SR REALTY TRUST®
A Schafer Richardson Company

confidential

private placement memorandum

INVEST + PROTECT + GROW

NO. _____

Confidential Private Placement Memorandum

SR REALTY TRUST, INC.

Up to $20,000,000
Worth of Shares of Common Stock

SR Realty Trust, Inc. ("we" or the "Company") is offering up to $20,000,000 worth of shares of common stock of the Company, $0.01 par value per share (the "Shares"), at an offering price of $13.50 per Share pursuant to this Confidential Private Placement Memorandum (the "Memorandum"). Notwithstanding the foregoing, the Shares will be offered and sold at a discounted price of $12.825 per Share to insiders (which consist of our directors and officers; the governors, officers and employees of our Advisor; and their affiliates ("Insiders")). We are offering the Shares on a "best efforts" basis, and there is no minimum amount that must be raised before the Company may begin accepting subscriptions for the Shares and using the proceeds received from investors.

The Shares are being offered solely to "accredited investors" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act"). See "Plan of Distribution – Investor Qualifications." A minimum subscription of $20,000 from each investor is required, unless waived by the Company in its sole discretion. The offering price of the Shares was arbitrarily determined by the Company and is not related to the Company's operating results, assets, independent appraisals, net worth or other financial statement criteria of value. Prior to this offering, there has been no market for the Company's securities, and it is unlikely that such a market will develop in the foreseeable future.

The Company is a corporation formed under the laws of the State of Maryland in 2014. It was formed to invest in a diversified portfolio of commercial real estate properties and other real estate related assets. The Company is externally managed by our advisor, SRRT Advisor, LLC ("Advisor"). The Company was formed to operate as a real estate investment trust, or REIT, for federal income tax purposes and intends to continue to operate as a REIT; however, our ability to continue to qualify for REIT status cannot be guaranteed.

THE SECURITIES OFFERED HEREBY ARE HIGHLY SPECULATIVE, ILLIQUID, INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE PURCHASED ONLY BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS."

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES OFFERED HEREBY ARE OFFERED PURSUANT TO CLAIMED EXEMPTIONS FROM REGISTRATION UNDER THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES OFFERED HEREBY WILL BE "RESTRICTED SECURITIES" UNDER THE 1933 ACT, MUST BE HELD FOR INVESTMENT PURPOSES ONLY AND ARE SUBJECT TO SUBSTANTIAL LIMITATIONS ON RESALE OR OTHER TRANSFER. INVESTORS MUST PURCHASE THE SHARES FOR THEIR OWN ACCOUNT AND MUST ASSUME THE ECONOMIC RISK OF INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

	Price to Investors	Selling Commission and Expenses	Proceeds to Company [(1)(5)(6)]
Price Per Share [(1)]	$13.50	[(4)]	$13.50
Total Offering [(2)(3)]	$20,000,000	[(4)]	$20,000,000

(see footnotes on next page)

The date of this Confidential Private Placement Memorandum is May 1, 2024

(1) The Shares will be offered and sold at a discounted price of $12.825 per Share to insiders (which consist of our directors and officers; the governors, officers and employees of our Advisor; and their affiliates ("Insiders")).

(2) Our executive officers and directors, as well as our Advisor and its managers and governors, may subscribe for and purchase Shares in this offering. Any Shares purchased by such parties will be applied towards this offering. We reserve the right to abandon, withdraw, cancel or modify the offering at any time in our sole discretion. We have the right to accept or reject subscriptions, in whole or in part, in our sole discretion.

(3) We reserve the right to offer up to $5,000,000 worth of additional Shares to a maximum offering of $25,000,000 in the event of oversubscription. Unless indicated otherwise, this Memorandum assumes that the right to increase the offering will not be exercised. If we do exercise such right, some of the information in this Memorandum will be different.

(4) The Shares are being sold by our executive officers and directors, who will receive no commissions, warrants or other compensation for doing so. However, we may, at our discretion, retain registered broker/dealers to act as non-exclusive agents ("Agents") to sell Shares in this Offering. We retain the right to pay such Agents consideration for doing so, which may include commissions and warrants to purchase shares of our common stock. Any such commissions and fees would increase the expense of the Offering and reduce our proceeds. For further information on the Plan of Distribution and potential expenses of the Offering, including any Agent compensation, see "Plan of Distribution."

(5) Proceeds to the Company are calculated before deducting expenses payable in connection with the offering, which are currently estimated to be approximately $50,000.

(6) We are offering the Shares on a "best efforts, no minimum" basis. The offering will terminate on March 31, 2025 (the "Termination Date"), unless extended by us in our sole discretion. If the Company does not accept a subscription on or before the Termination Date, subject to our right to extend, the original subscription will be returned unaccepted and the funds will be returned without deduction or interest.

This Memorandum is provided on a confidential basis and distributed to a limited number of prospective investors for their confidential use in evaluating an investment in the Shares. Please see "PREFACE and ADDITIONAL INFORMATION" for more details regarding the confidential nature of this offering and the Memorandum.

In forming an investment decision, investors should make such investigations as they deem necessary to arrive at an independent evaluation and should consult their own legal counsel and financial, accounting, regulatory, and tax advisors to determine the consequences of such an investment. Investors should not construe the contents of this Memorandum as legal, tax or investment advice. No offering literature or advertising in any form will or may be employed in the offering except for this Memorandum, statements contained or documents summarized herein and information provided by our Advisor in response to your questions. No one has been authorized to make any representations or give any information not contained or referred to herein. Only those representations set forth in this Memorandum may be relied upon in connection with the offering.

This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates. This Memorandum does not constitute an offer to anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. All information contained herein is as of the date of this Memorandum, and neither the delivery of this Memorandum nor any sales made hereunder shall, under any circumstances, imply that there has been no change in the Company's affairs since such date.

SR REALTY TRUST, INC.

Confidential Private Placement Memorandum

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PREFACE

This Memorandum constitutes an offer only to the offerees who have received the Memorandum directly from the Company or the Advisor. This Memorandum shall not constitute an offer to any person to whom such offer would be unlawful. The Company retains the right, in its sole discretion, to reject any subscription, in whole or in part, for any reason.

In this Memorandum, the term "operating partnership" refers to SRRT Properties, LP, of which the Company is the sole general partner. The term "Advisor" refers to SRRT Advisor, LLC, our advisor.

Investors should read this Memorandum in its entirety before making a decision to purchase any Shares. By receiving the Memorandum, investors agree that they will:

- Not use the Memorandum for any purpose other than to assist them in the evaluation of an investment in the Shares;
- Not make copies of any part of this Memorandum or give a copy of it to any other person, other than the investor's legal counsel and financial, accounting, regulatory and tax advisors;
- Not disclose any information in this Memorandum to any other person, other than the investor's legal counsel and financial, accounting, regulatory and tax advisors; and
- Return the Memorandum and all enclosed documents to the Company if they decide not to purchase any of the Shares.

Investors are invited to review any materials available to the Company relating to the Company, its operating partnership and this offering. The Company will answer all reasonable inquiries from prospective investors relating thereto. The Company will afford prospective investors the opportunity to obtain any additional information necessary to verify the accuracy of any representations or information set forth in this Memorandum to the extent that the Company or the Advisor possesses such information or can acquire it without unreasonable effort or expense. Such review is limited only by the confidentiality of personal information relating to other investors. Investors will be asked to acknowledge in the Subscription Agreement attached as Exhibit A that they were given the opportunity to obtain such additional information and that they either did so or elected to waive such opportunity.

By investing in the Company, investors will be deemed to have acknowledged that:

- They have reviewed this Memorandum including all exhibits to the Memorandum;
- They have had an opportunity to request from the Company any additional information that they desire from the Company; and
- The Company is not making any representation to the investor concerning the Company's future performance or ability to continue to qualify as a REIT.

This Memorandum does not purport to be all inclusive or to contain all the information that an investor may desire in investigating the Company and the terms of this offering, including the merits and risks involved in making an investment decision with respect to the Company. See "RISK FACTORS" below for a discussion of certain factors that should be considered in connection with an investment in the Company, including the risk that the Company may not be able to maintain its qualification as a REIT (which may reduce the value of the Shares), the lack of liquidity of the Shares, long-term nature of the investment, reliance on the abilities of the Advisor and restrictions on transfer and resale of the Shares.

This offering does not constitute a public offer to sell or a public solicitation of an offer to buy the securities described herein. No general solicitation will be conducted and no offering literature or advertising of any sort will be employed in the offering of the Shares except for this Memorandum and any exhibits, supplements or amendments hereto.

The Company and its representatives disclaim any and all liability for representations or warranties, expressed or implied, contained in (or omitted from) any written or oral communication transmitted or made available to the recipient hereof, other than this Memorandum and any exhibits, supplements or amendments hereto.

This Memorandum is subject to revision and may be supplemented and/or replaced by a revised offering memorandum which will be sent to prospective investors and which in turn may be revised prior to closing. Any investment in the Company will be solely on the basis of the Company's final offering memorandum, as supplemented.

The Memorandum will be supplemented from time to time as we acquire additional material real estate or real estate related assets that have not previously been disclosed.

The Shares have not been registered under the 1933 Act or applicable state securities laws, may not be transferred unless the Shares are subsequently registered under the 1933 Act or applicable state securities laws or unless the transfer is exempt from the registration requirements of the 1933 Act and applicable state securities laws.

FORWARD-LOOKING STATEMENTS

Any statements in this Memorandum and any exhibits, supplements or amendments hereto that are not historical facts are forward-looking statements. Words such as "expect," "believe," "intend," "estimate," "project," "may," and similar expressions identify forward-looking statements. These forward-looking statements are predicated on beliefs and assumptions based on information known as of the date of this Memorandum, are not guarantees of future performance and do not purport to speak as of any other date. Forward-looking statements may include descriptions of the Company's plans and objectives for future operations and forecasts of its revenue, earnings or other measures of economic performance (including statements of profitability). They involve assumptions and are subject to substantial risks and uncertainties, such as changes in plans, objectives, expectations and intentions. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, actual results could differ materially from those discussed and the Company may not meet its objectives.

Information contained in this Memorandum, including forward-looking statements, speak only as of the date of this Memorandum. The Company does not undertake to update this Memorandum, including forward-looking statements, to reflect facts, circumstances, assumptions or events that occur after the date of this Memorandum.

WHERE YOU CAN FIND MORE INFORMATION

This Memorandum does not contain all of the information that an investor may want to know about the Company and the offering. For more information about the Company, the operating partnership, the Advisor, our properties, our operations and financial condition you should contact Evan C. Richardson, Senior Vice President of the Company, by telephone at (612) 359-5849 or by email at erichardson@sr-re.com, or Laura Hanneman, Investor Services Manager, by telephone at (612) 305-7083 or by email at lhanneman@sr-re.com during normal business hours.

By investing, investors will be deemed to have acknowledged that they have had an opportunity to request from the Company any additional information they desire from the Company. Additional documents that are available for review include, but are not limited to the following:

1. Form of Advisory Agreement, as amended
2. Form of Limited Partnership Agreement, as amended, for SRRT Properties, LP
3. Current Portfolio Information
4. 2023 Annual Report

EXECUTIVE SUMMARY

This summary highlights some of the most significant information contained elsewhere in this Memorandum. Because it is a summary, it does not contain all of the information that may be important to you. To understand this offering fully, you should read the entire Memorandum carefully, including, without limitation, the information discussed under the caption "Risk Factors" before making a decision to invest in the Company.

SR Realty Trust, Inc.

SR Realty Trust, Inc. is a Maryland corporation formed in 2014 for the purpose of investing in a diversified portfolio of commercial real estate properties and other real estate related assets. Our portfolio consists primarily of various types of commercial real estate properties, including office, industrial, single-tenant-net-lease, retail and multi-family properties located throughout the Midwest and Central United States. Currently, we own an interest in 45 stabilized investment properties in seven (7) markets. We have also invested as a limited partner in partnerships owning six (6) development joint venture investments. See Exhibit C for a list of these investments. A description of each of these properties and additional information is available upon request. We are not a mutual fund and do not intend to register as an investment company under the Investment Company Act.

We operate as a REIT for federal income tax purposes. In general, a REIT is a company that combines the capital of many investors to acquire real estate and/or real estate related assets and meets certain other qualifications. The benefits of a REIT may include the following:

- Diversified real estate portfolio under professional management;
- Not subject to federal corporate income taxes on its income that it distributes to its stockholders, which substantially eliminates "double taxation" (i.e., taxation at both the corporate and stockholder levels); and
- Is required to distribute to its stockholders at least 90% of its annual taxable income.

We hold and plan to continue to hold, all, or substantially all, of our assets through an operating partnership we control as general partner. Therefore, we are organized as an Umbrella Partnership Real Estate Investment Trust (UPREIT). We use this structure principally to facilitate the acquisition of commercial real estate properties on a tax deferred basis for the transferring property owner.

It is anticipated that the majority of the proceeds raised in this offering, net of fees and expenses attributable to this offering and our operating expenses, will be contributed to our operating partnership. The operating partnership will then use such funds to pursue investments in accordance with our investment strategy and policies, make improvements on the properties, reduce borrowings and repay indebtedness incurred by us under various financings, including amounts owed pursuant to maturing Time Certificates if such Time Certificates are not renewed, and for working capital purposes.

Our principal executive office is located at 901 North Third Street, Suite 100, Minneapolis, Minnesota 55401. Our telephone number is (612) 371-3000, and fax number is (612) 359-5858.

Operating Partnership

We own, and intend to continue to own, substantially all of our investments through our operating partnership, SRRT Properties, LP, a Delaware limited partnership. Our operating partnership owns our investments in commercial real estate and other real estate related assets, directly or indirectly, generally through special purpose entities.

We operate as an UPREIT, which is a REIT that holds all or substantially all of its assets through a partnership which the REIT controls as general partner. We decided to use this structure to facilitate acquisitions of commercial real estate properties. A sale of property directly to a REIT is generally a taxable transaction to the property seller. However, in an UPREIT structure, if a property seller exchanges the property with our operating partnership in exchange for limited partnership interests, the seller may defer taxation of gain in such exchange until the seller resells its limited partnership interests, including an exchange of the limited partnership interests for the Company's shares of common stock. Before a seller may resell its limited partnership interests or exchange its limited partnership interests for the Company's common stock, such seller must hold such limited partnership interests for a period of at least one year. The Company currently anticipates that exchanges of Company common stock for limited partnership units in the operating partnership will occur on a one-to-one basis. By offering the ability to defer taxation, we may gain a competitive advantage in acquiring desired properties over other buyers who cannot offer this benefit. In addition, investing in our operating partnership, rather than directly in the Company, may be more attractive to certain institutional or other investors due to their business or tax structure. If an investor is interested in making a substantial investment in our operating partnership, we may agree to terms for such investment that are different from the terms of this offering, such as lower fees payable by such investor in consideration of the size of its investment. Our structure provides us the flexibility to accommodate such different terms, while applicable tax laws generally restrict a REIT from charging different fee rates among its stockholders. We are the sole general partner of the operating partnership.

Under the terms of the Advisory Agreement, we have delegated to the Advisor the day-to-day management of the operating partnership; the acquisition, management and disposition of assets held by the operating partnership; and the selection of property managers and other service providers. In addition, the Advisor is a special limited partner in the operating partnership entitling it to certain incentive compensation and/or redemption payments. Bradley J. Schafer, N. Christopher Richardson, Steven G. Norcutt, Gregory J. Springer, and Evan C. Richardson (together the "Principals") own 100% of the capital stock of the Advisor. See "Management of Our Company – The Advisor."

Current Portfolio

As of the date of this Memorandum, our portfolio consists of an interest in45 stabilized investment properties in seven (7) markets. We have also invested as a limited partner in partnerships owning six (6) development joint venture investments. The Advisor believes our current portfolio suits our current investment strategy and objectives. Our portfolio of real estate assets, which includes office, industrial, single-tenant-net-lease, retail and multi-family properties, totals, in the aggregate, over 4.9million rentable square feet. Our portfolio is currently 95% leased with industrial and single-tenant-net-lease occupancy at 100%, multi-family occupancy at 95%, retail occupancy at 89% and office occupancy at 69%. A listing of these properties is attached hereto as Exhibit C. Additional information, including a description of each of our properties, is available upon request.

