period in which we failed to satisfy such asset tests multiplied by the highest corporate income tax rate.

- If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and the failure was due to reasonable cause and not to willful neglect, we will be required to pay a penalty of \$50,000 for each such failure.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet recordkeeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "—Requirements for Qualification as a REIT."
- If we fail to distribute during each calendar year at least the sum of:
 - 85% of our ordinary income for such calendar year;
 - 95% of our capital gain net income for such calendar year; and
 - any undistributed taxable income from prior taxable years,

we will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed, plus any retained amounts on which income tax has been paid at the corporate level.

- If we elect to retain and pay income tax on our net long-term capital gain, a U.S. holder would include its proportionate share of our undistributed long-term capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income and would receive a credit or a refund for its proportionate share of the tax we paid.
- We will be required to pay a 100% excise tax on any "redetermined rents," "redetermined deductions," "excess interest" or "redetermined TRS service income" resulting from non-arm's length transactions involving our taxable REIT subsidiaries.
- If we acquire any assets in a carry-over basis transaction from a non-REIT C corporation that does not elect to recognize its built-in gain in such assets, i.e., the excess of the fair market value of such assets over the adjusted basis of such assets at the time we acquire such assets we would be subject to tax at the highest regular corporate rate on the built-in gain if we dispose of that built-in gain asset during the five-year period following its acquisition.

In addition, notwithstanding our status 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 domestic taxable REIT subsidiary in which we own an interest will be subject to U.S. federal corporate income tax on its net income.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- (3) that would be taxable as a domestic corporation but for its election to be subject to tax as a REIT;
- (4) that is neither a financial institution nor an insurance company subject to certain provisions of the Code;
- (5) the beneficial ownership of which is held by 100 or more persons;
- (6) of which not more than 50% in value of the outstanding shares are owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) after applying certain attribution rules;

- (7) that makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year, which has not been terminated or revoked; and
- (8) that meets other tests described below regarding its gross income, assets and distributions.

Conditions (1) through (4), inclusive, must be met during the entire taxable year. Condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Condition (6) must be met during the last half of each taxable year, but neither conditions (5) nor (6) apply to the first taxable year for which an election to be taxed as a REIT is made. We believe that we will maintain sufficient diversity of ownership to allow us to satisfy conditions (5) and (6) above. In addition, our charter contains restrictions regarding the ownership and transfer of our stock that are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. The provisions of our charter restricting the ownership and transfer of our stock are described in “Description of Capital Stock— Restrictions on Ownership and Transfer.” These restrictions, however, may not ensure that we will be able to satisfy these share ownership requirements. If we fail to satisfy these share ownership requirements, we will fail to qualify as a REIT.

If we comply with regulatory rules pursuant to which we are required to send annual letters to holders of our stock requesting information regarding the actual ownership of our stock (as discussed below), and we do not know, or exercising reasonable diligence would not have known, whether we failed to meet requirement (6) above, we will be treated as having met the requirement.

To monitor compliance with the share ownership requirements, we generally are required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of specified percentages of our stock pursuant to which the record holders must disclose the actual owners of the shares (i.e., the persons required to include our dividends in their gross income). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. If you fail or refuse to comply with the demands, you will be required by Treasury Regulations to submit a statement with your tax return disclosing your actual ownership of our shares and other information. In addition, we must satisfy all relevant filing and other administrative requirements established by the IRS to elect and maintain REIT status, use a calendar year for U.S. federal income tax purposes, and comply with the record-keeping requirements of the Code and regulations promulgated thereunder.

Ownership of Partnership Interests. In the case of a REIT that is a partner in an entity that is treated as a partnership for U.S. federal income tax purposes, (for purposes of this discussion, references to “partnership” include a limited liability company or other entity treated as a partnership for U.S. federal income tax purposes, and references to a partner include a member in such limited liability company or other entity), Treasury Regulations provide that the REIT is deemed to own its proportionate share of the partnership’s assets for purposes of the asset tests described below and to earn its proportionate share of the partnership’s gross income for purposes of the gross income tests described below, based on its pro rata share of capital interests in the partnership. However, solely for purposes of the 10% value test described below (see “—Asset Tests”), the determination of a REIT’s interest in a partnership’s assets will be based on the REIT’s proportionate interest in any securities issued by the partnership, excluding for these purposes, certain excluded securities as described in the Code. In addition, the assets and gross income of the partnership generally are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets and items of income of partnerships in which we own an equity interest is treated as our assets and items of gross income for purposes of applying the REIT requirements described below. Consequently, to the extent that we directly or indirectly hold a preferred or other equity interest in a partnership, the partnership’s assets and operations may affect our ability to qualify as a REIT, even though we may have no control or only limited influence over the partnership.

Under the Bipartisan Budget Act of 2015, liability is imposed on the partnership (rather than its partners) for adjustments to reported partnership taxable income resulting from audits or other tax proceedings. The liability can include an imputed underpayment of tax, calculated by using the highest marginal U.S. federal income tax rate, as well as interest and penalties on such imputed underpayment of tax. Using certain rules, partnerships may be able to transfer these liabilities to their partners. In the event any adjustments are imposed by the IRS on the taxable income reported by any partnership in which we own an interest, we intend to utilize certain rules to the extent possible to allow us to transfer any liability with respect to such adjustments to the partners of the partnership who should properly

bear such liability. However, there is no assurance that we will qualify under those rules or that we will have the authority to use those rules under the operating agreements for certain of the partnerships in which we hold interests.

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a “qualified REIT subsidiary,” the separate existence of that subsidiary is disregarded for U.S. federal income tax purposes. A qualified REIT subsidiary is a corporation or other entity that otherwise would be treated as a corporation for U.S. federal income tax purposes, other than a taxable REIT subsidiary, all of the stock of which is owned directly or indirectly by the REIT. Other entities that are wholly owned by us, including single member limited liability companies that have not elected to be taxed as corporations for U.S. federal income tax purposes, are also generally disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT gross income and asset tests. All assets, liabilities and items of income, deduction and credit of qualified REIT subsidiaries and disregarded subsidiaries will be treated as assets, liabilities and items of income, deduction and credit of the REIT itself. A qualified REIT subsidiary of ours is not subject to U.S. federal corporate income taxation, although it may be subject to state and local taxation in some states.

In the event that a qualified REIT subsidiary or a disregarded subsidiary ceases to be wholly owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of us), the subsidiary’s separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income tests applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another corporation. See “—Asset Tests” and “—Gross Income Tests.”

Taxable REIT Subsidiaries. A “taxable REIT subsidiary” is an entity that is taxable as a corporation in which we directly or indirectly own stock and that elects with us to be treated as a taxable REIT subsidiary. The separate existence of a taxable REIT subsidiary is not ignored for U.S. federal income tax purposes. Accordingly, a domestic taxable REIT subsidiary generally is subject to U.S. federal corporate income tax on its earnings, which may reduce the cash flow that we and our subsidiaries generate in the aggregate and may reduce our ability to make distributions to our stockholders. In addition, if a taxable REIT subsidiary owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will also be treated as a taxable REIT subsidiary. However, an entity will not qualify as a taxable REIT subsidiary if it directly or indirectly operates or manages a lodging or health care facility or, generally, provides to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated. We generally may not own more than 10%, as measured by voting power or value, of the securities of a corporation that is not a qualified REIT subsidiary unless we and such corporation elect to treat such corporation as a taxable REIT subsidiary. Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more taxable REIT subsidiaries.

Assets owned, and income earned, by a taxable REIT subsidiary is not attributed to the REIT for purposes of the gross income and asset tests. Rather, the stock issued by a taxable REIT subsidiary to us is an asset in our hands, and we treat dividends paid to us from such taxable REIT subsidiary, if any, as income for purposes of our gross income tests. As a result, income that might not be qualifying income for purposes of the gross income tests applicable to REITs could be earned by a taxable REIT subsidiary without affecting our status as a REIT. For example, we may use taxable REIT subsidiaries to perform services or conduct activities that give rise to certain categories of income such as advisory fees, to own assets that give rise to gross income that would not qualify for the gross income tests, such as income from an ownership interest in a hotel, or to conduct activities that, if conducted by us directly, would be treated in our hands as prohibited transactions.

Certain restrictions imposed on taxable REIT subsidiaries are intended to ensure that such entities will be subject to appropriate levels of federal income taxation. We will be required to pay a 100% tax on any redetermined rents, redetermined deductions, excess interest and redetermined TRS service income. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by our TRSs. Redetermined deductions and excess interest generally represent amounts that are deducted by a TRS for amounts paid to us that are in excess of the amounts that would have been deducted based on arm’s-length negotiations. Redetermined TRS service income generally means the additional gross income a TRS would recognize if it were paid an arm’s-length fee for services provided to, or on behalf of, us.

Gross Income Tests

To qualify as a REIT, we must satisfy two gross income requirements, each of which is applied on an annual basis. First, at least 75% of our gross income, excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, for each taxable year generally must be derived directly or indirectly from:

- 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, stock in other REITs;
- gain from the sale of real property or mortgage loans;
- abatements and refunds of taxes on real property;
- income and gain derived from foreclosure property (as described below);
- amounts (other than amounts the determination of which depends in whole or in part on the income or profits of any person) received or accrued as consideration for entering into agreements (i) to make loans secured by mortgages on real property or on interests in real property or (ii) to purchase or lease real property (including interests in real property and interests in mortgages on real property); and
- interest or dividend income from investments in stock or debt instruments attributable to the temporary investment of new capital during the one-year period following our receipt of new capital that we raise through equity offerings (but not our DRIP) or public offerings of debt obligations with at least a five-year term.

Second, at least 95% of our gross income, excluding gross income from prohibited transactions and certain hedging transactions, for each taxable year must be derived from sources that qualify for purposes of the 75% gross income test, and from (i) dividends, (ii) interest (including interest income from debt instruments issued by publicly offered REITs) and (iii) gain from the sale or disposition of stock or securities that need not have any relation to real property (including gain from the sale or other disposition of debt instruments issued by publicly offered REITs).

If we fail to satisfy one or both of the 75% and 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if our failure to meet the tests is due to reasonable cause and not due to willful neglect and we attach a schedule of the sources of our income to our U.S. federal income tax return. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally recognize exceeds the limits on nonqualifying income, the IRS could conclude that the failure to satisfy the tests was not due to reasonable cause. If these relief provisions are inapplicable to a particular set of circumstances, we will fail to qualify as a REIT. Even if these relief provisions apply, a penalty tax would be imposed based on the amount of nonqualifying income. See “—Taxation of REITs in General.”

Gross income from our 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. In addition, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. We will monitor the amount of our nonqualifying income, and we intend to manage our portfolio to comply at all times with the gross income tests. The following paragraphs discuss some of the specific applications of the gross income tests to us.

Dividends. We may directly or indirectly receive distributions from taxable REIT subsidiaries or other corporations that are not REITs or qualified REIT subsidiaries. These distributions generally are treated as dividend income to the extent of the earnings and profits of the distributing corporation. Our dividend income from the ownership of stock in any corporation (other than any REIT), including any taxable REIT subsidiary, will be qualifying income for purposes

of the 95% gross income test but not the 75% gross income test. Dividends that we receive from any REITs in which we own stock and our gain on the sale of the stock in those REITs will be qualifying income for purposes of both gross income tests. However, if a REIT in which we own stock fails to qualify as a REIT in any year, our income from such REIT would be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test.

Interest. The term “interest,” as defined for purposes of both gross income tests, generally excludes any amount that is based in whole or in part on the income or profits of any person; however, it generally includes the following: (i) an amount that is received or accrued based on a fixed percentage or percentages of receipts or sales, and (ii) 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 by 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.

Interest on debt secured by mortgages on real property or on interests in real property (including, for this purpose, prepayment penalties, loan assumption fees and late payment charges that are not compensation for services) generally is qualifying income for purposes of the 75% gross income test. If we receive interest income with respect to a mortgage loan that is secured by both real property and personal property, the value of the personal property securing the loan exceeds 15% of the value of all property securing the loan, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we had a binding commitment to acquire or originate the mortgage loan, the interest income will be apportioned between the real property and the other collateral, and interest will qualify for purposes of the 75% gross income test only to the extent that it is allocable to the real property. Even if a loan is not secured by real property or is undersecured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test.

Interest, original issue discount and market discount income that we receive or accrue from any mortgage-related assets generally will be qualifying income for purposes of both gross income tests.

Hedging Transactions. We and our subsidiaries may enter into hedging transactions with respect to one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including interest rate swap agreements, interest rate cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Any income from a hedging transaction to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by us to acquire or own real estate assets, or to hedge existing hedging positions after a portion of the hedged indebtedness or property is disposed of, which is clearly identified as such before the close of the day on which it was acquired, originated or entered into, including gain from the disposition of such a transaction, will be disregarded for purposes of the 75% and 95% gross income tests. There are also rules for disregarding income for purposes of the 75% and 95% gross income tests with respect to hedges of certain foreign currency risks. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as nonqualifying income for purposes of both of the 75% and 95% gross income tests. Moreover, to the extent that a position in a hedging transaction has positive value at any particular point in time, it may be treated as an asset that does not qualify for purposes of the asset tests described below. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT. No assurance can be given, however, that our hedging activities will not give rise to income or assets that do not qualify for purposes of the REIT tests, or that our hedging will not adversely affect our ability to satisfy the REIT qualification requirements.

We may conduct some or all of our hedging activities through a taxable REIT subsidiary or other corporate entity, the income of which may be subject to U.S. federal income tax, rather than by participating in the arrangements directly or through pass-through subsidiaries.

Fee Income. We may receive various fees in connection with our operations. The fees will be qualifying income for purposes of both the 75% and 95% gross income tests if they are received in consideration for entering into an agreement to make a loan secured by real property or to purchase or lease real property and the fees are not determined by the borrower’s income and profits. Other fees are not qualifying income for purposes of either gross income test.

Rents from Real Property. Rents we receive will qualify as “rents from real property” in satisfying the gross income requirements for a REIT described above only if several conditions described below are met. These conditions relate to the identity of the tenant, the computation of the rent payable, and the nature of the property leased and any services

provided in connection with the property. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, rents we receive from a “related party tenant” will not qualify as rents from real property in satisfying the gross income tests unless the tenant is a taxable REIT subsidiary, at least 90% of the property is leased to unrelated tenants, the rent paid by the taxable REIT subsidiary is substantially comparable to the rent paid by the unrelated tenants for comparable space and the rent is not attributable to an increase in rent due to a modification of a lease with a “controlled taxable REIT subsidiary” (i.e., a taxable REIT subsidiary in which we own directly or indirectly more than 50% of the voting power or value of the stock). A tenant is a related party tenant if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of the tenant. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, or modified, if such modification increases the rents due under such lease. We also may lease to our TRS if the TRS engages an “eligible independent contractor” to manage such properties. Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property. Finally, for rents to qualify as “rents from real property” for purposes of the gross income tests, we are only allowed to provide services that are both usually or “customarily rendered” in connection with the rental of real property and not otherwise considered “rendered to the occupant” of the property. Examples of these permitted services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. We may, however, render services to our tenants through an “independent contractor” who is adequately compensated and from whom we do not derive any income if certain requirements are satisfied. We may also own an interest in a taxable REIT subsidiary that provides non- customary services to tenants without tainting our rental income from the related properties.