Investment Objectives

Our primary investment objectives are:

- To preserve and protect stockholders' capital;
- To pay consistent distributions to stockholders; and
- To deliver long-term capital appreciation.

Investment Strategy

The Company's investment strategy is to acquire and maintain a diversified portfolio of income producing commercial real estate assets. Our acquisitions will focus on stability and consistency of income, disciplined and controlled growth, and transparency to investors.

More specifically, our investment strategy is to own, or have ownership interests in, a diversified portfolio of:

(1) Commercial real estate properties in various sectors, including office, industrial, single-tenant-net-lease, retail and multi-family property types, located throughout the Midwest and Central United States;

(2) On a limited basis, other real estate related assets, including debt and equity interests backed by real estate; and

(3) Cash, cash equivalents and short-term investments.

The Company will maintain a long-term, buy-and-hold mentality but may also attempt to capitalize on short-term market considerations to maximize our investments, see "Investment Guidelines." While we concentrated our investments in the Minneapolis/St. Paul, Minnesota region at the outset, it is our intention to continue to acquire assets in the Minneapolis/St. Paul, Minnesota market and other markets throughout the Midwest and Central states that we believe will meet our investment objectives.

The Company's acquisition efforts are focused on acquiring real estate assets held by individual owners and we anticipate such property owners will contribute the properties in exchange for limited partnership interests of the operating partnership. As we anticipate that the majority of real estate properties or interests in real estate properties will be purchased with operating partnership interests rather than cash, the Company intends to use the proceeds raised from this offering to provide working capital to the Company and operating partnership, to reduce indebtedness, including amounts owed pursuant to maturing time certificates if such Time Certificates are not renewed, and to pursue acquisition opportunities.

We may also invest in undeveloped land and other development opportunities if such assets are acquired for the purpose of producing rental or other operating income, or development is planned in the near term. Investments of these types do not represent a primary means to execute our investment strategy and we do not anticipate more than 10% of the value of outstanding equity of the Company to be made up of such investments.

Investment Guidelines

Our investment guidelines have been adopted by our Board of Directors. The Board of Directors will review our investment guidelines on an annual basis and our portfolio of investments on a quarterly basis, or more often as the Board of Directors deems appropriate. Changes to our investment guidelines must be approved by our Board of Directors. The guidelines delegate to our Advisor the authority to acquire and dispose of commercial real estate properties and interests in real estate properties without Board approval so long as the contract purchase price of any individual transaction represents less than 5% of our overall portfolio market value, the property falls within approved geographic markets, and it is not a related-party transaction. As December 31, 2023, 5% of our overall portfolio market value approximates $23 million. The guidelines also allow us to invest in and dispose of other real estate related assets, in each case so long as such investment activity is consistent with the investment guidelines approved by our Board of Directors. Our Board of Directors will at all times have ultimate oversight over our investments and may from time to time change the scope of authority delegated to our Advisor with respect to acquisition and disposition transactions.

Dividends/Distributions

Any dividends paid to our stockholders will be at the discretion of our Board of Directors, in accordance with our earnings, cash flow, capital needs and general financial condition. Currently, our annual dividend is $0.72 per share, payable in quarterly installments. We anticipate that the operating partnership will continue to distribute cash to us on a quarterly basis in an amount determined by us, as general partner, in our sole discretion. We will then distribute such operating partnership distributions to our stockholders. See "Description of Capital Stock – Distributions."

The operating partnership will distribute cash to the partners (including the general partner) pro rata based on each partners' ownership percentage. No partner is entitled to demand property other than cash in connection with any distributions by the operating partnership.

The Board of Directors' discretion will be dictated in part by its obligation to cause us to comply with the REIT requirements, which includes the requirement to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income. REIT taxable income is computed without regard to the dividends-paid deduction and excludes net capital gain. Further, REIT taxable income does not necessarily equal net income as calculated in accordance with generally accepted accounting principles in the United States (GAAP). Our Board of Directors may authorize distributions in excess of those required to maintain REIT status depending on our financial condition and such other factors as our Board of Directors deems relevant.

We may pay distributions from any source, including from the proceeds of this offering, from borrowings or from the sale of properties or other investments, among others. In addition, we may distribute stock dividends, consent dividends and "throwback" distributions in lieu of cash distributions in the case of a cash shortfall where the 90% distribution requirement cannot be met.

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan, whereby stockholders may elect to have their cash dividends automatically reinvested in additional shares of our common stock. Such dividends are immediately reinvested in our shares on behalf of the participants on the business day such dividend would have been paid to such stockholder. The per share purchase price for shares purchased pursuant to the dividend reinvestment plan is equal to 95% of the price per share, determined as of the date the dividend is paid. We do not intend to pay any selling commissions with respect to shares purchased pursuant to the dividend reinvestment plan. Shares acquired under the dividend reinvestment plan entitle the participant to the same rights and will be treated in the same manner as those purchased in this offering.

Redemption Program

To provide liquidity to investors, the Board of Directors has authorized a redemption program whereby the Company may redeem up to 5% of the outstanding shares of our common stock per year, subject to the discretion of the Board of Directors. Beginning on the second anniversary of the date an investor originally acquires its shares of Company common stock (or, if the investor initially acquired such shares of Company common stock in exchange for units in our Operating Partnership, the second anniversary of the date the investor acquired such Operating Partnership units), the investor may request that the Company redeem the investor's shares of Company common stock. Shares of Company common stock redeemed under the redemption program will be redeemed at 97% of the per share price of the Company's common stock on the date the redemption request is received by the Company, as such price is determined by the Board of Directors. The Board of Directors, at its sole discretion, may amend, modify or terminate this plan on 10 days' written notice. Additional information about our redemption program is available upon request.

Duration

The duration of the Company is open-ended, and the current strategy of the Company is to acquire assets that will provide both cash flow and capital appreciation over an extended holding period. Investors should view their investment in the Company's shares as long-term and illiquid.

Share Price

The price of our Shares will be reestablished by the Board of Directors no less than annually.

Leverage

We use leverage to provide additional funds to support our investment activities and are not restricted in the form of indebtedness we may incur. In addition, we may assume existing debt or refinance such existing debt on properties we acquire. We also offer short-term Time Certificates to investors at competitive market rates. At December 31, 2023, we had $189.1 million of mortgage notes payable with an average interest rate of 4.03% and $900,000 of Time Certificates notes payable with an average interest rate of 5.44%.

We also have a $25 million line of credit with a bank which further provides financial flexibility in support of our operating and growth strategies, and we frequently draw on the line as needs arise. From time to time, the bank may approve a temporary increase in the line of credit based on specific acquisition activities. As of the date of this offering, we may borrow up to $32 million under our line of credit through July 31, 2024. The line of credit expires on that date, at which time we anticipate the line will be renewed under similar terms. We had an outstanding balance on our line of credit of $20.8 million at December 31, 2023.

Our Board of Directors may from time to time determine our leverage policy in light of then-current economic conditions, relative costs of debt and equity capital, fair values of our properties, general conditions in the market for debt and equity securities, growth and acquisition opportunities or other factors. We anticipate that our leverage will not exceed 65% of the fair market value of our assets. Our leverage is 57% at December 31, 2023. We may not incur indebtedness more than 300% of our net assets unless such excess is approved by a majority of our directors.

Board of Directors

We operate under the direction of our Board of Directors, the members of which are accountable to us and our stockholders. Our Board of Directors has ultimate responsibility for our operations, governance, financial controls, compliance and disclosure. Upon election, the members of our Board of Directors serve three-year terms, or until their successors are elected and qualify, whichever occurs first. Currently, our Board of Directors includes Bradley J. Schafer, N. Christopher (Kit) Richardson, Steven G. Norcutt and four independent directors, James W. Hansen, David W. Smith, Peter Bell and Jeffrey L. Wright.

Reporting

The Company will furnish (i) audited, consolidated financial statements of the Company and the operating partnership to the stockholders annually, (ii) unaudited, consolidated financial statements of the Company and the operating partnership for the first three quarters of each fiscal year, and (iii) annual tax information necessary for each stockholder's tax returns.

Experience of Management

We are externally managed and advised by SRRT Advisor, LLC, a Minnesota limited liability company. We and our operating partnership have entered into an Advisory Agreement, whereby the Advisor is delegated the management of the day-to-day business of the Company and the operating partnership. We believe that a critical factor in our success lies in the Advisor's ability to employ highly qualified industry professionals and to build on their experience and reputation to achieve our objectives. Schafer Richardson, Inc. through its wholly-owned subsidiaries and affiliates (collectively "Schafer Richardson") is a respected commercial real estate investment and asset management company based in Minneapolis, MN and is an affiliate of the Advisor. Schafer Richardson currently manages more than 60 investment or operating partnerships for individual and institutional investors. Schafer Richardson is devoted to delivering best-in-class real estate investment and asset management on behalf of its investors.

We benefit from Schafer Richardson's organizational and management expertise by leveraging its vertically-integrated platform and management's reputation and network in the industry on our behalf to execute acquisitions, financing, asset management, and disposition activities.

The principals and executive officers of the Advisor are Bradley J. Schafer, N. Christopher (Kit) Richardson, Steven G. Norcutt, Gregory J. Springer and Evan C. Richardson (the "Principals"), some of whom are also principals of Schafer Richardson. Together, the Principals have over 150 years of diverse experience in the field of real estate investment and financial management, including: acquisition and development; debt and equity structuring; asset and property management; risk management; and financial reporting.

Advisor

Under the Advisory Agreement, which is approved annually by the independent directors, the Advisor manages our business in accordance with our investment objectives, strategy, guidelines, policies and limitations. The Advisor provides services to us, including services related to the acquisition, management and disposition of commercial real estate properties and other real estate related assets. Additionally, the Advisor sets the allocation of our portfolio among commercial real estate properties and other real estate related assets, selects property managers and other service providers, and provides marketing, stockholder relations and other administrative services. The Principals own all of the capital stock of the Advisor. See "Management of Our Company – The Advisor."

Advisory Fees

Under the terms of the Advisory Agreement, the Advisor receives:

- An Advisory Fee of 0.50% on our invested assets. The Advisory Fee is calculated on an annual basis and paid monthly;
- Transaction Fee for any acquisition or disposition in an amount equal to a percentage of the contract price, as follows:
  (i) 3% fee for any portion of the contract price of up to $2.5 million; plus
  (ii) 2% fee for any portion of the contract price between $2.5 million and $15 million; plus
  (iii) 1.25% fee for any portion of the contract price between $15 million and $50 million; plus
  (iv) 0.75% fee for any portion of the contract price exceeding $50 million;
- Reimbursement of operating expenses, acquisition expenses and acquisition pursuit expenses, at cost.

If one of our investments requires additional services, such as: leasing, development, construction, property management, loan origination, personal loan guarantees, loan servicing, property tax reduction and risk management, we will pay a fee for such service that will not exceed the market-rate fee for the same service and, subject to the approval of the Board of Directors, may be paid to an affiliate of the Advisor, or Principals.

Incentive Compensation

On an annual basis, the Advisor will be eligible to receive as incentive compensation an issuance of Shares in the Company or cash ("Incentive Compensation"). The Incentive Compensation will be paid out to the Advisor as a percentage of the Company's Invested Assets as tabulated on the final day of each calendar year. The determination as to the Advisor's eligibility to receive the Incentive Compensation in any given year is based fifty percent (50%) on each of the Company's year-over-year percentage growth (per Share) of: (i) funds from operations per Share ("FFO"); and (ii) net asset value per Share of ("NAV"). The Incentive Compensation may be earned through growth in either FFO or NAV, or both, as follows:

- FFO Portion of Incentive Compensation:
  (i) If the Company's FFO increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base FFO Incentive").
  (ii) If the Company's FFO increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base FFO Incentive.
  (iii) If the Company's FFO increases year over year by over 3.0%, the Advisor will receive 115% of the Base FFO Incentive.

- NAV Portion of Incentive Compensation
  (i) If the Company's NAV increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base NAV Incentive").
  (ii) If the Company's NAV increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base NAV Incentive.
  (iii) If the Company's NAV increases year over year by over 3.0%, the Advisor will receive 115% of the Base NAV Incentive.

For purposes of determining the Advisor's eligibility to receive Incentive Compensation in connection with an increase in Net Asset Value per Share and Funds from Operations per Share (each a "Compensation Metric"), the calculation of whether or not the applicable Compensation Metric has increased in any given year shall assume the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has increased, the Advisor shall receive 100% of the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has not increased, the number of shares issuable to the Advisor will be reduced until

such calculation produces an increase in the applicable Compensation Metric, and the Advisor shall receive that portion of the total number of shares issuable to the Advisor in connection with an increase in the applicable Compensation Metric which produces an increase in such Compensation Metric.

The Advisor may elect to receive all of or part of its Incentive Compensation for a particular year in cash in lieu of shares in the amount calculated by multiplying the number of shares that the Advisor has elected not to receive by the then-current offering made of shares to third-party investors.

Any shares awarded as Incentive Compensation will be shares of common stock and will have the same rights to distributions, losses and voting as all other common shares.

The Incentive Compensation amount earned by the Advisor equaled 58% of the eligible Incentive Compensation, or $1,032,000, for the year ended December 31, 2023. Sixty percent (60%) of this amount was paid in shares and forty percent (40%) was paid in cash. The Incentive Compensation amount earned by the Advisor for the year ended December 31, 2022 equaled 57% of the eligible Incentive Compensation, or $833,000. Seventy percent (70%) of this amount was paid in shares and thirty percent (30%) was paid in cash.

Termination of the Advisor

Pursuant to the Limited Partnership Agreement of the operating partnership, the Advisor is the special limited partner of the operating partnership. As the special limited partner, the Advisor has no voting rights but has rights to certain redemption payments in exchange for its special limited partnership interests in the event the Advisory Agreement is terminated or not renewed:

- If the Advisor is terminated for cause or the Advisory Agreement is not renewed by the Advisor, the operating partnership will redeem the Advisor's special limited partnership interests for $9,000 (the contribution to the operating partner originally paid by the Advisor).
- If the Advisory Agreement is terminated because we have become a self-administered REIT by internalizing our Advisor, the Advisor and our Board of Directors will negotiate appropriate compensation to the Advisor in exchange for its special limited partnership interests.
- If the Advisor is terminated without cause or the Advisory Agreement is terminated by our non-renewal or in connection with a merger or sale of assets or transaction pursuant to which a majority of our directors then in office are replaced or removed, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the net proceeds, as if all assets of the operating partnership had been sold for their fair market value and all liabilities of the operating partnership had been satisfied in full, after the other partners of the operating partnership would in that case have received total distributions equal to the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.
- If the Advisory Agreement is terminated due to our shares becoming listed on a national securities exchange, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the amount by which the market value of our common stock plus distributions paid by the Company prior to listing exceeds the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.

The operating partnership will redeem the Advisor's special limited partnership interests for the amounts stated above ("the Redemption Price") in cash or, at the option of the Advisor, units of limited partnership interests in our operating partnership or shares of our common stock.

In addition to any Redemption Price paid under the terms of the Limited Partnership Agreement, the Advisors will receive the net difference between such Redemption Price and the calculated sum that is comprised of the aggregate amount of the following two (2) metrics (defined herein as the "Termination Fee"):

- the average of the previous two (2) calendar years Asset Management Fee earned by Advisors, with such result then multiplied by three (3x) **("AM Fee Metric**"); plus

- the average of the previous two (2) calendars years Incentive Compensation earned by the Advisor ("**Incentive Compensation Metric**") with such result than multiplied by a declining multiple based on the Invested Assets (as determined at the time of termination of the Agreement) as set forth below:

(i) for Invested Assets of up to $400M, the Incentive Compensation Metric shall be multiplied by 3x, with such sum then increased upon any step up in Invested Assets (with a declining multiple thereon) as set forth below:
(ii) for Invested Assets between $400M and $500M, the Incentive Compensation Metric shall be multiplied by 2.75x; and
(iii) for Invested Assets between $500M and $600M, the Incentive Compensation Metric shall be multiplied by 2.50x; and
(iv) for Invested Assets between $600M and $700M, the Incentive Compensation Metric shall be multiplied by 2.25x; and
(v) for Invested Assets between $700M and $800M, the Incentive Compensation Metric shall be multiplied by 2.00x; and
(vi) for Invested Assets over $800M, the Incentive Compensation Metric shall be multiplied by 1.75x.

Property Management

The Advisor has engaged, and plans to continue to engage, property managers to manage the day-to-day operations, including leasing, of the properties we acquire. The majority of our properties are managed and leased by Schafer Richardson. We anticipate that future properties contributed to the Company or the Operating Partnership may also be managed and leased by Schafer Richardson or managed by the tenant in the case of a single tenant property. Our Advisor may engage an unaffiliated property manager, or another affiliate, to manage our properties if it determines it is in our best interest. For any property manager, affiliate or not, we anticipate paying market-rate property management fees, plus a market-rate leasing fee.

SUMMARY FINANCIAL DATA

The summary financial data below should be read in connection with our consolidated financial statements included in this Memorandum as Exhibit B. We have derived the statement of operations data for the years ended December 31, 2023, and 2022 and the balance sheet data as of December 31, 2023, and 2022 from our audited consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Years Ended December 31,	
	2022	**2023**
Consolidated Statement of Operations Data:		
Total revenues	$25,398,868	$36,700,834
Total operating expenses	23,992,423	31,754,912
Operating income	1,406,445	4,945,922
Interest expense	(6,837,821)	(9,713,578)
Other income	1,020,530	5,789
Net loss	(4,410,846)	(4,761,867)
Net loss attributable to non-controlling interest	4,053,911	4,178,599
Net loss attributable to the Company	($356,935)	($583,268)

	As of December 31,		2023
	2022	**2023**	**As Adjusted[(1)]**
Consolidated Balance Sheet Data:			
Net real estate property and investments	$225,172,966	$285,983,286	$285,983,286
Cash, cash equivalents and restricted cash	7,654,281	5,714,003	25,664,003
Other assets	20,462,213	21,343,622	21,343,622
Total assets	$253,289,460	$313,040,911	$332,990,911
Net notes payable	$152,417,427	$189,212,874	$189,212,874
Line of credit	15,285,000	20,810,000	20,810,000
Other liabilities	5,473,948	5,158,011	5,158,011
Stockholders' equity	19,886,203	21,162,528	41,112,528
Non-controlling interest	60,226,882	76,697,498	76,697,498
Total liabilities and stockholders' equity	$253,289,460	$313,040,911	$332,990,911

[(1)] Adjusted to account for the receipt of the gross proceeds of this offering less $50,000 in estimated expenses, assuming the sale of all Shares offered hereunder at $13.50 per share, of which there can be no assurance. See "Use of Proceeds".

SUMMARY OF THE OFFERING

Offering Amount	The maximum offering under this Memorandum is $20,000,000 worth of shares of common stock of the Company (the "Shares"); provided, however, the Company may increase the maximum offering by $5,000,000 worth of additional Shares for a maximum offering of $25,000,000.
Securities Offered	1,481,481.4815 Shares, assuming all Shares are purchased at $13.50 per Share.
Offering Price	$13.50 per Share; provided, however, that the Shares will be offered and sold at a discounted price of $12.825 per Share to insiders (which consist of our directors and officers; the governors, officers and employees of our Advisor; and their affiliates ("Insiders")).
Common Stock Outstanding:	
Before the Offering	2,595,991.5150 Shares. [(1)(2)(3)]
After the Offering	4,077,472.9965 Shares. [(1)(2)(3)]
Minimum Investment	Each investor must purchase a minimum of $20,000 worth of Shares to participate in this offering; however, the Company reserves the right, exercisable in its sole discretion, to waive this requirement.
Terms of the Offering	The Shares are being offered on a "best efforts, no minimum" basis, and there is no minimum number or dollar amount of Shares which must be sold before we may accept subscriptions and begin using proceeds received from investors. As such, we may use your investment immediately. The Shares are being sold by our executive officers and directors, who will receive no commissions, warrants or other compensation for doing so. However, we may, at our discretion, retain registered broker/dealers to act as non-exclusive agents ("Agents") to sell the Shares in this offering. We retain the right to pay such Agents consideration for doing so, which may include commissions and warrants to purchase shares of our common stock. Any such commissions and fees would increase the expense of the offering and reduce our proceeds. For further information on the plan of distribution and potential expenses of the offering, including Agent compensation, see "Plan of Distribution."
Investor Qualifications	The Shares will be offered and sold only to "accredited investors," as that term is defined by Rule 501(a) of Regulation D promulgated under the 1933 Act.
Use of Proceeds	As we anticipate that the majority of properties or interests in real estate properties will continue to be purchased with operating partnership interests rather than cash, the Company intends to use the proceeds from this offering to provide working capital to the Company and operating partnership, to reduce indebtedness, including amounts owed pursuant to maturing Time Certificates if such Time Certificates are not renewed, and to pursue acquisition opportunities. See "Use of Proceeds."
Current Portfolio	As of the date of this Memorandum, our portfolio consists of ownership in 45 stabilized investment properties in seven (7) markets in which we own an interest. A listing of these properties is attached hereto as Exhibit C. We have also invested as a limited partner in partnerships owning six (6) development joint venture investments.

Financial Statements	Audited, consolidated financial statements of the Company as of and for the years ended December 31, 2023, and 2022 are attached hereto as Exhibit B.
Restrictions on Resale.....	We are offering the Shares pursuant to certain exemptions from the registration requirements of the 1933 Act. Therefore, the Shares will not be registered with the Securities and Exchange Commission or other applicable state securities laws, will be deemed "restricted securities" under the 1933 Act, and cannot be transferred by you unless they are registered under the 1933 Act and applicable state securities laws or an exemption from the registration requirements exists.
Risk Factors and Suitability.....	An investment in the Shares is not liquid, is speculative, involves a significant degree of risk and is suitable only for persons who can afford the loss of their entire investment. See "Risk Factors."
Subscription Procedure	If you meet the "Investor Qualifications" listed above and under "Plan of Distribution – Investor Qualifications" and would like to invest in the Shares, please complete and sign the Subscription Agreement, which is attached as Exhibit A, and return to the Company together with full payment for the Shares subscribed.

(1) We reserve the right to offer up to $5,000,000 worth of additional Shares in the event of oversubscription ("Overallotment Option"). Unless indicated otherwise, this Memorandum assumes that the Overallotment Option will not be exercised. If we do exercise the Overallotment Option, some of the information in this Memorandum will be different.

(2) Based on the number of common shares outstanding as of April 1, 2024 and assumes all Shares sold in this offering are sold for $13.50 per Share. This number does not include limited partnership units whereby, upon the expiration of an initial mandatory holding period, a holder of limited partnership units may request the operating partnership to repurchase the units, and at which time the Trust has the option to purchase such units, in lieu of the operating partnership, for either common shares on a one-for-one basis or cash, at the option of the Trust ("Exchange Right"). As of April 1, 2024, there were 9,440,580.9329 common units and 527,856.7650 Series A Preferred units in the limited partnership outstanding (excluding units held by SR Realty Trust).

(3) The number of common shares outstanding after this offering is based on the assumption that all the Shares offered hereby will be sold, of which there can be no assurance.

RISK FACTORS

An investment in the Shares of our common stock involves significant risks. You should carefully consider the following risk factors in addition to the other information contained in this Memorandum before purchasing the Shares. The occurrence of any of the following risks might cause you to lose all or part of your investment.

Risks Related to an Investment in the Company

Operating results not assured

The Company and the Advisor have been operating since 2014 and our management and the management of the Advisor have significant experience in the commercial real estate industry. Nonetheless, there is no assurance that the Company will be able to achieve its investment objectives, strategies or guidelines or that investors will receive distributions in a sufficient amount to cover the investor's investment capital.

Lack of geographic diversity

Geographic concentration of properties will expose us to economic downturns in the areas where our properties are located. Because we own and intend to acquire additional interests in properties located in the Midwest and Central United States, our portfolio of properties may not be geographically diversified and a recession in any area where we own properties or interests in properties could adversely affect our ability to generate or increase operating revenues, attract new tenants or dispose of unproductive properties.

We must continue to acquire investments in order to realize appreciation in the value of our properties and generate sufficient cash flow to pay distributions

Our success is dependent on our ability to acquire and manage real estate investments. Thus, your investment is subject to the risks attendant to real estate acquisitions and management, such as:

- the risk that properties may not perform in accordance with expectations, including projected occupancy and rental rates;
- the risk that we may overpay for properties; and
- the risk that we may have underestimated the cost of improvements required to bring an acquired property up to standards established for its intended use or its intended market position.

Disruptions in the financial markets and uncertain economic conditions could adversely affect market rental rates, commercial real estate values and our ability to secure debt financing, service future debt obligations, or pay distributions to our stockholders

Currently, both the investing and leasing environments are highly competitive. While there has been an increase in the amount of capital flowing into the U.S. real estate markets, which resulted in an increase in real estate values in certain markets, the uncertainty regarding the economic environment has made businesses reluctant to make long-term commitments or changes in their business plans.

We plan to rely on debt financing to finance our real estate properties and we may have difficulty refinancing some of our debt obligations prior to or at maturity or we may not be able to refinance these obligations at terms as favorable as the terms of our initial indebtedness and we also may be unable to obtain additional debt financing on attractive terms or at all. If we are not able to refinance our initial indebtedness on attractive terms at the various maturity dates, we may be forced to dispose of some of our assets. Recent financial market conditions have improved from the bottom of the economic cycle, but material risks are still present. Market conditions can change quickly, which could negatively impact the value of our assets.

Disruptions in the financial markets and continued uncertain economic conditions could adversely affect the values of our investments. Lending activity is strong; however, it remains uncertain whether the capital markets can sustain current transaction levels. Furthermore, declining economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio and in the collateral securing our loan investments, which could have the following negative effects on us:

- the values of our investments in commercial properties could decrease below the amounts paid for such investments; and/or

- revenues from our properties could decrease due to fewer tenants and/or lower rental rates, making it more difficult for us to pay distributions or meet our debt service obligations on debt financing.

All of these factors could reduce our stockholders' return and decrease the value of an investment in the Company.

Competition from other real estate investors

The commercial real estate industry is highly competitive, and we face competition for investment opportunities. These competitors may be real estate developers, real estate financing entities, real estate investment trusts or other entities or investors that acquire real estate and that may have substantially greater financial resources than we do. These entities or investors may be able to accept more risk than our Board of Directors believes is in our best interests. This competition may limit the number of suitable investment opportunities offered to us. This competition also may increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire properties or interests in properties. In addition, we believe that competition from entities organized for purposes similar to ours may increase in the future.

Our Board of Directors will not approve each investment decision made by our Advisor.

Our Board of Directors has approved investment guidelines that delegate to our Advisor the authority to execute commercial real estate property acquisitions and dispositions and investments in other real estate related assets, in each case so long as such investments are consistent with the investment guidelines and the amount of the transaction does not exceed 5% of the overall market value of our portfolio, currently $23 million. As a result, our Advisor will have substantial latitude within these broad parameters in determining the types of assets that are proper investments for us. In addition, the Advisor has substantial discretion to make decisions relating to the selection of property managers and other service providers to our investments. If the Advisor does not succeed in implementing our investment strategy, our performance will suffer.

The Board of Directors will review our investment guidelines on an annual basis and our investment portfolio on a quarterly basis or more often as they deem appropriate. In conducting periodic reviews, the Board of Directors will rely primarily on information provided to it by the Advisor. Furthermore, transactions entered into on our behalf by our Advisor may be costly, difficult or impossible to unwind when they are subsequently reviewed by our Board of Directors. Even though we may have the ability to terminate the Advisor, it will likely be difficult and very costly to terminate and replace the Advisor.

We may change our investment and operational policies without stockholder consent

Generally, we may change our investment and operational policies, including our policies with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the types of investments described in this Memorandum. A change in our investment policies may, among other things, increase our exposure to interest rate risk, default risk and commercial real estate market fluctuations, all of which could materially affect our ability to achieve our investment objectives.

Investment is an equity investment only

The Shares offered hereby represent an equity interest only in the Company, not in any of the real estate or real estate related investments. The Company will have no substantial assets other than its investments in the operating partnership. Neither the Advisor nor any of its managers, governors or affiliates have any obligation with respect to the payment of distributions by the Company or the return of capital investments made to the Company by the stockholders.

Income will be received primarily from the leasing and resale of the investments

The Company's intent is to acquire and hold investments for an indefinite period of time. The primary income that will be generated by the Company will be the net cash flow, if any, from the operation of the real estate investments. If circumstances arise which cause property level cash flows to remain at their current levels or decrease, the Company may generate less income than anticipated.

We have the discretion to invest up to 10% of our total equity in undeveloped property. If we invest in undeveloped property, such property will not generate operating revenue while costs are incurred to develop the property and may generate other expenses including property taxes and insurance. In addition, construction may not be completed within budget or as scheduled and projected rental levels may not be achieved. Therefore, we will not generate income on such property until development is completed and we begin leasing the property.

Inability to raise substantial funds and no diversification

This offering is being made on a "best efforts, no minimum" basis, whereby we are only required to use our best efforts to sell the Shares. As a result, the amount of proceeds we raise in this offering may be less than the offered amount or the amount we need to achieve our investment objectives. Our inability to raise substantial funds would increase our fixed operating expenses (or not provide us an opportunity to reduce interest expense) as a percentage of gross income, and our financial condition and ability to make distributions could be adversely affected. Additionally, if we are unable to raise substantial funds, we will make fewer investments resulting in less diversification in terms of the number of investments owned, the geographic regions in which our property investments are located and the types of investments that we make. In that case, the likelihood that any single investment's performance would adversely affect our profitability will increase.

Future capital needs

We expect that we will need to raise additional capital in the future in order to fulfill our business plans. The timing and amount of our future capital needs will depend on a number of factors, including the revenue generated by operating acquired properties, when and if the properties will appreciate in value, the resale price of the properties, amount of proceeds received in this offering, our future operating expenses and required capital outlays. There can be no assurance that additional financing will be available when needed on terms favorable to us, if at all. Further, we may be required to raise additional capital and sell additional securities in the future on terms which are more favorable to those investors than the terms of this offering. If adequate funds are not available or are not available on acceptable terms, our ability to fund our current business plans would be significantly limited. Such limitation could have a material adverse effect on our results.

We may pay distributions from sources other than our cash flow from operations

We are permitted to pay distributions from any source. If we fund distributions from debt financings or the net proceeds from this offering, we will have less funds available for investment in commercial real estate properties and real estate related assets and your overall return may be reduced. Further, because we may receive income at various times during our fiscal year and because we may need cash flow from operations during a particular period to fund expenses, we expect that from time to time we may declare distributions in anticipation of cash flow that we expect to receive during a later period and these distributions would be paid in advance of our actual receipt of these funds. In these instances, we may look to third party borrowings to fund our distributions, causing us to incur additional interest expense. We may also fund such distributions from the sale of assets, the net proceeds from this offering and/or the issuance of additional securities.

Distributions may include a return of capital

Distributions payable to stockholders may include a return of capital, rather than taxable income. If the aggregate amount of cash distributed in any given year exceeds the amount of our REIT taxable income generated during the year, the excess amount will be deemed a return of capital.