Even if a REIT furnishes or renders services that are non-customary with respect to a property, if the greater of (i) the amounts received or accrued, directly or indirectly, or deemed received by the REIT with respect to such services, or (ii) 150% of our direct cost in furnishing or rendering the services during a taxable year is not more than 1% of all amounts received or accrued, directly or indirectly, by the REIT with respect to the property during the same taxable year, then only the amounts with respect to such services are not treated as rent for purposes of the gross income tests.

We intend to cause any services that are not “usually or customarily rendered,” or that are for the benefit of a particular tenant in connection with the rental of real property, to be provided through a taxable REIT subsidiary or through an “independent contractor” that is adequately compensated and from which we do not derive revenue, and which meets certain other requirements. However, no assurance can be given that the IRS will concur with our determination as to whether a particular service is usual or customary, or otherwise in this regard.

Prohibited Transactions Tax. A REIT will incur a 100% tax on the net income 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. 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. Nevertheless, we intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. We cannot assure you that we will comply with certain safe harbor provisions or that we will avoid owning property that may be characterized as property that we hold 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 taxable REIT subsidiary or other taxable corporation, although such income will be subject to tax in the hands of such corporation at regular corporate income tax rates. We intend to structure our activities to avoid prohibited transaction characterization.

Foreclosure Property. 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 in 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.

However, 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 longer if an extension is granted by the Secretary of the Treasury. 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, if 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 that is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income.

We will be subject to tax at the maximum corporate rate on any income from foreclosure property, including gain from the disposition of the 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, net income from foreclosure property, including gain from the sale of foreclosure property held for sale in the ordinary course of a trade or business, will qualify for purposes of the 75% and 95% gross income tests. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property.

Phantom Income. Due to the nature of the assets in which we will invest, we may be required to recognize taxable income from certain assets in advance of our receipt of cash from, or proceeds from disposition of, such assets, and may be required to report taxable income that exceeds the economic income ultimately realized on such assets.

We may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount generally will be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. Principal payments on certain debt instruments may be made monthly, and, consequently, accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

The terms of the debt instruments that we hold may be modified under certain circumstances. These modifications may be considered “significant modifications” for U.S. federal income tax purposes that give rise to a deemed debt-for-debt exchange upon which we may recognize taxable income or gain without a corresponding receipt of cash.

Some of the debt securities that we acquire may have been issued with original issue discount. In general, we will be required to accrue non-de minimis original issue discount based on the constant yield to maturity of such debt securities, and to treat it as taxable income in accordance with applicable U.S. federal income tax rules even though such yield may exceed cash payments, if any, received on such debt instrument.

In addition, in the event that any debt instruments or debt securities acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to subordinated mortgage-backed securities at the stated rate regardless of whether corresponding cash payments are received.

We may be required under the terms of indebtedness that we incur to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to our stockholders.

As a result of potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a risk that we may have taxable income in excess of cash available for distribution. In that event, we may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this “phantom income” is recognized. See “—Annual Distribution Requirements Applicable to REITs.”

Asset Tests

At the close of each quarter of our taxable year, we must satisfy the following tests relating to the nature of our assets.

- At least 75% of the value of our total assets must be represented by the following:
 - interests in real property, including leaseholds and options to acquire real property and leaseholds;
 - interests in mortgages on real property;
 - interests in personal property that generates rents from real property;
 - stock in other REITs and debt instruments issued by publicly offered REITs;
 - cash and cash items (including certain receivables);
 - government securities;
 - investments in stock or debt instruments attributable to the temporary investment of new capital during the one-year period following our receipt of new capital that we raise through equity offerings (but not our DRIP) or public offerings of debt obligations with at least a five-year term; and
 - regular or residual interests in a REMIC. However, if less than 95% of the assets of a REMIC consists of assets that are qualifying real estate-related assets under U.S. federal income tax laws, determined as if we held such assets directly, we will be treated as holding directly our proportionate share of the assets of such REMIC.
- Not more than 25% of our total assets may be represented by securities, other than those in the 75% asset class described above.
- Except for securities in taxable REIT subsidiaries and the securities in the 75% asset class described in the first bullet point above, the value of any one issuer’s securities owned by us may not exceed 5% of the value of our total assets.
- Except for securities in taxable REIT subsidiaries and the securities in the 75% asset class described in the first bullet point above, we may not own more than 10% of any one issuer’s outstanding voting securities.
- Except for securities of taxable REIT subsidiaries and the securities in the 75% asset class described in the first bullet point above, we may not own more than 10% of the total value of the outstanding securities of any one issuer, other than securities that qualify for the “straight debt” exception or other exceptions discussed below.

- Not more than 20% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries.
- Not more than 25% of the value of our total assets may be represented by nonqualified publicly offered REIT debt instruments.

A debt obligation secured by a mortgage on both real and personal property is treated as a real estate asset for purposes of the 75% asset test, and interest thereon is treated as interest on an obligation secured by real property, if the fair market value of the personal property does not exceed 15% of the fair market value of all property securing the debt even if the loan is not fully secured by real property. Thus, there is no apportionment for purposes of the asset tests or the gross income tests if the fair market value of personal property securing the loan does not exceed 15% of the fair market value of all property securing the loan.

Notwithstanding the general rule, as noted above, that for purposes of the gross income and asset tests we are treated as owning our proportionate share of the underlying assets of a subsidiary partnership, if we hold indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests unless the indebtedness is a qualifying mortgage asset or other conditions are met. Similarly, although stock of another REIT is a qualifying asset for purposes of the asset tests, any non-mortgage debt that is issued by another REIT may not so qualify (although such debt will not be treated as “securities” for purposes of the 10% value test, as explained below) where such REIT is a publicly offered REIT.

Securities, for purposes of the asset tests, may include debt we hold from other issuers. However, debt we hold in an issuer that does not qualify for purposes of the 75% asset test will not be taken into account for purposes of the 10% value test if the debt securities meet the straight debt safe harbor. Subject to certain exceptions, debt will meet the straight debt safe harbor if the debt is a written unconditional promise to pay on demand or on a specified date a sum certain in money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on the profits of any person, the borrower’s discretion or similar factors. In the case of an issuer that is a corporation or a partnership, securities that otherwise would be considered straight debt will not be so considered if we, and any of our “controlled taxable REIT subsidiaries” as defined in the Code, hold any securities of the corporate or partnership issuer that (a) are not straight debt or other excluded securities (prior to the application of this rule), and (b) have an aggregate value greater than 1% of the issuer’s outstanding securities (including, in the case of a partnership issuer, our interest as a partner in the partnership).

In addition to straight debt, the Code provides that certain other securities will not violate the 10% asset test. Such securities include (i) any loan made to an individual or an estate, (ii) certain rental agreements pursuant to which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT under attribution rules), (iii) any obligation to pay rents from real property, (iv) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity, (v) any security (including debt securities) issued by another REIT and (vi) any debt instrument issued by a partnership if the partnership’s income is of such a nature that the partnership would satisfy the 75% gross income test described above under “—Gross Income Tests.” In applying the 10% asset test, a debt security issued by a partnership (other than straight debt or any other excluded security) is not taken into account to the extent, if any, of the REIT’s proportionate interest as a partner in that partnership.

Any stock that we hold or acquire in other REITs will be a qualifying asset for purposes of the 75% asset test. However, if a REIT in which we own stock fails to qualify as a REIT in any year, the stock in such REIT will not be a qualifying asset for purposes of the 75% asset test. Instead, we would be subject to the second, third, fourth, and fifth asset tests described above with respect to our investment in such a disqualified REIT. We will also be subject to those asset tests with respect to our investments in any non-REIT C corporations for which we do not make a taxable REIT subsidiary election.

We monitor the status of our assets for purposes of the various asset tests and seek to manage our portfolio to comply at all times with such tests. There can be no assurances, however, that we will be successful in this effort. Independent appraisals may not have been obtained to support our conclusions as to the value of our total assets or the value of any particular security or securities. Moreover, the 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 asset tests.

However, certain relief provisions are available to allow REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. For example, if we failed to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause us to lose our REIT qualification if (i) we satisfied the asset tests at the close of the preceding calendar quarter and (ii) the discrepancy between the value of our assets and the asset requirements was not wholly or partly caused by an acquisition of nonqualifying assets, but instead arose from changes in the relative market values of our assets. If the condition described in (ii) were not satisfied, we could nevertheless avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose or by making use of the relief provisions described above.

In the case of de minimis violations of the 10% and 5% asset tests, a REIT may maintain its qualification despite a violation of such requirements if (i) the value of the assets causing the violation does not exceed the lesser of 1% of the REIT's total assets and \$10,000,000 and (ii) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time frame.

Even if we did not qualify for the foregoing relief provisions, one additional provision allows a REIT that fails one or more of the asset requirements for a particular tax quarter to nevertheless maintain its REIT qualification if (i) the REIT provides the IRS with a description of each asset causing the failure, (ii) the failure is due to reasonable cause and not willful neglect, (iii) the REIT pays a tax equal to the greater of (a) \$50,000 per failure and (b) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate and (iv) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame.

Annual Distribution Requirements Applicable to REITs

To qualify for taxation as a REIT, we generally must distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to:

- the sum of (i) 90% of our REIT taxable income, computed without regard to the dividends-paid deduction and our net capital gain and (ii) 90% of our net income after tax, if any, from foreclosure property; minus
- the excess of the sum of specified items of non-cash income (including original issue discount on our mortgage loans) over 5% of our REIT taxable income, computed without regard to the dividends-paid deduction and our net capital gain.

Distributions generally must be made during the taxable year to which they relate. Distributions may be made in the following year in two circumstances. First, if we declare a dividend in October, November or December of any year with a record date in one of these months and pay the dividend in January of the following year, we will be treated as having paid the dividend on December 31 of the year in which the dividend was declared. Second, distributions may be made in the following year if the dividends are declared before we timely file our tax return for the year and if made before the first regular dividend payment made after such declaration. These distributions are taxable to our stockholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement. To the extent that we do not distribute all of our net capital gain or we distribute dividends equal to at least 90%, but less than 100% of our REIT taxable income, as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates.

To the extent that in the future we may have available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. Such losses, however, (1) generally will not affect the character, in the hands of our stockholders, of any dividends that actually are made as ordinary dividends or capital gain; and (2) cannot be passed through or used by our stockholders.

If we fail to distribute during a calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January following such calendar year) at least the sum of (i) 85% of our ordinary income for such year, (ii) 95% of our capital gain net income for such year and (iii) any undistributed taxable income from prior years, we will be subject to a 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed (taking into account excess distributions from prior years) and (y) the amounts of income retained on which we have paid corporate income tax.

Although several types of non-cash income are excluded in determining the annual distribution requirement, we will incur corporate income tax and the 4% nondeductible excise tax with respect to those non-cash income items if we do not distribute those items on a current basis. As a result of the foregoing, we may not have sufficient cash to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds or issue additional stock.

We may elect to retain rather than distribute all or a portion of our net capital gains and pay the tax on the gains. In that case, we may elect to have our stockholders include their proportionate share of the undistributed net capital gains in income as long-term capital gains and receive a credit for their share of the tax paid by us. Our stockholders would then increase the adjusted basis of their stock by the difference between (i) the amounts of capital gain dividends that we designated and that they include in their taxable income, minus (ii) the tax that we paid on their behalf with respect to that income. For purposes of the 4% excise tax described above, any retained amounts for which we elect this treatment would be treated as having been distributed.

We intend to make timely distributions sufficient to satisfy the distribution requirement. However, it is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the distribution requirement due to timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of items of income and deduction of expenses by us for U.S. federal income tax purposes or due to allocations of net income from partnerships in excess of distributions received therefrom. In addition, we may prefer to retain our cash, rather than distribute it, in order to repay debt, acquire assets or for other reasons. In the event that such timing differences occur, and in other circumstances, it may be necessary in order to satisfy the distribution requirements to arrange for short-term, or possibly long-term, borrowings, or to pay the dividends in the form of other property (including, for example, shares of our own stock).

If our taxable income for a particular year is subsequently determined to have been understated, under some circumstances we may be able to rectify a failure to meet the distribution requirements for a year by paying deficiency dividends to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

The Tax Cuts and Jobs Act contains provisions that may change the way we calculate our REIT taxable income and that our subsidiaries calculate their taxable income. Under the Tax Cuts and Jobs Act, we may have to accrue certain items of income before they would otherwise be taken into income under the Code if they are taken into account in our applicable financial statements. Additionally, the Tax Cuts and Jobs Act limits interest deductions for businesses, whether in corporate or pass-through form, to the sum of the taxpayer's business interest income for the tax year and 30% of the taxpayer's adjusted taxable income for the tax year. Treasury Regulations define interest expansively to cover various amounts not otherwise treated as interest. This limitation could apply to the Operating Partnership, underlying partnerships and any TRSs that we form. This limitation on business interest deductions does not apply to an "electing real property trade or business." One consequence of electing to be an "electing real property trade or business" is that the accelerated expensing rules under the Tax Cuts and Jobs Act will not apply to property used in an electing real property trade or business and less favorable depreciation methods will apply. Finally, under amendments made by the Tax Cuts and Jobs Act to Section 172 of the Code, our deduction for any net operating loss carryforwards arising from losses we incur is limited to 80% of our annual REIT taxable income (determined without regard to the deduction for dividends paid), and any unused portion of such losses may not be carried back, but may be carried forward indefinitely.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Penalty Tax for Non-Arm's Length Transactions with TRSs

Any redetermined rents, redetermined deductions, excess interest or redetermined TRS service income we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Rents that we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code. Redetermined TRS service income is income earned by a taxable REIT subsidiary that is attributable to services provided to us, or on our behalf to any of our tenants, that is less than the amounts that would have been charged based upon arms' length negotiations.

Recordkeeping Requirements

We are required to comply with applicable recordkeeping requirements. Failure to comply could result in monetary fines. For example, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our outstanding common stock.

Failure to Qualify

If we fail to satisfy one or more requirements of REIT qualification, other than the gross income tests or asset tests, we may still retain REIT qualification if the failure is due to reasonable cause and not willful neglect, and we pay a penalty of \$50,000 for each failure.