Return on invested capital and an 8.0% rate of return from the operating partnership are not guaranteed

As the special limited partner of the operating partnership, the Advisor may be entitled to receive certain redemption payments upon termination of the Advisory Agreement and redemption of its special limited partnership interests as discussed more fully under "Operating Partnership – Special Limited Partner." However, before the Advisor receives certain payments upon redemption of the special limited partnership interests, the operating partnership must pay to us (which will then be paid to our stockholders) distributions equal to the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital (the "Return"). Regardless of this provision, there can be no assurance that we will receive such Return in full or in part. Thus, the Return is disclosed solely as a measure for the Advisor's compensation and is not a guaranteed return.

We depend on certain key personnel

Our success depends substantially on the active participation of management of the Advisor and the Company. The experience and guidance of the Principals are critical to our success. The loss of the services of such personnel could have a material adverse effect on our ability to successfully carry out our investment strategies and achieve our investment objectives.

There is no public market for our Shares

The Shares represent highly illiquid investments and should be acquired only by investors able to commit their funds for an indefinite and extended period of time. There is no public market for the Shares and it is highly unlikely that one will develop. We have no current plans to cause our common stock to be listed on any securities exchange or quoted on any market system or in any established market either immediately or at any definite time in the future.

There will be transfer restrictions on the Shares

The Shares have not been registered under federal or state securities laws but are being sold in reliance on exemptions under Regulation D promulgated under the 1933 Act. Therefore, the Shares are "restricted securities" and cannot be resold unless they are subsequently registered under the 1933 Act and applicable state securities laws or an exemption from such registration is available. The Company is not obligated to, nor does it currently plan to, register the Shares for resale.

To qualify as a REIT, our stock must be beneficially owned by 100 or more persons and no more than 50% of the value of our issued and outstanding shares may be owned directly or indirectly by five or fewer individuals. Currently, our charter prohibits transfers of our stock that would result in (1) our stock being beneficially owned by fewer than 100 persons, (2) five or fewer individuals, including natural persons, private foundations, specified employee benefit plans and trusts, and charitable trusts, owning more than 50% of our capital stock, applying broad attribution rules imposed by the federal income tax laws, (3) our ownership, directly or indirectly, of 9.9% or more of one of our tenants, or (4) before our stock qualifies as a class of publicly-offered securities, 25% or more of our stock being owned by ERISA investors. If you acquire shares in excess of the ownership limits or in violation of the restrictions on transfer, we:

- may consider the transfer to be null and void;
- will not reflect the transaction on our books;
- may institute legal action to enjoin the transaction;
- will not pay dividends or other distributions to you with respect to those excess shares;
- will not recognize your voting rights for those excess shares; and
- may consider the excess shares held in trust for the benefit of a charitable beneficiary.

If such shares are transferred to a trust for the benefit of a charitable beneficiary, you will be paid for such excess shares a price per share equal to the lesser of the price you paid or the "market price" of our stock. Unless shares of our common stock are then traded on a national securities exchange or quoted on a national market system, the market price of such shares will be a price determined by our Board of Directors in good faith. If shares of our common stock are traded on a national securities exchange, the market price will be the average of the last sales prices or the average of the last bid and ask prices for the five trading days immediately preceding the date of determination.

If you acquire our stock in violation of the ownership limits or the restrictions on transfer described above:

- you may lose your power to dispose of the stock;

- you may not recognize profit from the sale of such stock if the "market price" of the stock increases; and
- you may incur a loss from the sale of such stock if the "market price" decreases.

Risks Related to Our Status as a REIT

Even as a REIT, we may be subject to tax liabilities that reduce our cash flow

Even as a REIT, we may be subject to federal and state taxes on our income or property, including the following:

- As a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends-paid deduction or net capital gains) to our stockholders. If we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to corporate income tax on the undistributed taxable income. In such situation, stockholders will be treated as having received the undistributed taxable income and having paid the tax directly, but tax-exempt stockholders, such as charities or qualified pension plans, will receive no benefit from any deemed tax payments.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which the distributions that we pay 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 prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other nonqualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain will be subject to the 100% "prohibited transaction" tax.
- We may be subject to state and local taxes on our income or property, either directly or indirectly because of the taxation of the operating partnership or of other entities through whom we indirectly own our assets.

We may be forced to borrow funds on a short-term basis

To qualify as a REIT, in general, we must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. However, we could be required to include earnings in our net taxable income before we actually receive the related cash. In the event that we do not have sufficient cash to make the necessary distributions to preserve our REIT status for any year or to avoid taxation, we may need to borrow funds, sell assets, issue additional securities, stock dividends, or consent dividends, or make "throwback" distributions, even if the then prevailing market conditions are not favorable for such actions.

In addition, we will require a minimum amount of cash to fund our daily operations. Due to the REIT distribution requirements, we may be forced to make distributions when we would otherwise use the cash to fund our working capital needs. Therefore, we may be forced to borrow funds at certain times for our working capital needs.

Complying with REIT requirements may restrict our opportunities

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times, including when we do not have readily available funds for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may force us to liquidate otherwise attractive investments

To qualify as a REIT, at the end of each calendar quarter, at least 75% 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 government securities and qualified real estate assets), in general, cannot include more than 10% of the voting securities of any one issuer or more than 10% of the value of the outstanding securities of any one issuer. In addition, 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, and no more than 25% of the value of our assets may be represented by securities of one or more taxable REIT subsidiaries. We may be required to liquidate otherwise attractive investments in order to satisfy these requirements.

Gains from asset sales may be subject to a 100% prohibited transaction tax

We may have to sell assets from time to time to satisfy our REIT distribution requirements and other REIT requirements, or for other purposes. The IRS may posit that one or more asset sales may be "prohibited transactions." If we are deemed to have engaged in a "prohibited transaction," our gain from such sale would be subject to a 100% tax. The Internal Revenue Code of 1986, as amended, sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax, but we cannot assure you that we will be able to qualify for the safe harbor. We will try to avoid the 100% tax by (1) conducting activities that may otherwise be

considered a prohibited transaction through a taxable REIT subsidiary, (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 taxable REIT subsidiary, will be treated as a prohibited transaction or (3) structuring certain sales of our assets to comply with a safe harbor available under the Code. We do not intend to hold assets in a manner to cause their dispositions to be treated as "prohibited transactions," but we cannot assure you that the IRS will not challenge our position, especially if we make frequent sales or sales of assets in which we have short holding periods.

Changes in legislative or other actions affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by the legislative process, the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may apply retroactively) could adversely affect us or our stockholders. We cannot predict whether, when, in what forms, or with what effective dates, the tax laws applicable to our stockholders or us may be changed.

Our Board of Directors may revoke our REIT election without stockholder approval

Our Board of Directors may revoke or otherwise terminate our REIT election without the approval of our stockholders if our Board of Directors determines that it is not in our best interest to continue to qualify as a REIT. In such case, we will become subject to U.S. federal income tax on our taxable income, and we no longer will be required to distribute most of our net income to our stockholders, which may reduce the total return to our stockholders.

Negative consequences could occur if the operating partnership is classified as a "publicly-traded partnership" under the Code

We structured the operating partnership to be classified as a partnership for federal income tax purposes. In this regard, the Code classifies "publicly-traded partnerships" as associations taxable as corporations (rather than as partnerships), unless substantially all of their taxable income consists of specified types of passive income. To minimize the risk that the Code would classify the operating partnership as a "publicly-traded partnership" for federal income tax purposes, we have placed certain restrictions on the transfer and/or redemption of partnership units in our operating partnership agreement. If the IRS would assert successfully that our operating partnership is a "publicly-traded partnership," and substantially all of the operating partnership's gross income did not consist of the specified types of passive income, the Code would treat the operating partnership as an association taxable as a corporation. In such event, the character of our assets and items of gross income would change and would prevent us from qualifying and maintaining our status as a REIT. In addition, the imposition of a corporate tax on the operating partnership would reduce the amount of distributions from the operating partnership to us and, in turn, our amount of cash available to make distributions to our stockholders.

Risks Related to Our Relationship with the Advisor and Its Affiliates

We depend on our Advisor

Our ability to achieve our investment objectives is dependent upon the successful performance of our Advisor in the acquisition and disposition of commercial real estate properties and other real estate related assets, the management of our portfolio, the selection of tenants for our properties, the selection of property managers and other service providers for our properties, and the determination of any financing arrangements. If the Advisor suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us or for any reason, it may be unable to allocate a sufficient amount of time and resources to our operations. If this occurs, our ability to achieve our investment objectives or pay distributions to our stockholders may be adversely affected. Any adversity experienced by the Advisor or problems in our relationship with the Advisor could also adversely impact the operation of our properties and, consequently, our cash flow and ability to pay distributions to stockholders.

There are conflicts of interest in our relationship with the Advisor and its affiliates

We are subject to potential conflicts of interest arising out of common ownership of the Company and the Advisor and out of our relationships with the Advisor and its affiliates. Conflicts of interest may arise among the Advisor and its respective affiliates, on the one hand, and us and our stockholders, on the other hand. As a result of these conflicts, the Advisor may favor its own interests and the interests of its affiliates over the interest of our stockholders.

Allocation of time and effort

We rely on the personnel of the Advisor and its affiliates to manage our assets and daily operations. Our officers and current directors are also officers of the Advisor and its affiliates and therefore have conflicts of interest in allocating their time, services and functions among us and other real estate programs or business ventures that the Advisor or its affiliates organize or serve.

Allocation of investment opportunities

The Advisor and its affiliates are or may become committed to the continuing management of other business ventures. Accordingly, there may be conflicts of interest between our investments and other investments or business ventures in which the Advisor

and its affiliates are participants. In addition, the Advisor and its officers will advise other investment programs that invest in commercial real estate properties and real estate related assets in which we may be interested. Therefore, the Advisor could face conflicts of interest in allocating and determining which programs will have the opportunity to acquire and participate in such investments as they become available. As a result, other investment programs advised by the Advisor may compete with us with respect to certain investments that we may want to acquire.

Investments owned by Advisor or its affiliates

Our Advisor will identify and select potential investments in commercial real estate properties and other real estate related assets in which we may be interested. Such investments could include property owned by the Advisor or its affiliates.

May profit even if investment is not profitable

The Advisor and its affiliates may be appointed or utilized to provide other services to the Company and our assets and receive fees and compensation for providing such other services. Therefore, the Advisor and its affiliates may profit from real estate investments even where we lose all or a portion of our investment. In addition, the agreements and arrangements, including those relating to compensation, between us and the Advisor and its affiliates are not the result of arm's-length negotiations and their terms may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

Termination of the Advisor could be expensive and we may not be able to find a suitable replacement Advisor

Either we or the Advisor can terminate the Advisory Agreement upon 60 days written notice to the other party. If we terminate the Advisor for certain reasons, our operating partnership will be required to pay the Advisor a certain amount to redeem its special limited partnership interests, which could be costly and reduce our cash available to make distributions or other investments. If the Advisory Agreement is terminated, we would need to find another advisor to provide us with day-to-day management services or engage employees to provide these services directly to us, which would likely be difficult to do and may be costly. There can be no assurances that we would be able to find a suitable replacement advisor or suitable employees or enter into agreements for such services on acceptable terms.

The Advisor may not be able to retain its key employees

We depend on the Advisor's and its affiliates' retention of its key officers and employees; however, none of these individuals have an employment agreement with the Advisor. The loss of any or all of the services by the Advisor's key officers and employees and the Advisor's inability to find, or any delay in finding, replacements with equivalent skills and experience, could adversely impact our ability to successfully carry out our investment strategies and achieve our investment objectives.

Our future success also depends on the Advisor's and its affiliates' ability to identify, hire, engage, train and retain highly qualified real estate, managerial, financial and technical personnel to provide the services to us pursuant to the Advisory Agreement and any other written services agreement, including any property management agreements. Competition for such personnel is intense, and the Advisor or its affiliates may not be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary personnel could have a material adverse effect on our business and results of operations.

Payment of fees and expenses to the Advisor will reduce the cash available for distribution

The Advisor will perform services for us in connection with the selection, acquisition and disposition of our investments; the management of our assets; and certain administrative services. The Advisor will receive advisory fees related to the level of invested assets in the REIT and transaction fees upon the acquisition or disposition of properties. The REIT will also reimburse the Advisor for reasonable acquisition, acquisition pursuit, and operating expenses. We may also pay fees to the Advisor or its affiliates in connection with development, construction management, financing guarantees, or other services related to our portfolio of investments. Such fees and payments will reduce the amount of cash available for further investments or distribution to our stockholders. Additionally, to the extent that we are unable to invest the proceeds of this offering in assets that generate substantial returns to us, our payment of those fees will reduce our net asset value over time. Such fees will increase the risk that stockholders may receive a lower price when they resell their shares than the purchase price they initially paid for their shares.

The Advisor is a special limited partner in our operating partnership. In certain circumstances, upon termination of the Advisory Agreement, the operating partnership may also be required to pay the Advisor a certain amount for the redemption of the Advisor's special limited partnership interest equal to 10% of net proceeds after we have received and paid to our stockholders the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. We will bear all of the risk associated with the properties but, as a result of the redemption payment to the Advisor, we may not be entitled to all of our operating partnership's cash flow or proceeds from a sale.

The termination or replacement of the Advisor could trigger a default or repayment event under financings

Lenders that provide financing for our acquired properties may include provisions in the mortgage loan documentation that state the termination or replacement of the Advisor is an event of default or an event that triggers acceleration of the repayment of the loan in full. Even though we will attempt to have such provisions excluded from the loan documents, our lenders may still require they be included. In addition, the termination or replacement of the Advisor could trigger an event of default under any credit agreement governing a line of credit. If an event of default or repayment event occurs with respect to any of our properties, our ability to achieve our investment objectives could be materially adversely affected.

Risks Related to Investments in Real Estate

General risks of investments in real estate

Our success will depend upon the results of operations of our portfolio of real estate and real estate related investments, which will be subject to those risks typically associated with real estate ownership. Fluctuations in occupancy rates, rent schedules and operating expenses can adversely affect operating results or render the sale or refinancing of a real estate investment difficult or unattractive. Other factors include, among others, the validity and enforceability of leases, financial resources of the tenants, tenant bankruptcies, rent levels and sales levels in the local areas of the investments; adverse changes in local population trends, market conditions, neighborhood values, local economic and social conditions, supply and demand for property such as our real estate investments, competition from properties that could be used in the same manner as our real estate investments, interest rates and real estate tax rates; governmental rules, regulations and fiscal policies, including the effects of inflation and enactment of unfavorable real estate regulation, rent control, environmental or zoning laws; hazardous material laws, uninsured losses and other risks. All of these factors are beyond our control. Any negative changes in these factors could affect our ability to meet our obligations, make distributions to stockholders or achieve our investment objectives.

We face risks associated with property acquisitions

We intend to acquire properties and portfolios of properties, including large portfolios that will increase our size and may result in changes to our capital structure. Our acquisition activities and their success are subject to the following risks:

- we may be unable, or decide it is not in our interests, to complete an acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be greater than our estimates;
- acquired properties may be located in new markets in which we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

Loss from unexercised options to acquire

We may obtain options to acquire certain commercial real estate properties. The amount paid for an option, if any, is normally surrendered if the property is not purchased and may or may not be credited against the purchase price if the property is purchased. Any unreturned option payments will reduce the amount of cash available for further investments or distributions to our stockholders.

Potential difficulties or delays renewing leases or re-leasing space

We will derive a significant portion of our net income from rent received from our tenants. We will seek to lease the rentable square feet at our commercial real estate properties to creditworthy tenants. However, if a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Also, when our tenants decide not to renew their leases, terminate early or default on their lease, we may not be able to re-let the space or may experience delays in finding suitable replacement tenants. Even if tenants decide to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favorable to us than current lease terms. As a result, our net income and ability to pay distributions to stockholders could be materially adversely affected. Further, if one of our properties cannot be leased on terms and conditions favorable to us, the property may not be marketable at a suitable price without substantial capital improvements, alterations, or at all.

Investments may be in unimproved real property or property to be redeveloped

We have the discretion to invest up to 10% of our total equity in unimproved land or improved property to be redeveloped. In addition to the risks of real estate investments in general, an investment in unimproved real property or improved property to be

redeveloped is subject to additional risks, including but not limited to the expense and delay which may be associated with rezoning the land for a higher use and the development and environmental concerns of governmental entities and/or community groups.

Illiquid investment

Because real estate investments are relatively illiquid, it could be difficult for us to promptly sell one or more of our commercial real estate properties on favorable terms. This may be a result of economic conditions, availability of financing, interest rates, and other factors beyond our control. This may limit our ability to change our portfolio promptly in response to adverse changes in the performance of any such property or economic or market trends. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Real estate investments by their nature are often difficult or time consuming to liquidate. In addition, federal tax laws that impose a 100% excise tax on gains from sales of dealer property by a REIT (generally, property held for sale, rather than investment) could limit our ability to sell properties and may affect our ability to sell properties without adversely affecting returns to our stockholders. These restrictions could adversely affect our ability to achieve our investment objectives.

Valuations and appraisals of our investments may not necessarily correspond to realizable value

Our commercial real estate properties are initially valued at cost, which we expect to represent fair value at that time. Going forward, we anticipate that valuations will be produced by our Advisor in accordance with our valuation guidelines and reviewed by the independent directors at least once during every calendar year after the respective calendar year in which such property was acquired. Within the parameters of our valuation guidelines, the valuation methodologies used to value our commercial real estate properties will involve subjective judgments regarding such factors as comparable sales, rental and operating expense data, the capitalization and/or discount rate and projections of future rent and expenses based on appropriate analysis. Our investments in real estate related assets are initially valued at cost, and thereafter will be valued quarterly, or in the case of liquid securities, daily, as applicable, at fair value as determined by the Advisor in good faith. Although our valuation guidelines are designed to determine the fair value of our assets, any appraisals obtained and valuations of our commercial real estate properties and valuations of our investments in real estate related assets will be only estimates of fair value and therefore may not correspond to realizable value upon a sale of those assets.

Uninsured Losses/Unlimited Liability

As required by lenders of mortgage loans or other financings, we have obtained certain insurance coverage on our real estate investments. The Advisor will select policy specifications and insured limits which it believes to be appropriate and adequate given the risk of loss, the cost of the coverage and industry practice. There can be no assurance that such insurance will be sufficient to cover all liabilities. Some of our policies may be subject to limitations involving large deductibles or co-payments and policy limits which may not be sufficient to cover losses. Furthermore, insurance against certain risks, such as terrorism and toxic mold, may be unavailable or available at commercially unreasonable rates or in amounts that are less than the full market value or replacement cost of the properties. There can be no assurance that particular risks that are currently insurable 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 our investment in a property as well as the anticipated future cash flows from such properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. We may also be liable for any uninsured or underinsured personal injury, death or property damage claims.

Properties face significant competition

We face significant competition from owners, operators and developers of similar commercial real estate properties designed and dedicated to serve tenants with the same needs as the tenants that occupy or could occupy a property we acquire in the same market. This competition may affect our ability to attract and retain tenants and may reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to lease available space at lower prices than the space in our properties. Due to such competition, the terms and conditions of any lease that we enter into with our tenants may vary substantially from those we anticipate when we acquire a property. Our properties will experience competition from existing and planned projects, as well as newer developments located within our market areas. We cannot assure that competitors will not develop similar properties in the area or will not be able to negotiate better leases for existing or new properties which will adversely affect the profitability and viability of our properties.

Joint venture investments

We may co-invest in the future with our affiliates or third parties through partnerships or other entities, which we collectively refer to as joint ventures, acquiring non-controlling interests in or sharing responsibility for managing the affairs of the joint venture. In such event, we would not be in a position to exercise sole decision-making authority regarding the joint venture. Investments in joint ventures may, under certain circumstances, involve risks not present were another party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their required capital contributions. Co-venturers may have economic or other business interests or goals which 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 co-venturer would have full control over the joint venture. Disputes between us and co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors and the Advisor from focusing their

time and effort on our business. Consequently, actions by or disputes with co-venturers 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 co-venturers.

Complying with environmental laws and regulations

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. We could be subject to liability in the form of fines or damages for noncompliance with these laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns.

Toxic and hazardous materials

Under federal, state and local laws, landowners are liable for the presence of toxic and hazardous materials on the property and the release of toxic and hazardous materials from the property to another regardless of fault or knowledge of such presence or release. A landowner may be held liable even if the toxic and hazardous materials were located on or released from the property before the landowner acquired the property or were discovered after the landowner sold the property. If a violation of the federal, state or local laws concerning toxic and hazardous materials occurs in connection with any of our properties, we will be held liable for all costs, including any fines and penalties assessed. This potential liability will continue after we resell the property and may apply to toxic and hazardous materials present on any of our properties before we acquired them. There can be no assurance that the Advisor's due diligence process will identify all environmental or other risks that could potentially adversely influence the value of any of the properties or that no material environmental claims will not be asserted or that a governmental authority will not conduct an inquiry or proceeding against us in connection with any of our properties. If losses arise from toxic and hazardous materials contamination that cannot be recovered from responsible parties, our financial viability may be substantially affected.

Compliance with the Americans with Disabilities Act

Under the Americans with Disabilities Act of 1990 (the "ADA"), public accommodations must meet certain federal requirements related to access and use by disabled persons. The ADA requirements could require removal of access barriers at significant costs and could result in the imposition of fines by the federal government or an award of damages to private litigants. Additional or new federal, state and local laws also may require modifications to our properties or restrict our ability to renovate properties. State and federal laws in this area are constantly evolving and could evolve in such a way that a greater cost or burden will be placed on us. We will attempt to acquire properties that comply with the ADA and other similar legislation or place the burden on the seller or other third party, such as a tenant, to ensure compliance with such legislation. However, we cannot assure you that we will be able to acquire compliant properties or allocate responsibilities in such manner. If we cannot, or if changes to the ADA mandate further changes to our properties, then our funds used for ADA compliance may reduce cash available for distributions and the amount of distributions to our stockholders.

Toxic Mold

Litigation and concern about indoor exposure to certain types of toxic molds have been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere; they can grow on virtually any organic substance, as long as moisture and oxygen are present. There are molds that can grow on wood, paper, carpet, foods and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. The difficulty in discovering indoor toxic mold growth could lead to a risk of lawsuits by affected persons and the risk that the cost to remedy toxic mold will exceed the value of the property. We will attempt to acquire properties where there is no toxic mold or where there has not been any proceeding or litigation with respect to the presence of toxic mold. However, we cannot provide assurances that toxic mold will not exist on any of our properties when we acquire the properties or will not subsequently develop on any of our properties.

Property is "AS IS"

We may acquire real estate investments "as is" with only limited representations and warranties from the property seller regarding matters affecting the condition, use and ownership of the property. As a result, if defects in the property (including any building on the property) or other matters adversely affecting the property are discovered, we may not be able to pursue a claim for any or all of its damages against the property seller. Due to the nature of real estate investments and the expected useful life of buildings on a property, a property may require on-going capital improvements and expenses to maintain the property's current state and integrity.

Outside and affiliated property managers

The Advisor has and intends to continue to hire its affiliates and/or third parties to serve as property managers to manage our properties and act as leasing agents to lease vacancies in our commercial real estate properties. These property managers have significant decision-making authority with respect to the management of our properties. Our ability to direct and control how our properties are

managed may be limited. Neither we nor the Advisor will supervise any of the property managers or any of their respective personnel on a day-to-day basis. Thus, the success of our business may depend in large part on the ability of our property managers to manage the day-to-day operations and their ability to lease vacancies in our properties. Any adversity experienced by our property managers could adversely impact the operation and profitability of our properties and, consequently, our ability to achieve our investment objectives.

Leaseback transactions

We may purchase real estate properties and lease them back to the sellers of such properties. While we will use our best efforts to structure any such leaseback transactions to be characterized as a "true lease" so that we will be treated as the owner of the property for federal income tax purposes, we cannot assure you that the IRS will not challenge such characterization. In the event that any such recharacterization were successful, deductions for depreciation and cost recovery relating to such real property would be disallowed, interest and penalties could be assessed by the IRS and it is possible that under some circumstances we could fail to qualify as a REIT as a result.

Risks Related to Investments in Real Estate Related Assets

General risks of investments in real estate related equity assets

We may invest in common and preferred stock of both publicly-traded and private real estate companies, including REITs, which involves a higher degree of risk than debt securities due to a variety of factors, including that such investments are subordinate to creditors and are not secured by the issuer's property. Our investments in real estate related equity securities will involve special risks relating to the particular issuer of the equity 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 real estate discussed in this Memorandum, including risks relating to rising interest rates.

Value of real estate related securities may be volatile

The value of real estate related securities, including those of REITs, fluctuate in response to issuer, political, market and economic developments. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments and they can affect a single issuer or multiple issuers within an industry or economic sector or geographic region or the market as a whole. The real estate industry is sensitive to economic downturns. The value of securities of companies engaged in real estate activities can be affected by changes in real estate values and rental income, property taxes, interest rates and tax and regulatory requirements. In addition, the value of a REIT's equity securities can depend on the structure and amount of cash flow generated by the REIT.

General risks of investments in commercial mortgage-backed securities

Commercial mortgage-backed securities are bonds which evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage-backed securities we may invest in will be subject to all the risks of the underlying mortgage loans, including the risks of prepayment or non-payment.

The value of commercial mortgage-backed securities may be adversely affected when repayments on underlying mortgage loans do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The value of commercial mortgage-backed securities also may change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the mortgage securities markets as a whole. In addition, commercial mortgage-backed securities are subject to the credit risk associated with the performance of the underlying mortgage properties.

Commercial mortgage-backed securities are also subject to several risks created through the securitization process. Certain subordinate commercial mortgage-backed securities are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes a large percentage of delinquent loans, there is a risk that interest payments on subordinate commercial mortgage-backed securities will not be fully paid. Subordinate securities of commercial mortgage-backed securities are also subject to greater risk than those commercial mortgage-backed securities that are more highly rated.

General risks of investments in mortgage instruments

If we make investments in mortgage loans, we will be at risk of loss on those investments, including losses as a result of defaults on mortgage loans. These losses may be caused by many conditions beyond our control, including general prevailing local, national and global economic conditions; economic conditions affecting real estate values; changes in specific industry segments; tenant defaults and lease expirations; financial condition of tenants; changes in use of property; shift of business processes and functions offshore; declines in regional or local real estate values, or rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; competition from comparable types of properties and property management decisions.

If we acquire a property by foreclosure following defaults under our mortgage loan investments, 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 loan, which could have a material adverse effect on our ability to achieve our investment objectives. We do not know whether the values of the property securing any real estate securities investments will remain at the levels existing on the dates we initially make the related investment. If the values of the underlying properties drop, our risk will increase and the values of our interests may decrease. Further, seeking available remedies could be a time-consuming and expensive process and would increase the costs associated with holding such mortgage and reduce our cash available for distributions to our stockholders.

Delays in liquidating defaulted mortgage loan investments

If there are defaults under our mortgage loan investments, we may not be able to foreclose on or obtain a suitable remedy with respect to such investments. Specifically, we may not be able to repossess and sell the underlying properties quickly, which could reduce the value of our investment. For example, an action to foreclose on a property securing a mortgage loan is regulated by state statutes and rules and is subject to many of the delays and expenses of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan. Therefore, we may experience a delay in liquidating the investment and return of the funds to invest in new investments.

General risks of investments in mezzanine loans

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

Interest rate and related risks

Interest rate risk is the risk that fixed income securities such as preferred and debt securities, and to a lesser extent dividend paying common stocks, will decline in value due to changes in market interest rates. When market interest rates rise, the fair value of such securities tends to decline, and vice versa. Our investment in such securities means that the net asset value and market price of our shares may tend to decline if market interest rates rise.

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below-market interest rate, increase the security's duration and reduce the value of the security. During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled. If this occurs, we may be forced to reinvest in lower yielding securities. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. These risks may reduce the value of any real estate related securities investments we may make.

Illiquid investment

We may purchase real estate related securities in connection with privately negotiated transactions that are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited. Any mezzanine and bridge loans we may purchase will be particularly illiquid investments due to their short life, their unsuitability for securitization and the greater risk of our inability to recover loaned amounts in the event of a borrower's default.

Liquidation prior to the maturity of our real estate securities investments.

Our Board of Directors may choose to liquidate our assets, including our real estate related securities investments. If we liquidate those investments prior to their maturity, we may be forced to sell those investments on unfavorable terms or at a loss during a time when prevailing interest rates are higher than the interest rates of such mortgage loans, whereby we would sell such investments at a discount to their stated principal values.

Risks Associated with Debt Financing

No assurance of renewing line of credit

The Company's $32,000,000 line of credit matures in July 2024. As of December 31, 2023, the amount outstanding on this financing was $20,810,000. The Company does not believe that it will have sufficient liquidity available to repay the line of credit at its scheduled maturity date. Based on the financial condition and results of operations of the Company and the properties to which this obligation relates and based upon the Company's ability to previously finance and refinance or extend its line of credit, the Company believes that the Company's ability to refinance or extend the line of credit is probably. However, there is no assurance of that the line of credit will be refinanced, extended or paid. Such a failure could have a negative impact on the Company's financial condition.

Access to financing

As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gains) to our stockholders in each taxable year, and thus our ability to retain internally generated cash is limited. Accordingly, our ability to acquire properties or to make capital improvements to or remodel properties will depend on our ability to obtain debt or equity financing from third parties or the sellers of properties. We may incur mortgage debt and pledge some or all of our properties as security for that debt in order to obtain funds to acquire additional properties or for working capital. We may also obtain lines of credit to provide a flexible borrowing source of funds. Market fluctuations and disruptions in the credit markets could significantly affect our ability to access capital and obtain favorable terms on such capital, which could then limit the number, size and quality of properties we could acquire or the amount of improvements we could make on acquired properties. In the future, we may not be able to access debt capital with favorable terms in a cost-efficient manner, or at all, which could materially affect our ability to achieve our investment objectives.

Risks of obtaining mortgage loans

As we continue to acquire a portfolio of diversified investments, we anticipate that our leverage will not exceed 65% of the fair market value of our assets. However, we could incur indebtedness of up to 300% of our net assets, or higher if such excess is approved by a majority of our directors. High debt levels will cause us to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on that property, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss 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, thus reducing the value of your investment. For tax purposes, a foreclosure on any of our properties will be treated as a sale of the property for a purchase price equal to, in general, 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, in general, we will recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. 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 mortgage contains cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. If any of our properties are foreclosed upon due to a default, our ability to pay cash distributions to our stockholders will be adversely affected.

Increases in interest rates

Interest we pay on our debt obligations will reduce cash available for distributions. If we incur variable rate debt, increases in interest rates would increase our interest costs, which would reduce our cash flows and our ability to make distributions to our stockholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

Lenders may require restrictive covenants relating to our operations

Mortgage loans we may assume upon acquisition of the underlying property or future mortgage loans we may obtain may impose restrictions on us that affect our distribution and operating policies, our ability to incur additional debt and our ability to resell interests in the property. Loan documents may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, replace the Advisor or the property manager, or terminate certain operating or lease agreements related to the property. These or other limitations may adversely affect our flexibility and our ability to achieve our investment objectives.

Need to refinance loans involving balloon payment obligations

Some of the mortgage loans that we may acquire or assume upon acquisition of the underlying property may require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing, to refinance the debt or our ability to sell the particular property. If we try and refinance the debt, we may not be able to obtain terms as favorable as the original loan. Based on historical interest rates, current interest rates are low and, as a result, it is likely that the interest rate that will be obtained upon refinancing may be higher than that of the original loan. If we are

not able to refinance the debt, or on acceptable terms, we may be required to sell the mortgaged property at a time which may not permit realization of the maximum return on such property. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets.