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, we will be subject to tax on our taxable income at regular corporate income tax rates. This would significantly reduce both our cash available for distribution to our stockholders, and our earnings. If we fail to qualify as a REIT, we will not be required to make any distributions to stockholders and any distributions that are made will not be deductible by us. Moreover, all distributions to stockholders would be taxable as dividends to the extent of our current and accumulated earnings and profits, whether or not attributable to capital gains of ours. Furthermore, subject to certain limitations in the Code, corporate distributees may be eligible for the dividends-received deduction with respect to those distributions, and individual, trust and estate distributees may be eligible for reduced U.S. federal income tax rates on such dividends as "qualified dividend income." Unless we are entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost.

Tax Aspects of the Operating Partnership and any Subsidiary Partnerships

General. Substantially all of our assets will be held through the Operating Partnership. In addition, the Operating Partnership may hold certain investments indirectly through subsidiary partnerships and limited liability companies that are treated as partnerships or disregarded entities for U.S. federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for U.S. federal income tax purposes are "pass-through" entities that are not required to pay U.S. federal income tax except as discussed below under "Entity Classification." Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership or limited liability company and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership or limited liability company. A partner in such entities that is a REIT will include in its income its share of these partnership and limited liability company items for purposes of the various gross income tests, the computation of its REIT taxable income, and the REIT distribution requirements. Pursuant to these rules, for purposes of the asset tests, we will include our pro rata share of assets held by our Operating Partnership, including our share of its subsidiary partnerships and limited liability companies, based on its capital interest in each such entity.

Entity Classification. Our interests in the Operating Partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities), as opposed to associations taxable as corporations for U.S. federal income tax purposes. For example, an entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a “publicly traded partnership” and certain other requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury regulations. If the Operating Partnership or a subsidiary partnership or limited liability company were treated as an association rather than as a partnership, it would be taxable as a corporation and would be required to pay a corporate income tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from qualifying as a REIT. See “—Failure to Qualify” for a discussion of the effects of our failure to meet the REIT asset and gross income tests. In addition, a change in the tax status of the Operating Partnership, a subsidiary partnership or limited liability company might be treated as a taxable event. If so, we might incur a tax liability without any related cash distributions. We do not anticipate that the Operating Partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership which is taxable as a corporation.

Under the rules for U.S. federal income tax audits of partnerships, such audits will be conducted at the entity level, but unless such entity qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the entity itself. Under the alternative procedure, if elected, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which such persons will be liable will be increased by any applicable penalties and a special interest charge. There can be no assurance that any partnerships in which we hold interests will be eligible to make such an election or that it will, in fact, make such an election for any given adjustment.

Allocations of Income, Gain, Loss and Deduction. A partnership agreement (or, in the case of a limited liability company treated as a partnership for U.S. federal income tax purposes, the limited liability company agreement) will generally determine the allocation of partnership income and loss among partners. Generally, Section 704(b) of the Code and the Treasury Regulations thereunder require that partnership allocations respect the economic arrangement of the partners. If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation may be reallocated in accordance with the partners’ interests in the partnership. This reallocation 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 and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations with Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership (including a limited liability company treated as a partnership for U.S. federal income tax purposes) in exchange for an interest in the partnership must be allocated in a manner so that the contributing partner is charged with the unrealized gain, or benefits from the unrealized loss, associated with the property at the time of the contribution, as adjusted from time to time. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution (this difference is referred to as a book-tax difference), as adjusted from time to time. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Appreciated property may be contributed to the Operating Partnership in exchange for Operating Partnership interests in connection with future acquisitions. In such case, allocations must be made in a manner consistent with Section 704(c) of the Code. Treasury regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Any book-tax differences will be accounted for using any method approved under Section 704(c) of the Code and the applicable Treasury Regulations as chosen by the general partner under the partnership agreement. Any property acquired by the Operating Partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code will not apply.

Taxation of U.S. Holders of Our Common Stock

U.S. Holder. As used in the remainder of this discussion, the term “U.S. holder” means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding common stock, you should consult your advisors. A “non-U.S. holder” is a beneficial owner of our common stock that is neither a U.S. holder nor a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

Distributions Generally. As long as we qualify as a REIT, distributions made by us to our taxable U.S. holders out of our current or accumulated earnings and profits that are not designated as capital gain dividends or “qualified dividend income” will be taken into account by them as ordinary income taxable at ordinary income tax rates and will not qualify for the reduced capital gains rates that currently generally apply to “qualified dividend income” distributed by non-REIT C corporations to certain non-corporate U.S. holders. However, for taxable years beginning before January 1, 2026, non-corporate U.S. holders will be entitled to deduct up to 20% of “qualified REIT dividends” (*i.e.*, dividends other than capital gain dividends and dividends attributable to “qualified dividend income” received by us) they receive. The amount of the deduction may be up to 20% of the amount of the non-corporate U.S. holder’s aggregate qualified dividend income, but may be less than 20% of the amount of the U.S. holder’s qualified REIT dividends if the U.S. holder has losses from publicly traded partnerships or the U.S. holder’s taxable income, not taking into account net capital gain, is less than the amount of the U.S. holder’s qualified REIT dividends. In addition, Treasury Regulations under section 199A of the Code impose a minimum holding period for the 20% deduction that was not set forth in the Code. Under the Treasury Regulations, in order for a REIT dividend with respect to a share of REIT stock to be treated as a qualified REIT dividend, the U.S. holder (i) must have held the share for more than 45 days during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend and (ii) cannot have been under an obligation to make related payments with respect to positions in substantially similar or related property, *e.g.*, pursuant to a short sale.

Distributions in excess of both current and accumulated earnings and profits will not be taxable to a U.S. holder to the extent that the distributions do not exceed the adjusted basis of the U.S. holder’s stock. Rather, such distributions will reduce the U.S. holder’s adjusted basis in the stock. To the extent that distributions exceed the adjusted basis of a U.S. holder’s stock, the U.S. holder generally must include such excess in income as long-term capital gain if the shares have been held for more than one year, or as short-term capital gain if the shares have been held for one year or less.

Distributions will generally be taxable, if at all, in the year of the distribution. However, if we declare a dividend in October, November or December of any year with a record date in one of these months and pay the dividend in January of the following year, we will be treated as having paid the dividend, and U.S. holders will be treated as having received the dividend, on December 31 of the year in which the dividend was declared.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution we pay up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any “deficiency dividend” will be treated as an ordinary or capital gain dividend, as the case may be, regardless of our earnings and profits. As a result, U.S. holders may be required to treat certain distributions that would otherwise result in a tax-free return of capital as taxable dividends.

Capital Gain Dividends. We may elect to designate distributions of our net capital gain as “capital gain dividends” to the extent that such distributions do not exceed our actual net capital gain for the taxable year. Capital gain dividends are taxed to U.S. holders of our stock as gain from the sale or exchange of a capital asset held for more than one year. This tax treatment applies regardless of the period during which the stockholders have held their stock. If we designate any portion of a dividend as a capital gain dividend, the amount that will be taxable to the stockholder as capital gain will be indicated to U.S. holders on IRS Form 1099-DIV. Corporate stockholders, however, may be required to treat up to 20% of capital gain dividends as ordinary income. Capital gain dividends are not eligible for the dividends-received deduction for corporations.

Instead of paying capital gain dividends, we may elect to require stockholders to include our undistributed net capital gains in their income. If we make such an election, U.S. holders (i) will include in their income as long-term capital gains their proportionate share of such undistributed capital gains and (ii) will be deemed to have paid their proportionate share of the tax paid by us on such undistributed capital gains and thereby receive a credit or refund to the extent that the tax paid by us exceeds the U.S. holder’s tax liability on the undistributed capital gain. A U.S. holder of our stock will increase its basis in its stock by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. A U.S. holder that is a corporation will appropriately adjust its earnings and profits for the retained capital gain in accordance with Treasury Regulations to be prescribed by the IRS. Our earnings and profits will be adjusted appropriately. Alternatively, we could pay tax on such long-term capital gain and not adopt the credit regime discussed herein.

We must classify portions of our designated capital gain dividend into the following categories:

- a 20% gain distribution, which would be taxable to non-corporate U.S. holders of our stock at a federal rate of up to 20%; or
- an unrecaptured Section 1250 gain distribution, which would be taxable to non-corporate U.S. holders of our stock at a maximum rate of 25%.

We must determine the maximum amounts that we may designate as 20% and 25% capital gain dividends by performing the computation required by the Code as if the REIT were an individual whose ordinary income were subject to a marginal tax rate of at least 28%. The IRS currently requires that distributions made to different classes of stock be comprised proportionately of dividends of a particular type.

Qualified Dividend Income. Distributions that are treated as dividends may be taxed at capital gains rates, rather than ordinary income rates, if they are distributed to an individual, trust or estate, are properly designated by us as qualified dividend income and certain other requirements are satisfied. Dividends are eligible to be designated by us as qualified dividend income up to an amount equal to the sum of the qualified dividend income received by us during the year of the distribution from other C corporations such as taxable REIT subsidiaries, our “undistributed” REIT taxable income from the immediately preceding year, and any income attributable to the sale of a built-in gain asset from the immediately preceding year (reduced by any U.S. federal income taxes that we paid with respect to such REIT taxable income and built-in gain).

Dividends that we receive will be treated as qualified dividend income to us if certain criteria are met. The dividends must be received from a domestic corporation (other than a REIT or a regulated investment company) or a qualifying foreign corporation. A foreign corporation generally will be a qualifying foreign corporation if it is incorporated in a possession of the United States, the corporation is eligible for benefits of an income tax treaty with the United States which the Secretary of Treasury determines is satisfactory, or the stock on which the dividend is paid is readily tradable on an established securities market in the United States. However, if a foreign corporation is a foreign personal holding company, a foreign investment company or a passive foreign investment company, then it will not be treated as a qualifying foreign corporation, and the dividends we receive from such an entity would not constitute qualified dividend income.

Furthermore, certain exceptions and special rules apply to determine whether dividends may be treated as qualified dividend income to us. These rules include certain holding requirements that we would have to satisfy with respect to

the stock on which the dividend is paid, and special rules with regard to dividends received from regulated investment companies and other REITs.

In addition, even if we designate certain dividends as qualified dividend income to our stockholders, the stockholder will have to meet certain other requirements for the dividend to qualify for taxation at capital gains rates. For example, the stockholder will only be eligible to treat the dividend as qualifying dividend income if the stockholder is taxed at individual rates and meets certain holding requirements. In general, in order to treat a particular dividend as qualified dividend income, a stockholder will be required to hold our stock for more than 60 days during the 121-day period beginning on the date which is 60 days before the date on which the stock becomes ex-dividend.

Sales of Our Common Stock. Upon any taxable sale or other disposition of our common stock (except pursuant to a repurchase by us, as described below), a U.S. holder of our common stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between:

- the amount of cash and the fair market value of any property received on such disposition; and
- the U.S. holder's adjusted basis in such common stock for tax purposes.

Gain or loss will be capital gain or loss if the common stock has been held by the U.S. holder as a capital asset. The applicable tax rate will depend on the holder's holding period in the asset (generally, if an asset has been held for more than one year, it will produce long-term capital gain) and the holder's tax bracket.

In general, any loss upon a sale or exchange of our common stock by a U.S. holder who has held such stock for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, but only to the extent of distributions from us received by such U.S. holder that are required to be treated by such U.S. holder as long-term capital gains.

Repurchases of Our Common Stock. A repurchase of our common stock will be treated as a distribution in exchange for the repurchased shares and taxed in the same manner as any other taxable sale or other disposition of our common stock discussed above, provided that the repurchase satisfies one of the tests enabling the repurchase to be treated as a sale or exchange. A repurchase will generally be treated as a sale or exchange if it (i) results in a complete termination of the holder's interest in our common stock, (ii) results in a substantially disproportionate redemption with respect to the holder, or (iii) is not essentially equivalent to a dividend with respect to the holder. In determining whether any of these tests has been met, common stock actually owned, as well as common stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, generally must be taken into account. The sale of common stock pursuant to a repurchase generally will result in a "substantially disproportionate" redemption with respect to a holder if the percentage of our then outstanding voting stock owned by the holder immediately after the sale is less than 80% of the percentage of our voting stock owned by the holder determined immediately before the sale. The sale of common stock pursuant to a repurchase generally will be treated as not "essentially equivalent to a dividend" with respect to a holder if the reduction in the holder's proportionate interest in our stock as a result of our repurchase constitutes a "meaningful reduction" of such holder's interest.

A repurchase that does not qualify as an exchange under such tests will constitute a dividend equivalent repurchase that is treated as a taxable distribution and taxed in the same manner as regular distributions, as described above under "—Distributions Generally." In addition, although guidance is sparse, the IRS could take the position that a holder who does not participate in any repurchase treated as a dividend should be treated as receiving a constructive distribution of our common stock taxable as a dividend in the amount of their increased percentage ownership of our common stock as a result of the repurchase, even though the holder did not actually receive cash or other property as a result of the repurchase.

Passive Activity Loss, Excess Business Loss and Investment Interest Limitation. Dividends that we distribute and gains arising from the disposition of our common stock by a U.S. holder will not be treated as passive activity income, and therefore, U.S. holders will not be able to apply any "passive activity losses" against such income. Similarly, for taxable years beginning after December 31, 2020, but before January 1, 2026, non-corporate U.S. holders cannot apply "excess business losses" against dividends that we distribute and gains arising from the disposition of our common

stock. Dividends paid by us, to the extent they do not constitute a return of capital, will generally be treated as investment income for purposes of the investment income limitation on the deduction of the investment interest.

Medicare Tax. Certain U.S. holders, including individuals and estates and trusts, are subject to an additional 3.8% Medicare tax on all or a portion of their “net investment income,” which includes net gain from a sale or exchange of common stock and dividends. In the case of an individual, the tax will be 3.8% of the lesser of the individual’s net investment income or the excess of the individual’s modified adjusted gross income over an amount equal to (1) \$250,000 in the case of a married individual filing a joint return or a surviving spouse, (2) \$125,000 in the case of a married individual filing a separate return, or (3) \$200,000 in the case of a single individual. The 20% deduction for qualified REIT dividends discussed above is not taken into account in computing net investment income.

Taxation of Non-U.S. Holders of Our Common Stock

The rules governing the U.S. federal income taxation of non-U.S. holders are complex. This section is only a summary of such rules. **We urge non-U.S. holders to consult their own tax advisors to determine the impact of federal, state and local income tax laws on ownership of the common stock, including any reporting requirements.**

Distributions. Distributions by us to a non-U.S. holder that are neither attributable to gain from sales or exchanges by us of “United States real property interests,” or “USRPIs,” within the meaning of FIRPTA nor designated by us as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. These distributions generally will be subject to U.S. federal withholding tax on a gross basis at a rate of 30%, or a lower rate as may be specified under an applicable income tax treaty, unless the dividends are treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States. Under some treaties, however, lower rates generally applicable to dividends do not apply to dividends from REITs or only apply to dividends from REITs in certain circumstances. Dividends that are effectively connected with the non-U.S. holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment) will be subject to U.S. federal income tax on a net basis, that is, after allowance for deductions, at graduated rates, in the same manner as U.S. holders are taxed, and are generally not subject to withholding. Applicable certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income exception. Any dividends received by a corporate non-U.S. holder that is engaged in a trade or business within the United States may also be subject to an additional branch profits tax at a 30% rate, or lower applicable treaty rate.

A non-U.S. holder who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for our ordinary dividends will be required (i) to complete the applicable IRS Form W-8 and certify under penalty of perjury that such holder is not a U.S. person as defined under the Code and is eligible for treaty benefits or (ii) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Distributions in excess of our current or accumulated earnings and profits that do not exceed the adjusted basis of the non-U.S. holder in its common stock will reduce the non-U.S. holder’s adjusted basis in its common stock and will not be subject to U.S. federal income tax. Distributions in excess of current and accumulated earnings and profits that do exceed the adjusted basis of the non-U.S. holder in its common stock will be treated as gain from the sale of its stock, the tax treatment of which is described below under “—Sales of Our Common Stock.” Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution as if it were a dividend.

We would be required to withhold at least 15% of any distribution to a non-U.S. holder in excess of our current and accumulated earnings and profits if our common stock constitutes a USRPI with respect to such non-U.S. holder, as described below under “—Sales of Our Common Stock.” This withholding would apply even if the non-U.S. holder

is not liable for tax on the receipt of that distribution. However, a non-U.S. holder may seek a refund of these amounts from the IRS if the non-U.S. holder's U.S. tax liability with respect to the distribution is less than the amount withheld.

Distributions to a non-U.S. holder that are designated by us at the time of the distribution as capital gain dividends, other than those arising from the disposition of a USRPI, generally should not be subject to U.S. federal income taxation unless:

- The investment in the common stock is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder), in which case the non-U.S. holder will generally be subject to the same treatment as U.S. holders with respect to any gain, except that a holder that is a foreign corporation also may be subject to the 30% branch profits tax, as discussed above; or
- The non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year of the distribution and has a "tax home" in the United States, in which case the individual will be subject to a 30% tax on the individual's capital gains.

Under FIRPTA, distributions to a non-U.S. holder that are attributable to gain from sales or exchanges by us of USRPIs, whether or not designated as capital gain dividends, will cause the non-U.S. holder to be treated as recognizing gain that is income effectively connected with the conduct of a U.S. trade or business. Non-U.S. holders will be taxed on this gain at the same rates applicable to U.S. holders, subject to a special alternative minimum tax in the case of nonresident alien individuals. In the case of a non-U.S. holder that is a corporation, this gain may also be subject to a 30% (or lower applicable treaty rate) branch profits tax. A distribution is not attributable to a USRPI if we held an interest in the underlying asset solely as a creditor.

We will be required to withhold and remit to the IRS tax at the highest corporate income tax rate of any distributions to non-U.S. holders that are designated as capital gain dividends, or, if greater, 21% of a distribution that could have been designated as a capital gain dividend with respect to gains from dispositions of USRPIs. The amount withheld, which for individual non-U.S. holders may exceed the actual tax liability, is creditable against the non-U.S. holder's U.S. federal income tax liability.

However, the FIRPTA withholding tax would not apply to any capital gain dividend with respect to any class of our stock which is "regularly traded" on an established securities market located in the United States if the non-U.S. holder did not own more than 10% of such class of stock at any time during the one-year period ending on the date of such dividend. Instead, any such capital gain dividend would be treated as a distribution subject to the rules discussed above with respect to ordinary dividends. Also, the branch profits tax would not apply to such a distribution. However, it is not anticipated that our common stock will be "regularly traded" on an established securities market.

Although the law is not clear on the matter, it appears that amounts we designate as undistributed capital gains in respect of the stock held by U.S. holders generally should be treated with respect to non-U.S. holders in the same manner as actual distributions by us of capital gain dividends. Under that approach, the non-U.S. holders would be able to offset as a credit against their U.S. federal income tax liability resulting therefrom their proportionate share of the tax paid by us on the undistributed capital gains, and to receive from the IRS a refund to the extent that their proportionate share of this tax paid by us were to exceed their actual U.S. federal income tax liability. If we were to designate a portion of our net capital gain as undistributed capital gain, a non-U.S. holder is urged to consult its tax advisor regarding the taxation of such undistributed capital gain.

Sales of Our Common Stock. Subject to the discussion below under "—Repurchases of Our Common Stock," gain recognized by a non-U.S. holder upon the sale or exchange of our stock generally would not be subject to U.S. taxation unless:

- the investment in our common stock is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder), in which case the non-U.S. holder will be subject to the same treatment as domestic holders with respect to any gain;

- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's net capital gains for the taxable year; or
- the non-U.S. holder is not a "qualified shareholder" or a "qualified foreign pension fund" (each as defined in the Code) and our common stock constitutes a USRPI within the meaning of FIRPTA, as described below.

We anticipate that our common stock will constitute a USRPI within the meaning of FIRPTA unless we are a domestically controlled REIT. We will be a domestically controlled REIT if, at all times during a specified testing period, less than 50% in value of our stock is held directly or indirectly by non-U.S. holders. No assurance can be given, however, that we are or will be a domestically controlled REIT.

Even if we were not a domestically controlled REIT, a sale of common stock by a non-U.S. holder would nevertheless not be subject to taxation under FIRPTA as a sale of a USRPI if:

- our common stock were "regularly traded" on an established securities market within the meaning of applicable Treasury Regulations; and
- the non-U.S. holder did not actually, or constructively under specified attribution rules under the Code, own more than 10% of our common stock at any time during the specified testing period.

However, it is not anticipated that our common stock will be "regularly traded" on an established securities market. If gain on the sale or exchange of our common stock were subject to taxation under FIRPTA, the non-U.S. holder would be subject to regular U.S. income tax with respect to any gain in the same manner as a taxable U.S. holder, subject to a special alternative minimum tax in the case of nonresident alien individuals. In such a case, under FIRPTA the purchaser of common stock from a non-U.S. holder may be required to withhold 15% of the purchase price and remit this amount to the IRS.

Qualified Stockholders. Subject to the exception discussed below, a qualified stockholder who holds our common stock directly or indirectly (through one or more partnerships) will not be subject to FIRPTA on distributions by us or dispositions of our common stock. While a qualified shareholder will not be subject to FIRPTA on distributions by us or dispositions of our common stock, a distribution to a qualified shareholder that otherwise would have been taxable under FIRPTA will be treated as an ordinary dividend, and certain investors of a qualified shareholder (i.e., non-U.S. persons who hold interests in the qualified shareholder (other than interests solely as a creditor), and hold more than 10% of our common stock (whether or not by reason of the investor's ownership in the qualified shareholder)) may be subject to FIRPTA and FIRPTA withholding.

Qualified Foreign Pension Funds. A qualified foreign pension fund (or an entity all of the interests of which are held by a qualified foreign pension fund) that holds our common stock directly or indirectly (through one or more partnerships) will not be subject to tax under FIRPTA or to FIRPTA withholding on distributions by us or dispositions of our common stock.

We urge non-U.S. holders to consult their own tax advisors to determine their eligibility for exemption from FIRPTA withholding and their qualification as a qualified shareholder or a qualified foreign pension fund.

Repurchases of Our Common Stock. A repurchase of our common stock that is not treated as a sale or exchange will be taxed in the same manner as distributions under the rules described above. See "—Taxation of Non-U.S. Holders of Our Common Stock—Repurchases of Our Common Stock" for a discussion of when a redemption will be treated as a sale or exchange and related matters.

A repurchase of our common stock generally will be subject to tax under FIRPTA to the extent that our common stock is a USRPI and the non-U.S. holder recognizes gain or the distribution in the repurchase is attributable to gains from our dispositions of USRPIs. To the extent the distribution is not attributable to gains from our dispositions of USRPIs, the excess of the amount of money received in the repurchase over the non-U.S. holder's basis in the repurchased shares will be treated in the manner described above under "—Sales of Our Common Stock." The IRS has released an official notice stating that repurchase payments may be attributable to gains from dispositions of USRPIs (except

when the 10% publicly traded exception would apply), but has not provided any guidance to determine when and what portion of a repurchase payment is a distribution that is attributable to gains from our dispositions of USRPIs. Due to the uncertainty, we may withhold at the top corporate income tax rate from all or a portion of repurchase payments to non-U.S. holders other than qualified stockholders or qualified foreign pension funds. To the extent the amount of tax we withhold exceeds the amount of a non-U.S. holder's U.S. federal income tax liability, the non-U.S. holder may file a U.S. federal income tax return and claim a refund.

U.S. Federal Income Tax Returns. If a non-U.S. holder is subject to taxation under FIRPTA on proceeds from the sale of our common stock or on distributions we make, the non-U.S. holder will be required to file a U.S. federal income tax return. Prospective non-U.S. holders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on their ownership of our common stock, including any reporting requirements.

Foreign Account Tax Compliance Act

Withholding at a rate of 30% is required on dividends paid in respect of shares of our common stock to certain foreign financial institutions (including investments funds), unless such institution enters into an agreement with the Secretary of the Treasury (unless alternative procedures apply pursuant to an applicable intergovernmental agreement between the United States and the relevant foreign government) to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which our Shares are held may affect the determination of whether such withholding is required. Similarly, dividends paid in respect of our Shares to an investor that is a passive non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any "substantial U.S. owners" or (ii) provides certain information regarding the entity's "substantial U.S. owners," which we will in turn provide to the Secretary of the Treasury. While withholding under FATCA would also have applied to payments of gross proceeds from the disposition of stock after December 31, 2018, proposed Treasury Regulations eliminate FATCA withholding on gross proceeds payments. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued. Non-U.S. stockholders are encouraged to consult with their tax advisers regarding the possible implications of these rules on their investment in our common stock.

Taxation of Tax-Exempt Holders of Our Common Stock

Provided that a tax-exempt holder has not held its common stock as "debt-financed property" within the meaning of the Code and our shares of stock are not being used in an unrelated trade or business, dividend income from us generally will not be unrelated business taxable income ("UBTI") to a tax-exempt holder. Similarly, income from the sale of our common stock will not constitute UBTI unless the tax-exempt holder has held its common stock as debt-financed property within the meaning of the Code or has used the common stock in a trade or business.

Further, for a tax-exempt holder that is a social club, voluntary employee benefit association, supplemental unemployment benefit trust or qualified group legal services plan exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, or a single parent title-holding corporation exempt under Section 501(c)(2) the income of which is payable to any of the aforementioned tax-exempt organizations, income from an investment in our common stock will constitute UBTI unless the organization properly sets aside or reserves such amounts for purposes specified in the Code. These tax-exempt holders should consult their own tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" are treated as UBTI as to any trust which is described in Section 401(a) of the Code, is tax-exempt under Section 501(a) of the Code, and holds more than 10%, by value, of the interests in the REIT. Tax-exempt pension funds that are described in Section 401(a) of the Code are referred to below as "pension trusts."

A REIT is a "pension-held REIT" if it meets the following two tests:

- it would not have qualified as a REIT but for Section 856(h)(3) of the Code, which provides that stock owned by pension trusts will be treated, for purposes of determining whether the REIT is closely held, as owned by the beneficiaries of the trust rather than by the trust itself; and
- either (i) at least one pension trust holds more than 25% of the value of the interests in the REIT, or (ii) a group of pension trusts each individually holding more than 10% of the value of the REIT's stock, collectively owns more than 50% of the value of the REIT's stock.

The percentage of any REIT dividend from a "pension-held REIT" that is treated as UBTI is equal to the ratio of the UBTI earned by the REIT, treating the REIT as if it were a pension trust and therefore subject to tax on UBTI, to the total gross income of the REIT. An exception applies where the percentage is less than 5% for any year, in which case none of the dividends would be treated as UBTI. The provisions requiring pension trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is not a "pension-held REIT" (for example, if the REIT is able to satisfy the "not closely held requirement" without relying on the "look through" exception with respect to pension trusts). Because of our charter's restrictions on the number of shares of our stock that a person may own, we do not anticipate that we will become a "pension-held REIT."

Distribution Reinvestment Plan

Holders who participate in the DRIP will recognize taxable income in the amount they would have received had they elected not to participate, even though they receive no cash. These deemed distributions will be treated as actual distributions from us to the participating holders and will retain the character and U.S. federal income tax consequences applicable to all distributions. Stock received under the DRIP will have a holding period beginning with the day after purchase, and a U.S. federal income tax basis equal to its cost, which is the gross amount of the deemed distribution.

Backup Withholding Tax and Information Reporting

U.S. Holders of Common Stock. In general, information-reporting requirements will apply to payments of dividends and proceeds of the sale of our common stock held by U.S. holders, unless such U.S. holder is an exempt recipient. A backup withholding tax may apply to such payments if such U.S. holder fails to provide a taxpayer identification number or certification of other exempt status or fails to report in full dividend or interest income. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. holders who fail to certify their U.S. status to us. Any amounts withheld under the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Brokers that are required to report the gross proceeds from a sale of our common stock on IRS Form 1099-B will also be required to report the customer's adjusted basis in the common stock sold and whether any gain or loss with respect to such stock is long-term or short-term. In some cases, there may be alternative methods of determining the basis in the common stock sold, in which case your broker will apply a default method of its choosing if you do not indicate which method you choose to have applied. U.S. holders should consult their own tax advisors regarding these reporting requirements and their election options.

Non-U.S. Holders of Our Common Stock. We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a "United States person" as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain U.S.-related financial intermediaries,

unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a “United States person” as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non- U.S. holder’s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Legislative or Other Actions Affecting REITs

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the Treasury, which may result in statutory changes as well as revisions to regulations and interpretations. Changes to the U.S. federal income tax laws and interpretations thereof could adversely affect an investment in our common stock.

State and Local Taxes

We and our stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which we or they transact business or reside. Our state and local tax treatment and that of our stockholders may not conform to the U.S. federal income tax treatment discussed above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in our common stock.

Tax Shelter Reporting

If a stockholder recognizes a loss with respect to stock of \$2 million or more for an individual stockholder or \$10 million or more for a corporate stockholder, the stockholder must 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 exempted. 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.

HOW TO SUBSCRIBE

Investors who meet the suitability standards described herein may purchase Shares. See “Who May Invest.” Investors seeking to purchase Shares should:

- Read this entire Memorandum, including all appendices and supplements hereto.
- Complete the execution copy of a subscription agreement, in the form attached hereto as Appendix A.
- Deliver a completed subscription agreement, together with any other documents and information that we may request in connection with the completion of a subscription agreement (collectively, the “Subscription Documents”), together with payment in full for the Shares being subscribed for, in accordance with the written instructions set forth in the Subscription Documents.