Failure to hedge effectively against interest rate changes

Subject to any limitations required to maintain qualification as a REIT, we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap or collar agreements and interest rate swap agreements. 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. These interest rate hedging arrangements may create additional assets and/or liabilities from time to time that may be held or liquidated separately from the underlying property or loan for which they were originally established. Failure to hedge effectively against interest rate changes may materially adversely affect our ability to achieve our investment objectives.

Short-term maturity of Time Certificates issued under the Company's Time Certificate Program

The Company operates a time certificate program under which it offers time certificates ("Time Certificates") to investors at competitive market rates. The maturity of such certificates ranges from 30 days to 10 years, and all currently outstanding certificates mature in 180 days or less if not renewed by the certificate holder. The certificates are unsecured general obligations of the Company. If the Company is unable to repay the certificates from its working capital or revolving line of credit, it may have to consider longer-term secured financing to meet its obligations, the terms of which would be less favorable than those offered under the time certificate Program.

Risks Related to Our Corporate Structure

Dilution

Our stockholders will not have preemptive rights to acquire any shares we issue in the future and are not required to purchase additional shares in the future. Our charter authorizes us to issue 150,000,000 shares of capital stock, 50,000,000 of which are designated as preferred stock. Our Board of Directors may increase 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 in future offerings; (2) issue shares upon the exercise of warrants and options we may grant; (3) issue shares to the Advisor, its successors or assigns, in payment of an outstanding fee obligation; or (4) issue shares to sellers of properties we acquire in connection with an exchange of limited partnership interests of our operating partnership. To the extent we issue additional shares after this offering, existing stockholders' percentage ownership interest in us will be diluted.

In connection with our right to raise additional capital by selling additional shares of common stock or preferred stock, the sales may be on terms which are more favorable to those investors than the terms of this offering and the price per share of common stock may be less than the price offered in this offering. If this occurs, existing stockholders will experience immediate and possibly substantial dilution.

Limitations on ownership

In connection with qualifying as a REIT and maintaining such qualification, no person may own more than 9.8% in value of our outstanding capital stock or more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding capital stock unless specifically exempted by the Board of Directors. A person that did not acquire more than 9.8% of our shares may become subject to such restrictions if redemptions by other stockholders cause such person's holdings to exceed 9.8% of our outstanding shares. This limitation may have the effect of delaying, deferring or preventing a transaction or a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for our stockholders, even if it would be in the best interest of our stockholders. The ownership limits and restrictions on transferability will continue to apply until our Board of Directors determines that it is no longer in our best interest to continue to qualify or seek to qualify as a REIT.

We may issue stock with more favorable terms than the Shares

Our Board of Directors has the authority to classify or reclassify any unissued common stock or preferred 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 any such stock without stockholder approval. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide a premium price to holders of our common stock, even if it would be in the best interest of our stockholders.

Stockholders may have current tax liability on distributions they elect to reinvest in our common stock

If you participate in our dividend reinvestment plan, you will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the reinvested dividends.

Takeover protections

Certain provisions of the Maryland General Corporation Law applicable to us prohibit business combinations with:

- any person who beneficially owns 10% or more of the voting power of our common stock, which we refer to as an "interested stockholder;"
- an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder; or
- an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder or an affiliate of the interested stockholder must be recommended by our Board of Directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of outstanding shares of our common stock, and two-thirds of the votes entitled to be cast by holders of our shares other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' best interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Indemnification

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, Maryland law and our charter provide that no director or officer shall be liable to us or our stockholders for monetary damages unless the director or officer (1) actually received an improper benefit or profit in money, property or services or (2) was actively and deliberately dishonest as established by a final judgment. Moreover, our charter requires us to indemnify our directors and officers, subject to any limitations required by Maryland law. 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 negligent manner.

Conflicts of interest between us and the limited partners in our operating partnership

Our directors and officers have duties to our corporation and our stockholders under Maryland law in connection with their management of the corporation. At the same time, we, as general partner will have duties under Delaware law to our operating partnership and to their limited partners 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 the corporation 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 will be resolved in favor of our stockholders.

Additionally, the partnership agreement 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 committed in bad faith, was fraudulent 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 that purport to waive or restrict our fiduciary duties.

Your investment return may be reduced if we are deemed to be an investment company under the Investment Company Act

We do not intend, or expect to be required, to register as an investment company under the Investment Company Act. Rule 3a-1 under the Investment Company Act generally provides that an issuer will not be deemed to be an "investment company" provided that (i) it does not hold itself out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or

trading securities and (ii) no more than 45% of the value of its assets (exclusive of government securities and cash items) and no more than 45% of its net income after taxes (for the past four fiscal quarters combined) is derived from securities other than government securities, securities issued by employees' securities companies, securities issued by certain majority owned subsidiaries of such company and securities issued by certain companies that are controlled primarily by such company. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- requirements that we add directors who are independent of us, our advisor and its affiliates;
- restrictions or prohibitions on retaining earnings;
- restrictions on leverage or senior securities;
- restrictions on unsecured borrowings;
- requirements that our income be derived from certain types of assets;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

In order to maintain our exemption from regulation under the Investment Company Act, we must engage primarily in the business of buying real estate and real estate related securities. If we are unable to invest a significant portion of the proceeds of this offering in properties and/or real estate related securities, we may avoid being required to register as an investment company by temporarily investing any unused proceeds in government securities with low returns. This would reduce the cash available for distribution to our stockholders and possibly lower their returns.

Registration with the SEC as an investment company would be costly, would subject our company to a host of complex regulations, and would divert the attention of management from the conduct of our business. If the SEC or a court of competent jurisdiction were to find that we are required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) our stockholders could sue us and recover any damages caused by the violation; (iii) any contract to which we are party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act and (iv) criminal and civil actions could be brought against us. Should the Company be subjected to any or all of the foregoing, the Company would be materially and adversely affected.

Risks Related to Tax Exempt Investors

Shares may not be a suitable investment

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

- your investment is consistent with your fiduciary obligations under applicable law, including common law, ERISA and the Code;
- your investment is made in accordance with the documents and instruments governing the trust, plan or IRA, including a plan's investment policy;
- your 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;
- your investment will not impair the liquidity of the trust, plan or IRA;
- your investment will not produce "unrelated business taxable income" for the plan or IRA;
- you 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
- your investment will not constitute a prohibited transaction under Section 406 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 (and criminal, if the violation was willful) penalties, and can subject the fiduciary to equitable remedies. In addition, if an investment in our Shares constitutes a prohibited transaction under ERISA or 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. In addition to considering their fiduciary responsibilities under ERISA and the prohibited transaction rules of ERISA and the federal tax laws, advisors to employee benefit plans also should consider the effect of the "plan asset" regulations issued by the Department of Labor. To avoid being subject to those regulations, our charter prohibits ERISA investors from owning 25% or more of

our common stock prior to the time that the common stock qualifies as a class of "publicly-offered securities." However, we cannot assure you that those provisions in our charter will be effective.

We have not evaluated, and will not evaluate, whether an investment in the Company is suitable for any particular employee benefit plan, but, subject to restrictions described in "ERISA Considerations," we will accept such entities as stockholders if an entity otherwise meets the suitability standards.

Distributions to tax-exempt stockholders

Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of stock, in general, should constitute unrelated business taxable income to a tax-exempt investor. The following, however, are some exceptions to this rule:

- under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if our stock is predominately held by qualified employee pension trusts (which we do not expect to be the case);
- part of the income and gain recognized by a tax-exempt stockholder would constitute unrelated business taxable income if the stockholder incurs debt to acquire the common stock; and
- part or all of the income or gain recognized with respect to our stock held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans, which are exempt from federal income taxation under Sections 501(c)(7), (9), (17), or (20) of the Code, may be treated as unrelated business taxable income.

THE COMPANY

SR Realty Trust, Inc. is a Maryland corporation formed in 2014 for the purpose of investing in a diversified portfolio of commercial real estate properties and other real estate related assets. We are not a mutual fund and do not intend to register as an investment company under the Investment Company Act. We anticipate that we will continue to build our portfolio through acquisition of various types of commercial real estate properties, including office, industrial, single-tenant-net-lease, retail and multi-family properties located in the Midwest and Central United States.

As of the date of this Memorandum, our portfolio consists of an interest in 45 stabilized investment properties in seven (7) markets. A listing of these properties is attached hereto as Exhibit C. We have also invested as a limited partner in partnerships owning six (6) development joint venture investments. The Advisor believes our current portfolio suits our current investment strategy and objectives. Our portfolio of real estate assets totals, in the aggregate, over 2.8 million rentable square feet. Our portfolio is currently 95% leased with industrial and single-tenant-net-lease occupancy at 100%, multi-family occupancy at 95%, retail occupancy at 89% and office occupancy at 69%. Additional information, including a description of each of our properties, is available upon request.

Our principal executive office is located at 901 North Third Street, Suite 100, Minneapolis, Minnesota 55401. Our telephone number is (612) 371-3000, and fax number is (612) 359-5858.

REIT Structure

We have elected to be treated as a Real Estate Investment Trust (REIT) for federal income tax purposes. In general, a REIT is a company that combines the capital of many investors to acquire real estate and/or real estate related assets and meets certain other qualifications. The benefits of a REIT may include the following:

- Diversified real estate portfolio under professional management;
- Not subject to federal corporate income taxes on its income that it distributes to its stockholders, which substantially eliminates "double taxation" (i.e., taxation at both the corporate and stockholder levels); and
- Is required to distribute to its stockholders at least 90% of its annual taxable income.

We operate as an Umbrella Partnership Real Estate Investment Trust (UPREIT), which is a REIT that holds all or substantially all of its assets through a partnership which the REIT controls as general partner. Therefore, we hold all or substantially all of our assets through our operating partnership, SRRT Properties, LP, which we control as the general partner. The operating partnership was formed as a Delaware limited partnership in 2014. This operating partnership owns our assets, directly or indirectly, generally through special purpose entities.

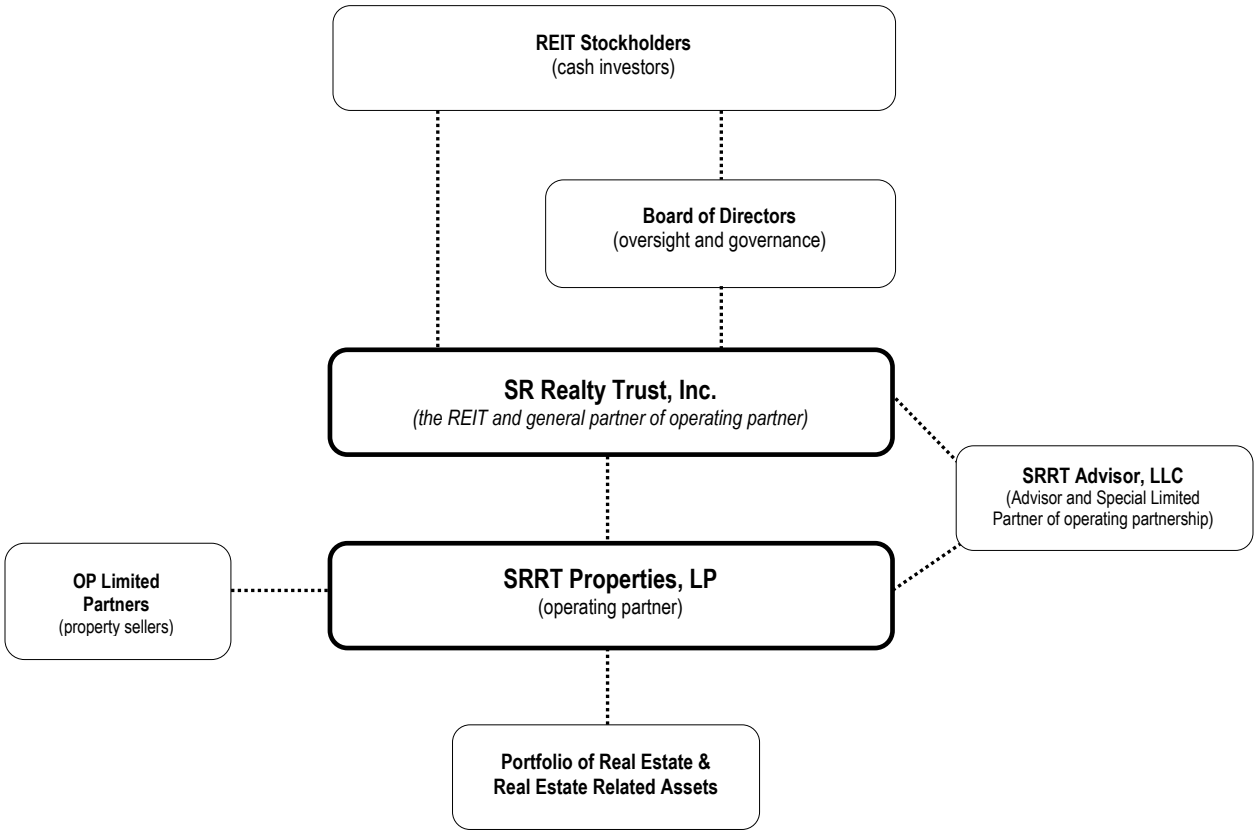
We have decided to operate as an UPREIT structure to facilitate acquisitions of commercial real estate properties. A sale of property directly to a REIT is generally a taxable transaction to the property seller. However, in an UPREIT structure, if a property seller exchanges the property with our operating partnership in exchange for limited partnership interests, the seller may defer taxation of gain in such exchange until the seller resells its limited partnership interests or exchanges its limited partnership interests for the Company's common stock. Before a seller may resell its limited partnership interests or exchange its limited partnership interests for the Company's common stock, such seller must hold such limited partnership interests for a period of at least one year. The Company currently anticipates that exchanges of Company common stock for limited partnership units in the operating partnership will occur on a one-to-one basis. By offering the ability to defer taxation, we may gain a competitive advantage in acquiring desired properties over other buyers who cannot offer this benefit.

In addition, investing in our operating partnership, rather than directly in the Company, may be more attractive to certain institutional or other investors due to their business or tax structure. If an investor is interested in making a substantial investment in our operating partnership, we may agree to terms for such investment that are different from the terms of this offering, such as lower fees payable by such investor in consideration of the size of its investment. Our structure provides us the flexibility to accommodate such different terms, while applicable tax laws generally restrict a REIT from charging different fee rates among its stockholders.

It is anticipated that the majority of the proceeds raised in this offering, less fees and expenses attributable to this offering, will be contributed to our operating partnership. The operating partnership will then use the proceeds to provide working capital to the Company and operating partnership, reduce indebtedness and to pursue acquisition opportunities.

Under the terms of the Advisory Agreement, we have delegated to the Advisor the day-to-day management of the operating partnership; the acquisition, management and disposition of assets held by the operating partnership and the selection of property managers and other service providers. In addition, the Advisor is a special limited partner in the operating partnership entitling it to certain incentive compensation and redemption payments. Certain of the Principals own all of the capital stock of the Advisor. See "Management of Our Company – The Advisor." Below is a chart that outlines our ownership structure.

Organizational Chart



Investment Objectives

Our primary investment objectives are:

- To preserve and protect stockholders' capital;
- To produce attractive risk-adjusted returns and pay consistent distributions to stockholders; and
- To deliver long-term capital appreciation.

Investment Strategy

The Company's investment strategy is to acquire and maintain a diversified portfolio of income producing commercial real estate assets. Our acquisitions will focus on stability and consistency of income, disciplined and controlled growth, and transparency to its investors.

More specifically, our investment strategy is to own, or have ownership interests in, a diversified portfolio of:

(1) Commercial real estate properties in various sectors, including office, industrial, single-tenant-net-lease, retail, multi-family property types, located throughout the Midwest and Central United States;

(2) On a limited basis, other real estate related assets, including debt and equity interests backed by real estate; and

(3) Cash, cash equivalents and short-term investments.