By executing the Subscription Documents and paying the total purchase price for the Shares subscribed for, each investor attests that the investor meets the suitability standards as set forth in the Subscription Documents and agrees to be bound by all of the terms thereof.

Acceptance and Rejection of Subscriptions

We expect to hold closings on a monthly basis on the last business day of each month, provided that we may hold closings on different dates in our sole discretion. Following each closing, the subscription proceeds of each stockholder whose subscription was accepted at such closing will be available for use by us. We have the right to accept or reject, in whole or in part, any subscription for any reason. If for any reason we reject a prospective investor’s subscription, we will promptly return the prospective investor’s Subscription Documents and any subscription payment received in connection with such Subscription Documents, without interest or deduction. If Subscription Documents are received less than five business days prior to the monthly closing date, the purchase of Shares reflected by such Subscription Documents may, unless we elect otherwise, be executed in the immediately following month’s closing at the transaction price applicable to that closing. As a result, the price per Share at which a subscription is executed may be different than the price per Share for the month in which the subscription was submitted.

Withdrawn Subscriptions

Subscribers are not committed to purchase Shares at the time their Subscription Documents are submitted and any subscription may be canceled at any time before the time it has been accepted by us at a closing. You may withdraw your purchase request by notifying our transfer agent, Phoenix American Financial Services, Inc., through your financial intermediary or directly, on our toll-free, automated telephone line, (833) 591-3087. If a prospective investor’s subscription is withdrawn, we will promptly return the prospective investor’s Subscription Documents and any subscription payment received in connection with such Subscription Documents, without interest or deduction, within ten business days after such withdrawal.

Purchase Price

The purchase price per Share will be \$1,000 until we begin determining our NAV per Share. We will commence determining an NAV per Share on a quarterly basis beginning with the first full calendar quarter following the 24-month anniversary of the initial sale of Shares in this offering. Thereafter, the purchase price per Share will vary and will equal the then-current transaction price, which will generally be our NAV per Share as of the last calendar day of the prior quarter. Generally, we will disclose our NAV per Share for each quarter on the first business day after the end of such quarter. Our NAV may vary significantly from one quarter to the next, and although the transaction price for Shares purchased will generally be based on the prior quarter’s NAV per Share, such prior quarter’s NAV may be significantly different from the current NAV per Share as of the date on which such purchase occurs. We may offer Shares based on a transaction price that we believe reflects the NAV per Share of such Shares more appropriately than the prior quarter’s NAV per Share or suspend this 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 quarter. In cases where our transaction price is not based on the prior quarter’s NAV per Share, the offering price will not equal our NAV per Share as of any time.

See “Net Asset Value Calculation and Valuation Guidelines” for more information about how we intend to calculate our NAV.

Once we begin to determine our NAV per Share as described above, we will provide the transaction price to our existing stockholders promptly after it becomes available via our password-protected investor relations website, www.versityreit.com and will make it available upon request to any prospective investor or their financial advisor. Prospective investors will not be provided with direct notice of the transaction price when it becomes available. Therefore, prospective investors should confirm the applicable transaction price with their financial advisors.

If you participate in the DRIP, the cash distributions attributable to the Shares that you own will be automatically invested in additional Shares. The per Share purchase price for Shares purchased pursuant to the DRIP will be \$1,000 per Share until we begin determining a quarterly NAV per Share. Thereafter, the per Share price for Shares purchased pursuant to the DRIP will be equal to the transaction price at the time the distribution is payable (which transaction price will generally be equal to our prior quarter’s NAV per Share).

Fiduciary or Custodial Accounts

Shares 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.

TOD Designations

Investors which are natural persons 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 complete the TOD section of the subscription agreement, in order to effect the designation.

APPENDIX A. FORM OF SUBSCRIPTION AGREEMENT

FORM OF SUBSCRIPTION AGREEMENT



VERSITY STUDENT HOUSING REIT, INC.

INSTRUCTIONS TO INVESTORS

PLEASE READ CAREFULLY THE CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM OF VERSITY STUDENT HOUSING REIT, INC. (THE “FUND”), DATED FEBRUARY 24, 2023, AND ALL APPENDICES THERETO (AS SUPPLEMENTED OR AMENDED FROM TIME TO TIME, THE “MEMORANDUM”), BEFORE DECIDING TO SUBSCRIBE FOR SHARES OF THE FUND’S COMMON STOCK (“SHARES”). THE OFFERING DESCRIBED IN THE MEMORANDUM (THE “OFFERING”) IS LIMITED TO INVESTORS WHO QUALIFY AS “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

EACH PROSPECTIVE INVESTOR SHOULD EXAMINE THE SUITABILITY OF AN INVESTMENT IN SHARES IN THE CONTEXT OF HIS, HER OR ITS OWN NEEDS, INVESTMENT OBJECTIVES, AND FINANCIAL CAPABILITIES AND SHOULD MAKE HIS, HER OR ITS OWN INDEPENDENT INVESTIGATION OF THE COMPANY AND ITS EXTERNAL ADVISER, VSHR ADVISER, LLC (“ADVISER”), IN MAKING A DECISION AS TO THE SUITABILITY OF THE INVESTMENT. EACH PROSPECTIVE INVESTOR IS ALSO ENCOURAGED TO CONSULT WITH HIS, HER OR ITS BUSINESS OR TAX ADVISOR REGARDING THE RISKS AND MERITS OF AN INVESTMENT IN SHARES. ANY CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS GIVEN TO SUCH TERMS IN THE MEMORANDUM.

IMPORTANT NOTE: FAILURE TO COMPLETE ALL APPLICABLE INFORMATION AND DELIVER ANY ADDITIONAL INFORMATION REQUESTED BY THE COMPANY WILL RESULT IN THESE DOCUMENTS BEING RETURNED FOR COMPLETION AND MAY CAUSE A REJECTION OR DELAY OF ACCEPTANCE OF THE SUBSCRIPTION.

1. INVESTMENT

Investment Amount: \$ _____

☐ Initial Investment (\$25,000 minimum)

☐ Additional Investment

(Subscription amount will be applied to the purchase of Shares at a per Share price equal to \$1,000 per Share)

Method of Payment (please check one)

☐ By Mail* Make all checks payable to "Versity Student Housing REIT, Inc." See Section 12 for payment instructions.

☐ By Wire See Section 11 for wire payment instructions.

* Cash, cashier's checks/official bank checks, temporary checks, foreign checks, money orders, third-party checks, or travelers' checks are not accepted.

2. FORM OF OWNERSHIP

*Check all applicable boxes

Account Type:	Additional Required Documentation
<input type="checkbox"/> Individual <input type="checkbox"/> TOD	Copy of ID; If TOD, complete Section 8 (Transfer on Death Designation)
<input type="checkbox"/> Joint Tenants WROS <input type="checkbox"/> Tenants in Common <input type="checkbox"/> TOD <input type="checkbox"/> Community Property	Copy of ID; If TOD, complete Section 8 (Transfer on Death Designation)
<input type="checkbox"/> Trust	Trustee certification form or trust documents, copy of ID for trustee(s)
<input type="checkbox"/> Estate	Documents evidencing individuals authorized to act on behalf of estate
<input type="checkbox"/> Custodial <input type="checkbox"/> UGMA: State of ____ <input type="checkbox"/> UTMA: State of ____	None
<input type="checkbox"/> Corporation <input type="checkbox"/> C Corp <input type="checkbox"/> S Corp	Articles of incorporation or corporate resolution, certificate of formation, certificate of good standing
<input type="checkbox"/> LLC	LLC operating agreement or LLC resolution, certificate of formation, certificate of good standing
<input type="checkbox"/> Partnership	Limited partnership agreement, certificate of formation, certificate of good standing
<input type="checkbox"/> Non-Profit Organization	
<input type="checkbox"/> Profit Sharing Plan <input type="checkbox"/> Defined Benefit Plan <input type="checkbox"/> KEOGH Plan	
<input type="checkbox"/> Traditional IRA <input type="checkbox"/> SEP IRA <input type="checkbox"/> ROTH IRA <input type="checkbox"/> Simple IRA <input type="checkbox"/> Inherited/Beneficial IRA	For inherited IRA indicate decedent's name: _____

☐ Other (Specify): _____

3. INVESTOR'S INFORMATION

PRIMARY OWNER

Please Check: ☐ Mr. ☐ Mrs. ☐ Ms. ☐ M.D. ☐ Ph.D. ☐ D.D.S.

NAME

SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER

DATE OF BIRTH

RESIDENCE ADDRESS

CITY

STATE

ZIP CODE

PRIMARY TELEPHONE

SECONDARY TELEPHONE

EMAIL

JOINT OWNER

Please Check: ☐ Mr. ☐ Mrs. ☐ Ms. ☐ M.D. ☐ Ph.D. ☐ D.D.S.

NAME:

SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER

DATE OF BIRTH

RESIDENCE ADDRESS

CITY

STATE

ZIP CODE

PRIMARY TELEPHONE

SECONDARY TELEPHONE

EMAIL

IMPORTANT Electronic reports will be accessible via our website at www.versityreit.com. If you are not enrolling in electronic reporting only, reports will be mailed to the address provided in Section 3.

ENTITY NAME

TAX IDENTIFICATION NUMBER

STATE AND DATE OF FORMATION

ADDRESS

CITY

STATE

ZIP CODE

NAME OF ENTITY AUTHORIZED REPRESENTATIVE

TITLE OF ENTITY AUTHORIZED REPRESENTATIVE

PRIMARY TELEPHONE

SECONDARY TELEPHONE

EMAIL

4. REGULATORY MATTERS

***Check all applicable boxes. Note that additional information may be requested.**

- ☐ Investor is associated with a Financial Industry Regulatory Authority, Inc. ("FINRA") member firm.
- ☐ Investor is a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA").
- ☐ Investor is an entity that is tax-exempt for U.S. federal income tax purposes.

5. IRA, ROTH OR OTHER RETIREMENT OF PROFIT-SHARING PLAN

*If investing through an IRA or other retirement or profit-sharing plan, please complete the following (in addition to the investor information above)

CUSTODIAL ACCOUNT NAME

CUSTODIAN ACCOUNT NUMBER

CUSTODIAN'S EIN

CUSTODIAN'S ADDRESS

CITY

STATE

ZIP CODE

CUSTODIAN'S TELEPHONE

6. ACCREDITED INVESTOR CERTIFICATION

FOR INDIVIDUAL INVESTORS. I represent and warrant that I am an “accredited investor” as defined by Rule 501(a) of the Securities Act because, as indicated below, I satisfy one or more of the following standards. (Check All Applicable Boxes)

- ☐ I have an individual net worth, or joint net worth with my spouse or spousal equivalent, which exceeds \$1,000,000. (For these purposes, “net worth” means, subject to the exception provided in the following sentence, the excess of total assets at fair market value over total liabilities. When determining net worth, however, the value of an investor’s primary residence and any indebtedness secured thereby up to its fair market value shall be excluded from the investor’s net worth, while indebtedness secured by the residence in excess of its fair market value should be considered a liability and deducted from the investor’s net worth.)
- ☐ I had individual income (exclusive of any income attributable to my spouse or spousal equivalent) of more than \$200,000 in each of the two most recent years and have a reasonable expectation to have individual income in excess of \$200,000 in the current year. (For these purposes, “individual income” means the investor’s adjusted gross income, as reported for federal income tax purposes, less any income attributable to a spouse or spousal equivalent or to property owned by a spouse or spousal equivalent.)
- ☐ I had joint income with my spouse or spousal equivalent of more than \$300,000 in each of the two most recent years and have a reasonable expectation to have joint income with my spouse or spousal equivalent in excess of \$300,000 in the current year.
- ☐ I am a director or executive officer of the Fund.
- ☐ I hold one or more of the following FINRA licenses in good standing: Series 7, Series 82 or Series 65.
- ☐ Other (Specify): _____

FOR ENTITY INVESTORS. I am completing this Investor Questionnaire on behalf of a legal entity, and I represent and warrant that such entity is an “accredited investor” as defined by Rule 501(a) of the Securities Act because, as indicated below, it satisfies one or more of the following standards. (Check All Applicable Boxes)

- ☐ The entity is a trust, with total assets in excess of \$5,000,000, that was not formed for the specific purpose of acquiring the Shares and which has its investments 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 purchasing the Shares.
- ☐ The entity is a bank, as defined in Section 3(a)(2) of the Securities Act, or a 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.
- ☐ The entity is a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.
- ☐ The entity is an investment adviser either (a) registered pursuant to Section 203 of the Investment Advisers Act of 1940, as amended, or registered pursuant to the laws of a state; or (b) relying on the exemption from registering with the Securities and Exchange Commission under Section 203(l) or (m) of the Investment Advisers Act of 1940, as amended.
- ☐ The entity is an insurance company, as defined in Section 2(a)(13) of the Securities Act.
- ☐ The entity is an investment company registered under the Investment Company Act of 1940, as amended, or a business development company, as defined in Section 2(a)(48) of that act.
- ☐ The entity is 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.
- ☐ The entity is as Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act.
- ☐ The entity is a plan established and maintained by a U.S. state, its political subdivisions, or any agency or instrumentality of such a state or its political subdivisions, for the benefit of its employees, which has total assets in excess of \$5,000,000.
- ☐ The entity is an employee benefit plan within the meaning of ERISA and: (i) the investment decision with respect to the Shares is being made by a plan fiduciary, as defined in Section 3(21) of ERISA, of the employee benefit plan that is

either a bank, savings and loan association, insurance company or registered investment adviser; (ii) the employee benefit plan has total assets in excess of \$5,000,000; or (iii) if the plan is a self-directed plan, the plan's investment decisions are made solely by persons that qualify as "accredited investors."

- ☐ The entity is a private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.
- ☐ The entity is an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, partnership or limited liability company, with total assets in excess of \$5,000,000 that was not formed for the specific purpose of acquiring the Shares.
- ☐ All of the equity owners of the entity are "accredited investors."
- ☐ The entity is a grantor trust, and each grantor of the trust (i) has the power to revoke the trust and regain title to the trust assets and (ii) is an accredited investor as described in one or more of the categories set forth in items herein.
- ☐ The entity is of a type not listed above, not formed for the specific purpose of acquiring the Shares, owning investments in excess of \$5,000,000.
- ☐ The entity is a "family office," as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1): (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.
- ☐ The entity is a "family client," as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1), of a family office meeting the requirements of "family office" as described above and whose prospective investment in the Fund is directed by such family office as described above.

7. DISTRIBUTION INSTRUCTIONS

Please read the following section carefully.

YOU ARE AUTOMATICALLY ENROLLED IN THE COMPANY'S DISTRIBUTION REINVESTMENT PLAN ("DRIP") UNLESS YOU AFFIRMATIVELY ELECT NOT TO PARTICIPATE IN THE DRIP BELOW.

IF YOU DO NOT WISH TO BE ENROLLED IN THE DRIP, PLEASE CHECK HERE. ☐

IMPORTANT: If you are not enrolled in the DRIP, please complete the Cash Distribution Information section below.

Cash Distribution Information

(For Custodial held accounts, if you are not enrolled in the DRIP, the funds must be sent to the Custodian)

(A) ACH AUTHORIZATION*

☐ PLEASE SEND DISTRIBUTIONS VIA ACH *(Non-Custodial Investors Only)*

I/we hereby authorize the Fund or its agent to deposit my distributions into the bank account(s) listed below. I/we further authorize the financial institution(s) named below to credit such account(s).

I/we understand that this authorization remains in effect until the Fund receives my/our notification, in writing, to terminate the authorization in such a time and manner as to afford the Fund and my/our financial institution(s) a reasonable time to act on it. In the event that the Fund deposits funds erroneously into my/our account, the Fund is authorized to debit such account for an amount not to exceed the amount of the erroneous deposit.

Name and Address of Financial Institution	Checking or Savings Account	Bank Routing Number	Bank Account Number

ACCOUNT HOLDER SIGNATURE

JOINT ACCOUNT HOLDER SIGNATURE

Signature

Date

Signature

Date

For the Fund to verify bank account and routing numbers, investors should provide a **VOIDED CHECK** for each investor account to be credited. Investors should retain completed copies of this form for their records.

*IF THE FINANCIAL INSTITUTION HOLDING YOUR BANK ACCOUNT DOES NOT ACCEPT DIRECT DEPOSIT, PLEASE COMPLETE THE CHECK AUTHORIZATION IN PART (B) BELOW.

(B) CHECK AUTHORIZATION

☐ PLEASE SEND CHECKS TO THE ADDRESS SET FORTH IN SECTION 3 ABOVE *(Non-Custodial Investors Only)*

☐ PLEASE SEND DISTRIBUTIONS VIA CHECK TO THIRD PARTY/CUSTODIAN

NAME

INSTITUTION (IF APPLICABLE)

ACCOUNT NUMBER

ADDRESS

CITY

STATE

ZIP CODE

8. TRANSFER ON DEATH DESIGNATION

- A Transfer on Death ("TOD") designation transfers ownership of Shares to the registered owner's designated beneficiary(ies) upon death; provided that the Fund receives proof of death and other documentation it deems necessary or appropriate, including in the case of a minor transferee, documentation of a custodian.
- Until the death of the registered owner(s), the TOD beneficiary(ies) has (have) no present interest in, right to, or authority over, the TOD account.
- A TOD designation will be accepted only where Shares are owned by a natural person and registered in that individual's name or by two or more natural persons as joint tenants with rights of survivorship.
- Accounts registered to trusts, corporations, charities, and other such legal entities may not declare a TOD designation. These legal entities, however, may be listed as a beneficiary on a TOD for accounts registered to a natural person.
- A TOD designation made by joint tenants with rights of survivorship does not take effect until the last of all multiple registered owners dies.
- If the beneficiary(ies) does (do) not survive the registered owner(s), the Shares will be treated as belonging to the deceased registered owner's estate.
- A TOD designation will not be accepted from residents of **Louisiana, Texas or Puerto Rico**.
- The TOD beneficiaries must be names on this form; "spouse" or "children" is NOT an acceptable designation. Minors may not be named as a beneficiary unless a custodian or guardian for such minor is also named.
- A TOD designation may be voided at any time by the Fund in its sole discretion, if there is any doubt as to the validity or effectiveness of a TOD designation.
- Upon the death of any of the joint tenants, the surviving registered owner(s) may revoke or change the TOD designation at any time. A TOD direction is revocable prior to death of registered owner(s) by (a) the sale of the registered owner's (or registered owners') Shares, (b) assigning Shares to another person or entity, (c) filing a revocation of TOD registration or filing a change in TOD registration with a new beneficiary (or beneficiaries). A TOD direction may not be revoked by a provision in a will or any other instrument.
- The Fund will only honor a TOD direction that it has recorded in its registration records. TOD directions, changes and revocations will only be accepted when in proper form. Proper form requires: (a) endorsement by the registered owner(s); (b) instruction indicating either a new form of registration, removal of the current TOD beneficiaries and/or designation of a new TOD beneficiaries; and (c) actual receipt by the Fund prior to the registered owner's death.
- This agreement is between the registered owner(s) and the Fund. You should discuss this TOD direction with your attorney to ensure that it is consistent with your estate and tax planning and is enforceable under the laws of your state.

I (we) authorize the Fund to register all of my (our) Shares in beneficiary form, assigning ownership on my (our) death to my (our) beneficiary(ies). I understand that if more than one beneficiary is listed, percentages for each must be designated. If percentages are not designated, the Shares will be divided equally. **Percentages must equal 100%**. For additional beneficiaries, please complete and attach an additional form.

PRIMARY BENEFICIARY

NAME

RELATIONSHIP TO REGISTERED OWNER(s)

BIRTH DATE

SSN OR TAX ID#

PERCENTAGE

%

☐ SECOND OR ☐ CONTINGENT BENEFICIARY

NAME:

RELATIONSHIP TO REGISTERED OWNER(s)

BIRTH DATE

SSN OR TAX ID#

PERCENTAGE

%

☐ THIRD OR ☐ CONTINGENT BENEFICIARY

NAME:

RELATIONSHIP TO REGISTERED OWNER(s)

BIRTH DATE

SSN OR TAX ID#

PERCENTAGE

%

***If any beneficiary listed above is a minor, provide name of the guardian/custodian**

CERTIFICATION OF BENEFICIAL OWNER(S) (ENTITY ONLY)

The information contained in this section is sought pursuant to Section 1020.230 of Title 31 of the United States Code of Federal Regulations (31 CFR 1020.230).

The following information for each individual*, if any, who directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, owns 25% or more of the equity interests of the legal entity listed above:

	Name (Last, First, MI)	Date of Birth	Address (Residential or Business Street Address)	For U.S. Persons: Social Security #	For Foreign Persons: Passport # and Country of Issuance ¹	% of Ownership
1						
2						
3						

4

* If no individual meets this definition, please enter “Not Applicable” above and explain below (i.e. All <25%; Charity/Non-Profit; etc.). As applicable, explain any layers of Beneficial Ownership, etc. (For example, ABC Co. is 50% owned by 123 Corp. 123 Corp. is 50% owned by John Doe; therefore, John is a 25% Beneficial Owner of ABC Co.):

The following information for one individual with significant responsibility for managing the legal entity listed above, such as:

An executive officer or senior manager (e.g. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, Treasurer); or,

Any other individual who regularly performs similar functions. (If appropriate, an individual listed as a beneficial owner above may also be listed in this section).

Name (Last, First, MI)	Date of Birth	Address (Residential or Business Street Address)		

1 In lieu of a passport number, foreign persons may also provide an alien identification card number, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

9. SUBSCRIBER'S REPRESENTATIONS AND AGREEMENTS

I, the undersigned, hereby subscribes to purchase Shares in the amount set forth on the Signature Page of this Subscription Agreement and under the terms and conditions contained herein and in the Memorandum. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Memorandum.

THE UNDERSIGNED HEREBY MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES.

1. I have received read and fully understand the Memorandum.
2. I am basing my decision to invest only on the information in the Memorandum and information requested of the Fund in writing by me, and I have not relied on any other representation made by any other person.
3. I am a citizen and/or a legal permanent resident of the United States of America, with my principal residence maintained at the address set forth in this Subscription Agreement, and I am at least twenty-one years of age.
4. I am executing this Subscription Agreement: (A) on my own behalf, as a natural person, and I have the legal capacity to execute, deliver and perform my obligations under this Subscription Agreement or (B) on behalf of a corporation, partnership, limited liability company, trust or other entity, and (i) such entity is duly organized, validly existing and in good standing under the laws of the jurisdiction where it was formed and is authorized by its governing documents to execute, deliver and perform its obligations under this Subscription Agreement and to become a stockholder of the Fund, (ii) I have the full power and authority to execute and deliver this Subscription Agreement on behalf such entity and (iii) this Subscription Agreement, and such entity's execution hereof and performance of its obligations hereunder, has been duly authorized by all requisite corporate or other action by the entity.
5. I am not, and, in the case of a corporation, partnership, limited liability company, trust or other entity, none of its principal owners, partners, members, directors or officers are, included on the Office of Foreign Assets Control list of foreign nations, organizations and individuals subject to economic and trade sanctions based on U.S. foreign policy and national security goals, Executive Order 13224, which sets forth a list of individuals and groups with whom U.S. persons are prohibited from doing business because such persons have been identified as terrorists or persons who support terrorism, or any other watch list issued by any governmental authority, including the Securities and Exchange Commission.
6. I consent, and understand that by owning Shares I will be deemed to have consented, to disclosure by the Fund, our Adviser, the sponsor of the Fund, and their respective agents and affiliates to relevant third parties of information pertaining to my "accredited investor" status and any other information requests related thereto or otherwise appropriate to establish the Fund's entitlement to a private offering exemption under the Securities Act. In addition, I understand that the Fund and its respective agents and affiliates will disclose any and all information required or requested by governmental or other authorities as required by or in connection with the U.S. Bank Secrecy Act, as amended by the USA PATRIOT Act, and other antimoney laundering, anti-terrorism and similar laws, rules and regulations including, without limitation, Executive Order 13224.
7. The funds I am investing in the Fund are not derived from any criminal enterprise.
8. I agree that I will provide additional information or take such other actions as may be necessary or advisable for the Fund for anti-money laundering purposes. The Fund may provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying me that the information has been provided. In the event of my delay or failure to produce any such requested information, the Fund may refuse to accept my investment. The Fund reserves the right to require any payment or distribution to a stockholder to be paid into the account from which the stockholder's subscription funds originated.
9. The offer and sale of the Shares to me has not been accompanied by the publication of any public advertisement or by any general solicitation.
10. I understand that an investment in the Fund involves substantial risk, and I am fully aware of and understand all of the risk factors relating to the investment, including, but not limited to, the risks set forth in the "RISK FACTORS" section of the Memorandum.

11. My overall commitment to investments that are not readily marketable is not disproportionate to my individual net worth. My investment in the Fund will not cause my overall commitment to illiquid investments to become excessive. I have adequate means of providing for my financial requirements, both current and anticipated, and have no need for liquidity in this investment. I can bear and am willing to accept the economic risk of losing my entire investment in the Fund.
12. I am purchasing the Shares for my own account and for investment purposes only, and not for the account of others. I have no present intention, contract, agreement, undertaking or arrangement to assign, resell or subdivide the Shares.
13. I acknowledge that the Fund is relying upon the truth and accuracy of my representations, warranties, statements, covenants and agreements set forth herein in order to determine my suitability to invest in the Fund.
14. All information that I have provided in this Subscription Agreement is complete, accurate and correct as of its date and may be relied on by the Fund in connection with my investment. I hereby agree to notify the Fund immediately of any material change in any of that information occurring before the acceptance of this Subscription Agreement.
15. I have provided my correct Taxpayer Identification Number in the attached Form W-9, and I am not subject to back-up withholding as a result of a failure to report all interest or dividends (or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding).
16. I have had the opportunity to ask questions of, and receive answers from, the Fund and our Adviser, and their respective principals, concerning the Fund, our Adviser and their respective affiliates, the Shares and the terms and conditions of the Offering, and to obtain any additional information deemed necessary to verify the accuracy of the information contained in the Memorandum, to the extent possessed by the Fund or obtainable by it without unreasonable effort or expense. I have been provided with all materials and information requested by either me or others representing me, including any information requested to verify any information furnished to me.
17. I understand that, due to the restrictions described below, and the lack of any public market existing or likely to exist in the future for the Shares, my investment in the Shares will be illiquid and that I will be required to bear the financial risks of the investment for an indefinite period of time.
18. I understand that the Shares have not been registered under the Securities Act or any securities laws of any state or other jurisdiction, and that the Shares are being offered and sold in reliance on specific exemptions from the registration requirements of applicable federal and state securities laws. I understand that the sale, assignment, transfer or other disposition of the Shares is restricted under applicable federal and state securities laws and the terms of the Charter. I understand that the Fund has no obligation, and does not intend to register any of the Shares for resale under any federal or state securities laws or to take any action under any such laws to make available an exemption from registration requirements. I further agree that I will not sell, assign, transfer or otherwise dispose of any Shares I purchase, in whole or in part, unless such sale, assignment, transfer or other disposition is (A) registered under applicable federal and state securities law or sold in reliance upon an exemption from such registration, and (B) otherwise permitted by and made in accordance with the terms of the Charter. I also understand and acknowledge that, if the Shares are certificated, one or more legends will be placed on all certificates evidencing the Shares with respect to restrictions on any sale, assignment, transfer or other disposition of the Shares imposed by applicable federal and state securities laws and the Charter.
19. I understand that no state or federal governmental authority has approved or disapproved of the Shares, reviewed or passed on the accuracy or adequacy of the Memorandum or made any finding or determination relating to the fairness of an investment in the Fund and that no state or federal governmental authority has recommended or endorsed or will recommend or endorse the Shares.
20. If subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), I am aware of, and have taken into consideration, the diversification requirements of Section 404(a)(3) of ERISA in determining to invest in the Fund and have concluded that such investment is prudent and not a non-exempt "prohibited transaction" within the meaning of Section 406 of ERISA and Section 4975(c) of the Internal Revenue Code of 1986 (the "Code").
21. If acting on behalf of a charitable remainder trust, I am aware that if any portion of the income derived from the trust's ownership of Shares is deemed to be unrelated business taxable income ("UBTI"), Section 664(c) of the Code imposed on the trust an excise tax equal to the amount of such UBTI.
22. I understand and agree that I may not assign this offer or, except as specifically permitted by law, revoke my subscription. I acknowledge that the Fund has the unconditional right to accept or reject this subscription, in whole or in part.