The Company will maintain a long-term, buy-and-hold mentality but may also attempt to capitalize on short-term market considerations to maximize our investments, see "Investment Guidelines." While our investments are currently concentrated in the Minneapolis/St. Paul, Minnesota region, it is our intention to acquire assets in other markets throughout the Midwest and Central states that we believe will meet our investment objectives.

The Company's acquisition efforts will focus on acquiring real estate assets held by individual owners and we anticipate such property owners will contribute the properties in exchange for limited partnership interests of the operating partnership. As we anticipate that the majority of real estate properties or interests in real estate properties will be purchased with operating partnership interests rather than cash, the Company intends to use the proceeds raised from this offering to provide working capital to the Company and operating

partnership, reduce indebtedness, including amounts owed pursuant to maturing Time Certificates if such Time Certificates are not renewed, and to pursue acquisition opportunities.

Investment Guidelines

Our investment guidelines have been adopted by our Board of Directors. The Board of Directors will review our investment guidelines on an annual basis and our portfolio of investments on a quarterly basis, or more often as the Board of Directors deems appropriate. Changes to our investment guidelines must be approved by our Board of Directors. The guidelines delegate to our Advisor the authority to (1) acquire and dispose of commercial real estate properties and interests in real estate properties, and (2) invest in and dispose of other real estate related assets, in each case so long as such investment activity is consistent with the investment guidelines approved by our Board of Directors. Our Board of Directors will at all times have ultimate oversight over our investments and may from time to time change the scope of authority delegated to our Advisor with respect to acquisition and disposition transactions.

We concentrate our efforts on achieving diversification in our portfolio of investments while maintaining a moderate level of leverage. However, the amount of leverage as a percentage of our gross assets may fluctuate while we identify and acquire investment opportunities from the net proceeds of this offering, additional financing obtained from lenders and the sale of additional Time Certificates.

Investments in Commercial Real Estate Properties

We intend to invest at least 80% of our portfolio primarily in existing or newly constructed commercial real estate properties and interests in commercial real estate properties in multiple sectors, including office, industrial, single-tenant-net-lease retail and multi-family properties by acquiring direct ownership or ownership interests through equity interests or other joint venture structures. We may also invest in other real estate property types. We may also invest in undeveloped land and other development opportunities if such assets are acquired for the purpose of producing rental or other operating income, or development is planned in the near term. Investments of these types do not represent a primary objective of our investment strategy and we do not anticipate more than 10% of the aggregate portfolio value to be made up of such investments.

We anticipate primarily investing in commercial real estate properties with existing rent and expense schedules or newly constructed properties with predictable cash flows or in which a seller agrees to provide certain minimum income levels. We will concentrate our efforts on commercial real estate properties located in the Midwest and Central United States.

Investments in Real Estate Related Assets

We may invest up to 10% of our portfolio in real estate related assets. These assets include securities of other companies engaged in real estate activities, mortgage-backed securities and conventional mortgage loans. We believe that this will provide us additional liquidity and financial flexibility to meet our investment objectives.

Securities of Companies Engaged in Real Estate Activities

We may invest in equity securities of companies engaged in real estate activities, subject to our compliance with the percentage of ownership limitations and gross income and asset requirements for REIT qualification. Companies engaged in real estate activities may include other REITs that either own properties or make construction or mortgage loans; real estate developers; entities with substantial real estate holdings such as limited partnerships, funds and other commingled investment vehicles; and other companies whose products and services are related to the real estate industry, such as building supply manufacturers, mortgage lenders or mortgage servicing companies. We may acquire all or substantially all of the securities or assets of companies engaged in real estate activities where such investment would be consistent with our investment policies and our status as a REIT. We may also acquire exchange traded funds, or ETFs, and mutual funds focused on REITs and real estate companies. In any event, we do not intend that our investments in securities will require us to register as an investment company under the Investment Company Act, and we intend to divest appropriate securities before any such registration would be required.

Mortgage-Backed Securities

We may invest in credit rated mortgage-backed securities and other mortgage-related or asset-backed instruments, including commercial mortgage-backed securities, mortgage-backed securities issued or guaranteed by agencies or instrumentalities of the U.S. government, non-agency mortgage instruments and collateralized mortgage obligations that are fully collateralized by a portfolio of mortgages or mortgage-related securities to the extent consistent with the requirements for our qualification as a REIT. Mortgage-backed securities are instruments that directly or indirectly represent a participation in, or are secured by and payable from, one or more mortgage loans secured by real estate. Mortgage-backed securities generally distribute principal and interest payments on the mortgages to investors. Interest rates on these instruments can be fixed or variable. We currently do not intend to invest in mortgage-backed securities, including residual interests that are not credit rated. However, we are not prohibited from making such investments if they are in compliance with our investment guidelines.

Mortgage Loans

We may invest in mortgages consistent with the requirements for qualification as a REIT. We may originate or acquire interests in mortgage loans on the same types of commercial properties we might otherwise acquire. Interest rates on these mortgage loans may be fixed or variable. They will generally be first mortgage loans on existing income-producing properties, with first priority liens on the properties. These loans may provide for payments of principal and interest or may provide for interest-only payments with a balloon payment at maturity.

We may make mortgage loans that permit us to participate in the revenues from or appreciation of the underlying property consistent with the rules applicable to qualification as a REIT. These participations will let us receive additional interest, usually calculated as a percentage of the gross income the borrower receives from operating, selling or refinancing the property above cost. We may also receive an option to buy an interest in the property securing the participating loan.

Investments in Cash, Cash Equivalents and Other Short-Term Investments

To efficiently manage our ability to fund future acquisition and distribution obligations, we may choose to invest up to 10% of our portfolio in cash, cash equivalents and other short-term investments. Consistent with the rules applicable to qualification as a REIT, such investments may include investments in the following:

- money market instruments;
- short-term debt instruments, such as commercial paper, certificates of deposit, bankers' acceptances, repurchase agreements, interest-bearing time deposits and corporate debt securities;
- corporate asset-backed securities; and
- U.S. government or government agency securities.

Investment Acquisitions

The Advisor will have the authority, on our behalf, to acquire commercial real estate property, interests in real estate properties and real estate related assets that meet the requirements of our investment guidelines approved by our Board of Directors. The Advisor may make such investment decisions without the prior approval of our Board of Directors as long as the Advisor complies with the investment guidelines. The Advisor, in its investment decisions, will take into consideration certain factors regarding each investment and its financial condition, including the following:

- existing investments in our portfolio to achieve and maintain diversity by property type, geography and industry of the tenants;
- existing cash flow and expense schedules and/or income-producing capacity;
- credit quality of existing tenants and the potential for future rent increases;
- competition for quality tenants from similar properties in the same geographical area;
- opportunities for capital appreciation based on operating expense reductions, improvements to the property and other factors;
- expected return upon future sale of the property;
- REIT qualification requirements;
- liquidity and tax considerations; and
- additional factors considered important to meeting our investment objectives.

Although the number and mix of properties and asset types acquired will depend upon the amount raised in this offering, the amount of financing we obtain from lenders on favorable terms, real estate and market conditions as well as other factors, the Advisor will attempt to acquire and maintain a diversified portfolio of real estate properties and real estate related assets in terms of type of property, industry of tenants and location.

Identification of Investment Opportunities

The Advisor expects to identify investment opportunities through its network of historical relationships in the commercial real estate industries, including property owners, developers, real estate brokers, investment bankers, trade organizations, banks, attorneys, accountants, appraisers, architects and other real estate related service providers.

Due Diligence

Prior to acquiring a real estate property or real estate related asset, the Advisor will conduct a due diligence review of the property or asset, including taking the following actions or obtaining the following reports as the Advisor deems advisable:

- conducting a long-term potential cash flow and fair value analysis;
- conducting an inspection of the property and surrounding area;
- obtaining surveys of the property;
- obtaining evidence of marketable or indefeasible title subject to such liens and encumbrances as are acceptable;
- obtaining financial statements covering recent operations of properties with operating histories when applicable;
- obtaining title and liability insurance policies;
- evaluating the existing property leases relating to the property when applicable;
- evaluating both the current and potential alternative uses of the property; and
- obtaining an independent Phase I environmental site assessment.

Acquisition of Properties from Affiliates

We may acquire properties or interests in properties from, or in co-ownership arrangements with, affiliates of the Advisor. We will not acquire any property from an affiliate of the Advisor unless the majority of our independent directors determine that the transaction is fair and reasonable to us. The purchase price for any property we acquire from the Advisor's affiliates must be based on the fair market value of the property. At their discretion, the independent directors may obtain an appraisal from an independent appraiser who is a member, in good standing, of the American Institute of Real Estate Appraisers or a similar national or regional organization acceptable to our Board of Directors.

Joint Venture Investments

We may enter into joint ventures, general partnerships, co-tenancies and other participation arrangements with one or more institutions or individuals, including real estate developers, operators, owners, investors and others, some of whom may be affiliates, for the purpose of acquiring, developing, owning and managing one or more commercial real estate properties. In determining whether to recommend a particular joint venture, the Advisor will evaluate the real property that such joint venture owns or is being formed to own under the same criteria used for the selection of our real property investments.

We may enter into joint ventures with affiliates of the Advisor for the acquisition of commercial real estate properties, but only provided that:

(1) a majority of our directors approve the transaction as being fair and reasonable to us,

(2) the investment does not involve duplicate property management, and

(3) the investment by each entity is on substantially the same terms and conditions.

Real Property Ownership

Our investment in commercial real estate properties will generally take the form of holding fee title or a long-term leasehold estate. We intend to acquire such interests either (1) directly through our operating partnership or (2) indirectly through taxable REIT subsidiaries, wholly owned limited liability companies or through investments in joint ventures, partnerships, limited liability companies, co-tenancies or other co-ownership arrangements with the developers of the real properties, affiliates of the Advisor or other entities. We may also purchase properties and lease them back to the sellers of such properties.

We may also obtain options to acquire commercial real estate properties. The amount paid for an option is normally nonrefundable if the property is not purchased before the option expires and may or may not be credited against the purchase price if the property is purchased.

Reserves

When we acquire a property, the Advisor will prepare a capital plan that contemplates the estimated capital needs of that property, such as operating expenses, costs of refurbishment or other major capital expenditures. The capital plan will also provide the anticipated sources of necessary capital, which may include a line of credit, mortgage loan or other loan relating to the property; operating cash generated by the property; additional equity investments from us or joint venture partners; or, when necessary, capital reserves. Any capital reserve would be established from the gross proceeds of this offering, proceeds from sales of other investments, operating cash generated by investments or other cash on hand. In some cases, a lender may require us to establish capital reserves for a particular property. The capital plan for each property will be adjusted through ongoing, regular reviews of our portfolio or as necessary to respond to unanticipated additional capital needs.

Tenant Creditworthiness

We intend to lease our properties to creditworthy tenants. The Advisor will utilize national credit rating agencies to assist in its determination of a tenant's creditworthiness when applicable. If public data is not available on the tenant, the Advisor and its management will rely on their experience and analysis to make such determination.

Investment Portfolio Monitoring Responsibilities

The Advisor will be responsible to continuously monitor the performance of the portfolio investments in accordance with the original projections and investment thesis of each investment as well as our investment objectives as a whole. The Advisor will be responsible for gathering at least quarterly financial data as well as any key operating changes in the portfolio investments. These periodic updates and any actions the Advisor anticipates taking in connection with such updates will be presented to the Board of Directors quarterly.

Investment Limitations

Currently, we do not anticipate investing in the following investments:

- real estate contracts of sale, also known as land sale contracts;
- mortgage loans that are subordinate to any lien or other indebtedness of any of our executive officers, the Advisor or its affiliates;
- mortgage loans if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 75% of the appraised value of such property, unless we find substantial justification due to the presence of other underwriting criteria;
- mortgage loans that exceed the appraised value of the property;
- undeveloped land which was acquired for any purpose other than of producing rental or other operating income and either no development or construction is in process or no development or construction is planned to commence on the land in the near future;
- commodities or commodity future contracts, except for interest rate futures contracts used solely for purposes of hedging against changes in interest rates;
- any investment that is inconsistent with our investment objectives of qualifying and remaining qualified as a REIT, unless our Board of Directors determines that REIT qualification is not in our best interest; or
- investments whereby we would be deemed an investment company required to register under the Investment Company Act.

In addition, we do not plan on the following activities:

- issue redeemable equity securities
- issue our shares on a deferred payment basis or other similar arrangement
- engage in trading, as opposed to investment, activities
- engage in underwriting of securities issued by others

Leverage

We intend to use leverage to provide additional funds to support our investment activities and are not restricted in the form of indebtedness we may incur. In addition, we may assume existing debt or refinance such existing debt on properties we acquire. We may leverage our portfolio by assuming or incurring secured or unsecured asset debt or operating partnership debt. Asset debt includes mortgage loans secured by properties, and operating partnership debt includes lines of credit. Lines of credit may be used to fund acquisitions, debt service, REIT distributions, Time Certificate payments, working capital needs or for any other corporate purpose. In addition, Time Certificates with a length of one year or more may, at the holder's option, be converted into Shares at a discounted purchase price per share. If the holder of the Time Certificate elects to convert after one year but before two years, the purchase price per share will be discounted 3%. If converted between two and three years, the discount will be 4%, and after three years the discount will be 5%. We anticipate that our leverage will not exceed 65% of the fair market value of our assets, as determined at the end of each calendar year. Fair market value will be determined by our Advisor each year and approved by the Board of Directors.

Our Board of Directors may from time to time determine our leverage policy in light of then-current economic conditions, relative costs of debt and equity capital, fair values of our properties, general conditions in the market for debt and equity securities, growth and acquisition opportunities or other factors. Our actual leverage may be higher or lower than our target leverage depending on a number of factors, including the availability of attractive investment and disposition opportunities, inflows and outflows of capital and increases and decreases in the value of our portfolio.

Our Board of Directors will review our outstanding leverage at least quarterly to ensure that the amount of leverage is reasonable in relation to our net assets. The maximum amount of leverage we can incur is 300% of our net assets. Net assets are our total tangible assets, valued at cost prior to deducting depreciation and amortization, reserves for bad debts and other non-cash reserves, less total liabilities. However, we may temporarily borrow in excess of this amount if such excess is approved by our Board of Directors and is disclosed in our next stockholder report along with justification for such excess. In such event, we will review our leverage level at that time and take action to reduce any such excess as soon as practicable.

We do not intend to obtain loans from any of our directors, the Advisor, and any of our affiliates unless such loan is approved by a majority of the directors as fair, competitive and commercially reasonable and no less favorable to us than comparable loans

between unaffiliated parties. Our directors, the Advisor, and any of our affiliates may invest in Time Certificates offered under our time certificate program under the same terms offered to unaffiliated parties.

We anticipate that our leverage will not exceed 65% of the fair market value of our assets. At December 31, 2023, our leverage is 57% and our weighted average interest rate was 4.41%. Leverage will vary by property type, prevailing interest rates, loan terms for a specific transaction and the debt and equity requirements of any TIC co-owners. Our goal is to maintain a fairly low exposure to interest rate risk through lowering our leverage percentage and by fixing our interest rates. We plan to primarily use long term debt (i.e. ten years) and medium term (five to seven years) to accomplish this goal. At this time, we do not use derivative securities, interest rate swaps or other types of hedging to manage our interest rate fluctuation risk.

Investment Resales

The Advisor will determine when a particular real estate property or real estate related asset should be sold or otherwise disposed of after considering relevant factors, including performance or projected performance of the property or asset, prevailing market conditions, REIT requirements and restrictions, and the need for capital. We anticipate that we will hold most of our commercial real estate properties for seven years, or longer. We do not intend to buy and sell our properties for the purpose of realizing short-term profits.