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23. I understand that, if I am acquiring the Shares in a fiduciary capacity, the representations, warranties, statements, covenants and agreements set forth herein shall be deemed to have been made on behalf of the person or persons for whose benefit I am acquiring such Shares. I have properly identified such person or persons in these subscription documents.
 24. I understand that the Fund may provide the Memorandum, supplements to the Memorandum, reports, distribution notices and other information, or documents, electronically unless I opt-out of electronic delivery by sending the Fund instructions in writing that I would like to receive such documents in paper format. Unless I elect otherwise and notify the Fund as provided herein, all documents will be provided in electronic form by email. I must have internet access to use electronic delivery. While the Fund imposes no additional charge for this service, there may be potential costs associated with electronic delivery, such as on-line charges. Documents will be available on a password-protected web site: www.versityreit.com. I may access and print all documents provided through this service. I may opt-out of electronic delivery at any time and, following receipt of my notification, the Fund or its agent will begin sending me a paper copy of all required documents. However, in order for the Fund to ensure timely delivery of documents to me, my notification must be given to the Fund a reasonable time before electronic delivery has commenced. The Fund or its agent will provide me with duplicate paper copies at any time upon request. Such request will not constitute notification of my decision to opt-out of electronic delivery.
 25. I understand, acknowledge and agree that if I am participating in the DRIP and I experience a material adverse change in my financial condition or can no longer make the certifications, representations or warranties set forth in Section 6 or this Section 9, I must promptly notify the Fund in writing, and the Fund and its affiliates may rely on such notification to terminate my participation in the DRIP.

The above representations are not a waiver of any rights that I may have under the acts administered by the Securities and Exchange Commission or by any state regulatory agency administering statutes bearing on the offer and sale of securities

Indemnification Obligations of the Undersigned

I hereby agree to indemnify, defend and hold harmless the Fund, our Adviser and their respective partners, members, officers, directors, affiliates and advisors from any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees) (collectively "Losses") that they may incur by reason of my failure to fulfill all of the terms and conditions of this Subscription Agreement or by reason of the untruth or inaccuracy of any of the representations, warranties, statements, covenants or agreements contained herein or in any other documents I have furnished to any of the foregoing in connection with my subscription for Shares. This indemnification includes, but is not limited to, any Losses incurred by the Fund, our Adviser or any of their respective members, officers, directors, affiliates or advisors defending against any alleged violation of federal or state securities laws which is based upon, or related to, any untruth or inaccuracy of any of the representations, warranties, statements, covenants or agreements set forth herein or in any other documents I have furnished to any of the foregoing in connection with my subscription for Shares. The foregoing indemnification obligations shall survive until completion of liquidation of the Fund.

10. INVESTOR SIGNATURE PAGE

INDIVIDUAL(S) AND (OR) JOINT OWNER(S):

X _____

Signature of Individual Investor

_____ Date

Signature of Joint Owner, if applicable

_____ Date

IRA, ROTH OR QUALIFIED PENSION PLAN:

X _____

Signature of Participant

_____ Date

Signature of Custodian, if required

_____ Date

ENTITY INVESTORS:

NAME OF ENTITY (i.e. CORPORATION, PARTNERSHIP, LLC OR TRUST)

NAME OF ENTITY REPRESENTATIVE

TITLE OF ENTITY REPRESENTATIVE

X _____

Signature of Entity Representative

_____ Date

11. PARTICIPATING BROKER DEALERS

For purposes of the Subscription Agreement and the subscription of the person (the “Subscriber”) subscribing hereunder (the “Subscription”), the broker dealer identified herein (“BD”) represents and warrants to, and agrees with, the FUND and the ADVISOR as follows:

1. BD has reasonable grounds to believe that the information and representations in this Subscription Agreement concerning the Subscriber are true, correct and complete in all respects;
2. BD has delivered or made available a current Memorandum and related supplements, if any, to the Subscriber and has not provided any information or made any representation concerning the FUND or the Offering except as set forth in the Memorandum and any advertising and supplemental sales literature approved by the ADVISOR to be used in connection with the Offering. In addition, BD has advised the Subscriber that the Subscriber would be afforded the opportunity to ask questions of, and receive answers from the FUND and the ADVISOR, and their respective principals, concerning the FUND, the Shares and the terms and conditions of the Offering, and to obtain any additional information deemed necessary to verify the accuracy of the information contained in the Memorandum to the extent possessed by the FUND or the ADVISOR or obtainable by them without unreasonable effort or expense;
3. BD has discussed the Subscription with the Subscriber and advised the Subscriber of all pertinent facts with regard to the lack of liquidity and marketability of the Shares;
4. BD acknowledges the Offering is exempt from registration pursuant to Rule 506(b) of Regulation D under the Securities Act. Accordingly, BD did not engage in any form of general solicitation or general advertising in connection with the Offering, and BD has relationship with the Subscriber, which was established before the commencement of the Offering.
5. BD has reasonable grounds to believe that the Subscriber is purchasing the Shares for his or her own account and not on behalf of other persons, (ii) that the Subscriber understands the limitations on the Subscriber’s disposition of the Shares under applicable federal and state securities laws and the Fund’s governing documents, and (iii) that the Subscriber understands that he, she or it must bear the economic risk of the investment for an indefinite period of time because of such limitations;
6. BD has reasonable grounds to believe that the purchase of Shares is a suitable investment for the Subscriber, that the Subscriber meets the investor suitability standards set forth in the Memorandum and related supplements, if any, and that the Subscriber is in a financial position to enable the Subscriber to realize the benefits of an investment in Shares and can withstand to suffer any loss that may occur with respect thereto; and
7. If the Subscriber is a “retail customer” as defined in Regulation Best Interest, (a) BD has a reasonable basis to believe that 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; (b) BD has not placed its interests ahead of the interest of the Subscriber in recommending such investment; and (c) has complied with any applicable enhanced standard of conduct, including, but not limited to, the other requirements of Regulation Best Interest in relation to the investor’s purchase of Shares.

In addition, BD represents and agrees with the Fund and the Advisor as follows:

1. BD agrees to maintain, for at least six years, a record of the information obtained to determine that an investment in the Shares is a suitable and appropriate investment for the Subscriber and that such Subscriber meets the financial qualification and suitability standards and other requirements imposed on investors in the Offering, and to make such records available to the FUND and the ADVISOR during such period upon its reasonable request.
2. BD agrees to keep records indicating to whom each Memorandum and related materials was delivered and to make such information available to the FUND and the ADVISOR upon written request.

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3. BD represents to the FUND and the ADVISOR that BD has established and implemented: (a) an anti-money laundering compliance program in accordance with applicable laws and regulations, including without limitation federal and state securities laws, the USA Patriot Act of 2001, Executive Order 13224 – Executive Order on Terrorist Financing Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism and industry practices for the financial industry, and (b) a program, in accordance with applicable laws and regulations, (i) for the verification of the identity of its new clients, (ii) for maintenance of client records, (iii) to check the names of new clients against government watch lists, including the Office of Foreign Asset Control’s list of Specially Designated Nationals and Blocked Persons, and (iv) for the provision of information to the Financial Crimes Enforcement Network upon request.
 4. With respect to any nonpublic personal information, as defined in the Gramm-Leach-Bliley Act of 1999 (the “GLB Act”), of Subscriber provided to BD, BD agrees to (a) abide by and comply with and to cause the Firm to abide by and comply with (i) the applicable privacy standards and requirements of the GLB Act and the applicable regulations promulgated thereunder, (ii) the privacy standards and requirements of any other applicable federal or state law, and the Firm’s own internal privacy policies and procedures, each as may be amended from time to time; (b) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of Subscriber if Subscriber has opted out of such disclosures, except as necessary to service the Subscriber or as otherwise necessary or required by applicable law; and (c) provide Subscriber both initial and annual privacy notices as required pursuant to Rule 6(a) of Regulation S-P, promulgated under the GLB Act.
 5. BD acknowledges that all expenses incurred by BD in connection with this Subscription Agreement and the Offering, including, but not limited to attorneys’ fees, will be BD’s sole responsibility.
 6. BD is a duly and properly registered as a broker dealer in good standing under the Securities Exchange Act of 1934, as amended, and as applicable under the securities laws of the states and the jurisdictions where it is required to be registered to conduct its activities.
 7. BD agrees to indemnify, defend and hold harmless the FUND, the ADVISOR, and their respective officers, directors, affiliates, agents and representatives (collectively, the “Indemnified Parties”), from and against any losses, claims, damages, expenses, or liabilities whatsoever, joint or several (“Losses”), to which any of the Indemnified Parties may become subject, under the Securities Act or otherwise, insofar as such Losses arise out of or are based upon in whole or in part, any material untruth or inaccuracy in, or breach of, any representation, warranty, covenant, agreement or statement made by BD in this Subscription Agreement.

12. REGISTERED INVESTMENT ADVISORS*

For purposes of the Subscription Agreement and the subscription of the person (the “Subscriber”) subscribing hereunder (the “Subscription”), the registered investment advisor identified herein (“RIA”) represents and warrants to, and agrees with, the FUND and the ADVISOR as follows:

1. RIA acknowledges and agrees that no commissions, fees or other compensation will be paid in respect of the Subscription to the RIA by the FUND or any person acting on its behalf.
2. In its communications with Subscriber with respect to the Offering and in procuring the Subscription, RIA represents as follows:
 - a. RIA acknowledges the Offering is exempt from registration pursuant to Rule 506(b) of Regulation D under the Securities Act. Accordingly, RIA did not engage in any form of general solicitation or general advertising in connection with the Offering, and RIA has an investment advisory relationship with the Subscriber, which was established before the commencement of the Offering.
 - b. The Subscriber resides in a jurisdiction that the FUND has identified as a jurisdiction in which the Shares are qualified for sale or as to which such qualification is not required.
 - c. RIA has determined that an investment in the FUND is appropriate for the Subscriber’s advisory account.
 - d. If RIA is not exercising investment discretion with respect to the Subscription, RIA has advised the Subscriber that the Subscriber would be afforded the opportunity to ask questions of, and receive answers from the FUND and the ADVISOR, and their respective principals, concerning the FUND, the Shares and the terms and conditions of the Offering, and to obtain any additional information deemed necessary to verify the accuracy of the information contained in the Memorandum to the extent possessed by the FUND or the ADVISOR or obtainable by them without unreasonable effort or expense.
 - e. RIA has made reasonable inquiry to determine (i) that the Subscriber is acquiring the Shares for the Subscriber’s own account and not on behalf of other persons, (ii) that the Subscriber understands the limitations on the Subscriber’s disposition of the Shares under applicable federal and state securities laws and the Fund’s governing documents, and (iii) that the Subscriber understands that he, she or it must bear the economic risk of the investment for an indefinite period of time because of such limitations.
 - f. RIA did not provide any information or make any representation concerning the FUND or the Offering except as set forth in the Memorandum and any advertising and supplemental sales literature approved by the ADVISOR to be used in connection with the Offering.
3. RIA agrees to maintain, for at least six years, a record of the information obtained to determine that an investment in the Shares is a suitable and appropriate investment for the Subscriber and that such Subscriber meets the financial qualification and suitability standards and other requirements imposed on investors in the Offering, and to make such records available to the FUND and the ADVISOR during such period upon its reasonable request.
4. RIA agrees to keep records indicating to whom each Memorandum and related materials was delivered and to make such information available to the FUND and the ADVISOR upon written request.
5. RIA represents to the FUND and the ADVISOR that RIA or firm by which RIA is employed (the “Firm”) has established and implemented: (a) an anti-money laundering compliance program in accordance with applicable laws and regulations, including without limitation federal and state securities laws, the USA Patriot Act of 2001, Executive Order 13224 – Executive Order on Terrorist Financing Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism and industry practices for the investment advisor industry, and (b) a program, in accordance with applicable laws and regulations, (i) for the verification of the identity of its new clients, (ii) for maintenance of client records, (iii) to check the names of new clients against government watch lists, including the Office of Foreign Asset Control’s list of Specially Designated Nationals and Blocked Persons, and (iv) for the provision of information to the Financial Crimes Enforcement Network upon request.
6. With respect to any nonpublic personal information, as defined in the Gramm-Leach-Bliley Act of 1999 (the “GLB Act”), of Subscriber provided to RIA, RIA agrees to (a) abide by and comply with and to cause the Firm to abide by and comply with (i) the applicable privacy standards and requirements of the GLB Act and the applicable regulations promulgated thereunder, (ii) the privacy standards and requirements of any other applicable federal or state law, and the Firm’s own internal privacy policies and procedures, each as may be amended from time to time; (b) refrain from the use or

disclosure of nonpublic personal information (as defined under the GLB Act) of Subscriber if Subscriber has opted out of such disclosures, except as necessary to service the Subscriber or as otherwise necessary or required by applicable law; and (c) provide Subscriber both initial and annual privacy notices as required pursuant to Rule 6(a) of Regulation S-P, promulgated under the GLB Act.

7. RIA acknowledges that all expenses incurred by RIA in connection with this Subscription Agreement and the Offering, including, but not limited to attorneys' fees, will be RIA's sole responsibility.
8. RIA represents that RIA, or the Firm, as applicable, is a duly and properly registered investment adviser in good standing under the Investment Advisers Act of 1940, as amended, and as applicable under the securities laws of the states and the jurisdictions where it is required to be registered to conduct its activities.
9. RIA agrees to indemnify, defend and hold harmless the FUND, the ADVISOR, and their respective officers, directors, affiliates, agents and representatives (collectively, the "Indemnified Parties"), from and against any losses, claims, damages, expenses, or liabilities whatsoever, joint or several ("Losses"), to which any of the Indemnified Parties may become subject, under the Securities Act or otherwise, insofar as such Losses arise out of or are based upon in whole or in part, any material untruth or inaccuracy in, or breach of, any representation, warranty, covenant, agreement or statement made by RIA in this Subscription Agreement.

The undersigned RIA further certifies that his/her signature below constitutes his/her agreement to be bound by all the provisions of the terms and conditions set forth in this Section.

NAME OF RIA FIRM

NAME OF RIA REPRESENTATIVE

ADDRESS

CITY

STATE

ZIP CODE

EMAIL

TELEPHONE

X _____
Signature of Registered Principal
(If applicable)

Date

X _____
Signature of RIA Representative
(If applicable)

Date

13. DELIVERY INSTRUCTIONS

DELIVERY INSTRUCTIONS

Please deliver a completed and executed copy of this Subscription Agreement, along with a check for the full purchase price payable to “Versity Student Housing REIT, Inc.” (if paying by check), to:

VERSITY STUDENT HOUSING REIT, INC.

c/o WealthForge Securities, LLC.
3015 W. Moore Street, Suite 102
Richmond, VA 23230

ELECTRONIC DOCUMENT DELIVERY

Upload (Preferred): <https://wealthforge.citrixdata.com/r-rd09d66c38eaf4bd5acf23f68b3970572>

Email: documents@wealthforge.com

WIRE PAYMENT INSTRUCTIONS

Please make all payments by wire to the account set forth below:

Domestic Wires

Receiving Financial Institution:	SouthState Bank, N.A.
ABA/Routing Number	063114030
Bank Address	1101 First Street South, Winter Haven, FL 33880
Beneficiary	Versity Student Housing REIT, Inc.
Beneficiary Address	20 Enterprise, Suite 400, Aliso Viejo, CA 92656
Beneficiary Account Number	1600196693

International Wires:

Receiving Financial Institution:	SouthState Bank, N.A.
SwiftCode	CSBKUD33
Bank Address	400 Interstate North Pkwy, Suite 1200 Atlanta, GA 30339
Beneficiary	Versity Student Housing REIT, Inc.
Beneficiary Address	20 Enterprise, Suite 400, Aliso Viejo, CA 92656
Beneficiary Account Number	1600196693

APPENDIX B. DISTRIBUTION REINVESTMENT PLAN

DISTRIBUTION REINVESTMENT PLAN

This Distribution Reinvestment Plan (the “Plan”) is adopted by Versity Student Housing REIT, Inc. (the “Fund”) pursuant to its Articles of Incorporation (as amended or restated 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 of the Fund (the “Stockholders”) who purchase shares of the Fund’s common stock (collectively, “Shares”) pursuant to the Fund’s private offering of Shares pursuant to the applicable exemption from registration under the Securities Act (the “Private Placement”) and who do not opt out of participating in the Plan (the “Participants”), the Fund will apply all dividends and distributions declared and paid in respect of the Shares held by each Participant and attributable to the Shares purchased by such Participant (the “Distributions”), including Distributions paid with respect to any full or fractional Shares acquired under the Plan, to the purchase of additional Shares for such Participant.

2. ***Effective Date.*** The effective date of the Plan shall be the date that the Private Placement commences, as determined by the Fund.

3. ***Procedure for Participation.*** Any Stockholder who has received a copy of the Fund’s confidential private placement memorandum with respect to the Private Placement (as amended, supplemented or restated, the “Memorandum”), will automatically become a Participant unless they elect not to become a Participant by noting such election on their subscription agreement. If any Stockholder initially elects not to be a Participant, they may later become a Participant by subsequently completing and executing an enrollment form or any appropriate authorization form as may be available from the Fund, the Fund’s transfer agent, the placement agent or dealer manager for the Private Placement or any broker-dealer or investment adviser participating in the distribution of Shares in the Private Placement.

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 Fund.

4. ***Suitability.*** Each Participant is required to promptly notify the Fund in writing if the Participant experiences a material change in his, her or its financial condition, including without limitation the failure to continue to qualify as an “accredited investor” (as defined by Rule 501(a) of the Securities Act) or any other investment suitability standards imposed by the Fund and set forth in the Memorandum.

5. ***Purchase of Shares.*** Participants will acquire Shares from the Fund at a price equal to (i) \$1,000 per Share until such time as the Fund begins to determine a quarterly net asset value (“NAV”), and (ii) thereafter, the applicable “transaction price” per Share applicable to the Shares purchased by the Participant on the date that the Distribution is payable (calculated as set forth in the Memorandum). No upfront placement agent fees, selling commissions, dealer manager fees or other compensation will be payable with respect to Shares issued pursuant to the Plan. Participants in the Plan may purchase fractional Shares so that 100% of the Distributions will be used to acquire Shares. However, a Participant will not be able to acquire Shares pursuant to the Plan and such Participant’s participation in the Plan will be terminated to the extent that a reinvestment of such Participant’s Distributions in Shares would cause the percentage ownership or other limitations contained in the Charter to be violated.

6. ***Taxes.*** THE REINVESTMENT OF DISTRIBUTIONS DOES NOT RELIEVE A PARTICIPANT OF ANY INCOME TAX LIABILITY THAT MAY BE PAYABLE THEREON. INFORMATION REGARDING POTENTIAL TAX INCOME LIABILITY OF PARTICIPANTS MAY BE FOUND IN THE MEMORANDUM.

7. ***Share Certificates.*** The ownership of the Shares purchased through the Plan will be in book-entry form unless and until the Fund issues certificates for its outstanding Shares.

8. **Reports.** On a quarterly basis, the Fund shall provide each Participant a statement of account describing, as to such Participant: (i) the Distributions or OP Distributions, as applicable, reinvested during the quarter; (ii) the number of Shares purchased pursuant to the Plan during the quarter; (iii) the per Share purchase price for such Shares; and (iv) the total number of Shares purchased on behalf of the Participant under the Plan. On an annual basis, tax information with respect to income earned on Shares under the Plan for the calendar year will be provided to each Participant.

9. **Termination by Participant.** A Participant may terminate participation in the Plan at any time, without penalty, by delivering ten (10) business days' prior written notice to the Fund. This notice must be received by the Fund prior to the last day of a month in order for a Participant's termination to be effective for such month (*i.e.*, a timely termination notice will be effective as of the last day of a month in which it is timely received and will not affect participation in the Plan for any prior month). Any transfer of Shares by a Participant to a non-Participant will terminate participation in the Plan with respect to the transferred Shares. If a Participant requests that the Fund repurchase all or any portion of the Participant's Shares, the Participant's participation in the Plan with respect to the Participant's Shares for which repurchase was requested but that were not repurchased will be terminated. If a Participant terminates Plan participation, the Fund may, at its option, ensure that the terminating Participant's account will reflect the whole number of Shares in such Participant's account and provide a check for the cash value of any fractional share in such account. Upon termination of participation in the Plan for any reason, all future Distributions and OP Distributions, as applicable, will be distributed to the former Participant in cash.

10. **Amendment, Suspension or Termination by the Fund.** The Board of Directors may by majority vote amend any aspect of the Plan; *provided, however*, that the Plan cannot be amended to eliminate a Participant's right to terminate participation in the Plan. The Board of Directors may by majority vote suspend or terminate the Plan for any reason.

11. **Liability of the Fund.** The Fund 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 with respect to the time and the prices at which Shares are purchased or sold for a Participant's account.

APPENDIX C. WEALTHFORGE PRIVACY POLICY

PRIVACY POLICY

Updated as of January 2022

This Privacy Statement covers: WealthForge Securities, LLC (the “Company”). We do not disclose information to non-affiliated companies except as described below.

1. Acknowledgement and Acceptance of Terms

The Company is committed to protecting your privacy. This Privacy Statement sets forth our current privacy practices regarding the information we collect from you.

2. Third-party Policies

You may have received this privacy notice through a website or an email from a website or other third party, but this Privacy Statement does not apply to any third parties, and we are not responsible for their content. If you visit external websites, we recommend that you review their privacy policies.

The collection, further use, or disclosure of your information by issuers, unaffiliated service providers or by other third parties is not the responsibility of the Company. Such collection, use, or disclosure is governed by the third parties’ privacy policies.

3. Personal Information We Collect From You

To complete your transactions, we will ask you or your financial professional to provide personal information such as name, address, email, telephone number or facsimile number, bank account number, social security number, driver’s license, passport, or other government issued identification number, income or net worth information, and other information relevant to your request for participation in a transaction. You may also be asked to disclose personal information to us so that we can provide assistance and information to you. We will not disclose personally identifiable information we collect from you to non-affiliated parties without your permission, except to the extent necessary to provide the products and services, as described below.

4. How We Use, Share, and Protect Personal Information

The Personal information you provide is used to provide services to you and to inform you of products, services, or opportunities that may be available through the Company. Information and data you provide will also be used to administer our business, and our products and services in a manner consistent with this Privacy Statement and all applicable laws, rules, regulations, or other legal obligations. If you provide us with your name, address, telephone number, or email address, or have done so in the past, the Company may contact you by telephone, mail, or email. Email or other electronic communications sent to us will be maintained in a manner consistent with our legal and regulatory requirements regarding client and public communications. We do not rent, sell, or share your personal information to unaffiliated organizations except to provide products or services you have requested, when we have your permission, or under certain limited circumstances. For example, we provide such information to companies who work on behalf of or with the Company, subject to confidentiality agreements. These companies may use your personal information to help the Company communicate with you about the Company’s products and services or to assist the Company in the provision of its products and services. The Company may compile and use aggregated, anonymized data that does not directly or indirectly identify you or compromise your personal information in violation of this policy.

The Company may share information that you provide with the issuer and sponsor of the offering in which you have expressed an interest, the other broker-dealers providing services for that issuer and sponsor, as well as other companies providing services in connection with the offering, such as escrow agents and banks, credential-checking services, the issuer’s special purpose vehicle(s) for that offering, and other financial intermediaries such as transfer agents, investment advisors, etc.

Social security numbers are only shared with the following and only as applicable to a particular transaction or activity that you initiate: personnel for third-party intermediaries processing the transaction for the issuer and sponsor; other parties that use the social security numbers for the limited purpose of providing services for the offering and that have agreed to maintain the confidentiality of your information; other financial intermediaries involved in the transaction; and the issuer and sponsor of the securities.

The Company maintains reasonable physical, electronic, and procedural safeguards that comply with applicable laws and regulations to protect personal information about you and works with vendors and partners to protect the security and privacy of user information. The Company maintains the information collected on servers located within the United States and does not transfer your data to other countries.

5. Other Reasons We Share Personal Information

We also use information you provide to respond to subpoenas, court orders, or other similar legal obligations and processes, comply with regulatory requests and audits, or to establish or exercise our legal rights or defend against legal claims. In addition, we will share such information if we believe it is required by law or it is necessary to investigate, prevent, or take action regarding illegal activities or suspected fraud or the rights or property of the Company or third parties.

Finally, we may transfer information about you to any acquirer or successor of the Company if and to the extent that the Company is acquired by or merged with another company.

6. Changes to this Statement

The Company has the discretion to update this Privacy Statement at any time.

7. Notice of Residents of California and Nevada

The Company has the discretion to update this Privacy Statement at any time. When we do, we will also revise the "updated" date at the top of this page. We encourage you to review this Privacy Statement each time you receive it to stay informed about our use of your information.

California Residents:

California law requires that we obtain your affirmative consent before we share your nonpublic personal information with non-affiliated third-party companies.

The California Consumer Privacy Act requires that Company inform you of your rights, provide a list of the categories of personal information it has collected about consumers in the past twelve (12) months and detail what categories of personal information it sells or discloses.

Rights of California Residents

1. Right of access

California residents have the right to request that a business that collects a resident's personal information disclose to that resident the categories and specific pieces of personal information the business has collected.

California residents have the right to request that a business that collects personal information about the resident disclose to the resident the following:

- (1) The categories of personal information it has collected about that resident.

- (2) The categories of sources from which the personal information is collected.
- (3) The business or commercial purpose for collecting or selling personal information.
- (4) The categories of third parties with whom the business shares personal information.
- (5) The specific pieces of personal information it has collected about that consumer.

2. Right to know what we sell or disclose

California residents have the right to request that a business that sells the resident's personal information, or that discloses it for a business purpose, disclose to that resident:

- (1) The categories of personal information that the business collected about the resident.
- (2) The categories of personal information that the business sold about the resident and the categories of third parties to whom the personal information was sold, by category or categories of personal information for each third party to whom the personal information was sold.
- (3) The categories of personal information that the business disclosed about the resident for a business purpose.

Company does not sell personal information

3. Right to opt out

California residents shall have the right, at any time, to direct a business that sells personal information about the resident to third parties not to sell the resident's personal information.

4. Right to deletion

In some cases, California residents shall have the right to request that a business delete any personal information about the resident which the business has collected from the resident.

5. Right to equal service and price

A business may not discriminate against a California resident because the resident exercised any of the resident's rights, including, but not limited to, by:

- (A) Denying goods or services to the consumer.
- (B) Charging different prices or rates for goods or services, including through the use of discounts or other benefits or imposing penalties.
- (C) Providing a different level or quality of goods or services to the resident, if the resident exercises the consumer's rights under this title.
- (D) Suggesting that the resident will receive a different price or rate for goods or services or a different level or quality of goods or services.

How to request your information

To request the personal information in Company's possession please contact Company via either <https://www.wealthforge.com/contactus> or 866.603.4082.

To request what personal information Company has disclosed to a third party please contact Company via either <https://www.wealthforge.com/contactus> or 866.603.4082.

To request your personal information be deleted email the following address admin@wealthforge.com or call 866.603.4082.

Categories of Personal Information Company collects

Section 3 above details the categories of personal information Company collects from investors or their financial professional.

Categories of Personal Information Company has sold in the past twelve (12) months

Company acts solely as a service provider and does not sell personal information.

Categories of Personal Information Company has disclosed in the past twelve (12) months

Section 4 above details how Company uses your personal information. Information provided by you in the investment documents may also be shared with the issuer of the offering in which you have expressed an interest, third-party intermediaries providing services for that issuer, as well as other companies providing services in connection with the offering, such as, escrow agents and banks, credential-checking services, the issuer's special purpose vehicle(s) for that offering, and other financial intermediaries. In each case, disclosure is subject to applicable privacy law and is limited to the extent the third party needs the information.

Company has disclosed the following types of personal information to third-parties in the past twelve (12) months:

- To issuers of securities: name, date of birth, accreditation status, SSN, bank account information, suitability information (including income or net worth estimates).
- To broker-dealers or advisors: name, date of birth, accreditation status, SSN, bank account information, suitability information (including income or net worth estimates) of their subscribers.
- To regulators: name, date of birth, accreditation status, SSN, bank account information, suitability information (including income or net worth estimates).
- To third-party service providers: name, date of birth, SSN, bank account information.

Any information provided to Company will be used for the purpose of completing the transaction.

In addition, if you are a California resident, California Civil Code Section 1798.83 permits you to request information regarding the disclosure of your personal information by the Company to its affiliates and/or third parties for their direct marketing purposes.

To make such a request, please send an email with your first name, last name, mailing address, email address, and telephone number to admin@wealthforge.com. Please include "California Privacy Rights" in the subject line of your email. You may also make such a request by writing to us at the address set forth in the Contacting Us section.

Nevada Residents

Nevada law requires us to disclose that you may elect to be placed on our internal do-not-call list by calling us at 804-308-0431. For further information, contact the Nevada Attorney General's office at 555 E.

Washington Ave., Suite 3900, Las Vegas, NV 89101; by phone at 702-486-3132; or by email at BCPINFO@ag.state.nv.us.

8. Notice to European Union Members

Data subjects in the European Union have the following principal rights under data protection law:

1. the right to withdraw consent;
2. the right to access;
3. the right to rectification;
4. the right to erasure;
5. the right to restrict processing;
6. the right to data portability;
7. the right to object to processing;
8. the right not to be subject to decisions made solely on automated processing; and
9. the right to complain to a supervisory authority.

To limit our collection, storage, or sharing please contact our Data Protection Officer, Chris Rohde, as provided below.

9. Contacting Us

If you have questions regarding our Privacy Statement, its implementation, or failure to adhere to this Privacy Statement and/or our general practices, please contact us at: admin@wealthforge.com or send your comments to:

WealthForge Attention: Privacy Statement Representative and Data Protection Officer
3015 W. Moore St., Suite 102
Richmond, VA 23230