While it is our intention to hold each property we acquire for a minimum of seven years, or longer, circumstances might arise which could result in the early sale of some properties. A property may be sold before the end of the expected holding period if:

- there exists an opportunity to enhance overall investment returns by raising capital through sale of the property and reinvesting the proceeds in other properties;
- there exist diversification benefits associated with disposing of the property and rebalancing our real estate portfolio;
- there exists a need to generate liquidity to make distributions to our securityholders or for working capital;
- in the judgment of the Advisor, the value of the property might decline;
- an opportunity has arisen to pursue a more attractive property investment;
- the property was acquired as part of a portfolio acquisition and does not meet our investment guidelines; or
- in the judgment of the Advisor, the sale of the property is in our best interests.

We intend to reinvest any sale proceeds except to the extent that we need such funds to pay operating expenses, distributions to our securityholders to maintain our qualification as a REIT, or otherwise mortgage loans secured by such property, costs for the maintenance or repair of other properties or other obligations.

When appropriate to minimize our tax liabilities, we may structure the sale of a property as a "like-kind exchange" under the federal income tax laws so that we may acquire qualifying like-kind replacement property meeting our investment objectives without recognizing taxable gain on the sale.

In connection with a sale of a property, our general preference will be to obtain an all-cash sale price. However, we may take a purchase money obligation secured by a mortgage on the property as partial payment. There are no limitations or restrictions on our taking such purchase money obligations. The terms of payment upon sale will be affected by custom in the area in which the property being sold is located and the then prevailing economic conditions. To the extent we receive notes, securities or other property instead of cash from sales, such proceeds, other than any interest payable on such proceeds, will not be included in net sale proceeds available for distribution until and to the extent the notes or other property are actually paid, sold, refinanced or otherwise disposed of. Thus, the distribution of the proceeds of a sale to our securityholders, to the extent contemplated by our Board of Directors, may be delayed until such time. In such cases, we will receive payments in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years.

Valuation of Portfolio Investments

The Advisor uses valuation principles approved by our Board of Directors when valuing our operating partnership's commercial real estate properties and other real estate related assets and its liabilities. The objective of these guidelines is to produce a valuation that represents a fair and accurate estimate of the fair value of our investments or the price that would be received for our investments in an orderly transaction between market participants. These valuation methodologies are based principally upon standard industry practices used by private real estate funds.

While the methodologies contained in the valuation guidelines will be designed to operate reliably within a wide variety of circumstances, it is possible that in certain unanticipated situations or after the occurrence of certain extraordinary events (such as a terrorist attack or an act of nature), a more accurate valuation could be obtained by using different assumptions. In these unusual circumstances, the Advisor may propose that a different methodology be used to value our investments and such methodology will be used if approved by our Board of Directors. The use of any such alternative methodology will be reported to our Board of Directors.

We anticipate that the Advisor will provide our Board of Directors with periodic valuation reports no less than annually. In its discretion, our Board of Directors will have the right to engage an independent valuation expert(s) to confirm the valuation of any of our investments.

Our Advisor will review our valuation guidelines and methodologies with our Board of Directors at least annually. Any changes to our valuation guidelines require the approval of our Board of Directors.

Net Asset Value

We anticipate that the Advisor, under the supervision and subject to the review of our Board of Directors, will calculate our net asset value on at least an annual basis and from time to time in connection with property acquisitions by the operating partnership. The aggregate value of our operating partnership is equal to the fair value of its assets minus the fair value of its liabilities (including its debt, any declared and accrued but unpaid distributions and the expenses attributable to its operations). We have put in place a standard procedure pursuant to which the Advisor will value the assets of our operating partnership, and which will be used in connection with each such valuation.

Valuation of Commercial Real Estate Properties

Commercial Real Estate Properties. The valuation of our real estate properties will be managed by our Advisor. Real estate properties will initially be valued at cost, which equals the purchase price plus all related acquisition costs and expenses, including legal fees and closing costs. In connection with the acquisition of multiple properties, acquisition costs and expenses will be allocated among the properties pro rata based on each property's relative value to the whole transaction. Thereafter, at least once during every calendar year, each property will be valued by our Advisor in accordance with valuation guidelines established by our Board of Directors.

Commercial Real Estate Properties Held Through Joint Ventures. Investments in joint ventures that hold commercial real estate properties will be valued by the Advisor or an independent valuation expert in a manner which is consistent with the guidelines described above for commercial real estate properties. Once the value of a property held by the joint venture is determined pursuant to such guidelines, the value of our interest in the joint venture would then be determined by applying the distribution provisions of the applicable joint venture agreement to the value of the underlying property held by the joint venture.

Off-Cycle Valuations. Commercial real estate properties and joint ventures may be valued more frequently than annually if the Advisor believes that the value of a commercial real estate property or joint venture has changed materially since the most recent annual valuation. For example, an unexpected termination or renewal of a material lease, a material change in vacancies or an unanticipated structural or environmental event at a property may cause the value of a commercial real estate property to change materially. In general, we expect that an off-cycle valuation will be performed as soon as possible after a determination by the Advisor that a material change has occurred and the financial effects of such change are quantifiable.

Valuation of Real Estate Related Assets

Real estate related assets will be valued by the Advisor upon acquisition and then quarterly thereafter. Off-cycle valuations of real estate related assets that generally are valued quarterly may be conducted if the Advisor believes the value of the applicable asset has changed materially since the most recent valuation. In addition, our Board of Directors may, from time to time, retain additional independent valuation experts to assist with the valuation of real estate related assets.

Publicly-Traded Real Estate Related Securities. Publicly-traded debt and equity real estate related securities that are not restricted as to salability or transferability will be valued on the basis of information provided by third party pricing vendors. Generally, such securities will be valued at the price of the last trade executed before closing on the valuation day or, in the absence of such trade, the last "bid" price. The value of publicly-traded equity and debt real estate related securities that are restricted as to salability or transferability may be adjusted for a liquidity discount. In determining the amount of such discount, consideration will be given to the nature and length of such restriction and the relative volatility of the market price of the security.

Private Real Estate Related Securities. Investments in privately placed, illiquid securities of real estate related operating businesses (other than joint ventures), such as real estate development or management companies, will initially be valued at cost, which equals the purchase price plus all related acquisition costs and expenses, including legal fees and closing costs. Thereafter, the securities will be valued quarterly at fair value as determined in good faith. In evaluating the fair value of our interests in certain commingled investment vehicles (such as private real estate funds), values periodically assigned to such interests by the respective issuers or broker-dealers may be relied upon.

Private Mortgage Loans. Mortgages will initially be valued at our acquisition cost and typically will be marked-to-market quarterly. For example, fixed rate mortgages will be valued at our acquisition cost and thereafter typically marked-to-market on a quarterly basis, with principal and interest payments discounted to their present value using a discount rate based on current market rates. In addition, variable interest rate debt may be marked-to-market in the event that the market interest rate spreads change for comparable indebtedness. Furthermore, the quarterly valuations of participating mortgages will reflect the changes in value of the underlying real estate, with anticipated sale proceeds (estimated cash flows) discounted to their present value using a discount rate based on current market rates.

Valuation of Liquid Non-Real Estate Related Assets. Liquid non-real estate related assets include credit rated government and corporate debt securities, publicly-traded equity securities and cash and cash equivalents. Liquid non-real estate related assets will be valued daily based on information provided by third party pricing vendors.

Valuation of Our Liabilities

The Advisor will estimate the value of our liabilities on a fair value basis using industry accepted methodologies specific to each type of liability. We expect that our liabilities will include Advisor fees, debt, time Certificate obligations, accounts payable, accrued operating expenses and other liabilities.

Long-term liabilities, such as mortgage loans, will be valued at fair value. Short-term liabilities will be valued at face or carrying balance. Such fair value determinations will be based on, among other things, anticipated settlement date, underlying security, collateral, credit risk and the difference between contractual and current market terms.

For short-term loans (less than one year), accounts payable and accrued expenses, we will assume that the fair value will be cost. For long-term loans and other liabilities, we intend to use an income-based approach, based on estimated future cash flows discounted over the remaining term to maturity.

Litigation

There are no legal actions pending against the Company or the Advisor nor, to our knowledge, are any such proceedings contemplated.

OPERATING PARTNERSHIP

General

We own and intend to continue to own substantially all of our investments through our operating partnership, SRRT Properties, LP, which was formed as a Delaware limited partnership in 2014. For purposes of satisfying the asset and gross income tests for qualification as a REIT for federal income tax purposes, our proportionate share of the assets and income of our operating partnership will be deemed to be assets and income of the Company. Our operating partnership will own our investments in commercial real estate and other real estate related assets, directly or indirectly, generally through special purpose entities.

We are the sole general partner of the operating partnership. In addition, the Advisor is a special limited partner of the operating partnership which entitles it to certain incentive distributions and redemption payments but no voting rights. It is anticipated that the majority of the proceeds raised in this offering, less fees and expenses attributable to this offering, will be contributed to the operating partnership from time to time in exchange for limited partnership interests.

Operating Partnership Agreement

The following description of the Limited Partnership Agreement is a summary of some of the provisions included in the limited partnership agreement for our operating partnership. This summary does not contain all of the provisions you may deem important and the summary is subject to actual language in the Limited Partnership Agreement, which is available upon request and you are encouraged to read in its entirety.

Management

We are the sole general partner of the operating partnership. As the sole general partner of our operating partnership, we have the exclusive power to manage and conduct the business of the operating partnership. A general partner is accountable to the operating 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 ultimate oversight and policy-making authority, including responsibility for governance, compliance and disclosure with respect to the operating partnership. Pursuant to an Advisory Agreement, we have delegated to the Advisor authority to make decisions related to the Company's and the operating partnership's day-to-day business, the acquisition, management and disposition of assets and the selection of property managers and other service providers, in accordance with our investment objectives, strategy, guidelines, policies and limitations.

The partnership agreement requires that the operating partnership be operated in a manner that will enable us to satisfy the requirements for qualification as a REIT for federal income tax purposes, unless we otherwise cease to qualify as a REIT, and avoid any federal income or excise tax liability.

Term

The operating partnership will continue until dissolved upon the earlier of (1) the bankruptcy, dissolution or withdrawal of the general partner, unless the limited partners elect to continue the operating partnership; (2) the sale or other disposition of all or substantially all the assets of the operating partnership; (3) the exchange of all limited partnership interests for shares of the REIT or the securities of any other entity; or (4) the election by the general partner to dissolve the operating partnership.

Capital Contributions

Generally, the limited partners do not have any obligation to make additional capital contributions or loans to the operating partnership other than their initial capital contribution.

We intend to contribute the net proceeds from this offering, which are not used or retained to pay the fees and expenses attributable to this offering, to the operating partnership as capital contributions in exchange for limited partnership interests. Under the partnership agreement, we generally will be obligated to contribute the proceeds of any offering of the Company's stock as additional capital to the operating partnership.

If the operating partnership requires additional funds at any time, the operating partnership may: (1) borrow funds from a financial institution or other lender or (2) elect to have us provide such additional funds either through loans, additional capital contributions or otherwise.

If we contribute additional capital to the operating partnership, we will receive additional limited partnership interests of the operating partnership and our percentage interest in the operating partnership will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of any limited partners will be decreased on a proportionate basis. In addition, if we contribute additional capital

to the operating partnership, we will revalue the assets of the operating partnership at their fair market value and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such assets that have not been reflected in the capital accounts previously would be allocated among the partners under the terms of the partnership agreement as if there were a taxable disposition of such assets for fair market value on the date of the revaluation.

The operating partnership may issue additional partnership interests in connection with the acquisition of properties. We, as general partner, will determine the consideration, terms and conditions of such issuances and may, without the approval of the limited partners, issue partnership interests in one or more classes or series with rights, powers and duties senior to the outstanding limited partnership interests. However, the operating partnership may not issue additional partnership interests to us in connection with an acquisition of a property owned by us unless the exchange is based on the fair market value of the property, as determined in good faith, equal to the value of the partnership interests.

In addition, the operating partnership may admit additional limited partners whose investments may be subject to different management fees or may be at a purchase price less than fair market value of the partnership interest if we conclude in good faith that such issuance is in the best interest of the operating partnership and the Company.

Series A Preferred Units

Effective February 1, 2024, the operating partnership established, authorized and issued approximately 530,000 Series A Preferred Units of partnership interest (the "Series A Preferred Units"). The Series A Preferred Units were issued as consideration in connection with the Company's acquisition of the remaining approximately 73% interest in the SRRT WBL, LLC, an entity in which the Company previously owned 27% as a tenant in common. The project, called The Barnum, includes a four-story apartment complex consisting of 192 market rate units on a roughly 4.67 acre site. The Series A Preferred Units rank, with respect to distribution rights and rights upon liquidation, dissolution or winding up of the operating partnership, senior to the limited partnership units. The holders of the Series A Preferred Units are entitled to receive cumulative cash distributions at a rate of 7.50% per annum of the $20 per Series A Preferred Unit issuance price, which is equivalent to a fixed annual amount of $1.50 per unit (the "Series A Preferred Return"). The Series A Preferred Return is only paid if and when authorized by us, in our capacity as general partner. However, if the Series A Preferred Return is not paid quarterly, it continues to accrue and is therefore cumulative.

Subject to certain exceptions contained in the Limited Partnership Agreement, generally speaking, the operating partnership cannot make distributions or redemptions with respect to the limited partnership units, unless full cumulative distributions on the Series A Preferred Units for all past distribution periods have been paid.

In case of a liquidation, dissolution or winding up of the operating partnership, before making any distribution or payment to the holders of the limited partnership units, the operating partnership is required to pay the holders of the Series A Preferred Units then outstanding, out of the assets legally available for distribution after payment or provision for payment of all debts and other liabilities of the operating partnership, a liquidation preference in cash or property at fair market value, of $20.00 per Series A Preferred Unit plus any accrued and unpaid distributions. After payment of the full amount of the liquidating distributions to which they are entitled, holders of Series A Preferred Units will have no right or claim to any of the remaining assets of the operating partnership.

The Series A Preferred Units do not have any voting rights or right to consent to any matter requiring the consent or approval of the limited partners of the operating partnership. However, no action may be taken to amend, alter or repeal any provision of the rights or preferences of the Series A Preferred Units if such amendment, alteration or repeal would result in the Series A Preferred Units no longer having a preference superior or prior to the limited partnership units as to payment of distributions or distributions of assets.

If and when the underlying property owned by SRRT WBL, LLC, attains a fair market asset value of $51,700,000 or greater (such asset value to be determined by us, as general partner, in our sole discretion), the holders of Series A Preferred Units shall be entitled to exchange their Series A Preferred Units for limited partnership units. Each Series A Preferred Unit may be exchanged for two (2) limited partnership units; provided, however, that no Series A Preferred Units may be exchanged unless at least one thousand (1,000) Series A Units, in the aggregate, are exchanged by one or more holders on the applicable exchange date. A holder of Series A Preferred Units will not have the right to exchange its Series A Preferred Units if it is determined that as a result of such exchange, the operating partnership would no longer qualify or its status would be seriously compromised as a REIT, or, such exchange would be likely to constitute a violation of applicable securities laws.

In addition, we may require the holders of Series A Preferred Units to convert their Series A Preferred Units into limited partnership units (at an exchange ratio of one (1) Series A Preferred Unit for two (2) limited partnership units), at any time after December 31, 2033. However, holders of Series A Preferred Units will have no obligation to convert as long as there is any accrued but unpaid Series A Preferred Return on the Series A Preferred Units.

Transferability of Interests

Generally, limited partners may not transfer their interests in the operating partnership, in whole or in part, without our written consent as general partner. Exceptions to this are transfers made to certain members of the limited partner's family, to a corporation controlled by such family member or, if the limited partner is an entity, to the beneficial owners of the limited partners. However, no limited partner can transfer its interests if such transfer would result in a violation of federal and applicable state securities laws, would result in the operating partnership being treated as an association taxable as a corporation, would adversely affect our ability to qualify as a REIT or subject us to any additional taxes, or would cause us to own 10% or more of the ownership interests of any tenant of a property held by the operating partnership.

Generally, we cannot transfer any portion of our general partnership interests or withdraw as general partner. We cannot merge, consolidate or combine with or into another entity or sell all of our assets, in each case resulting in a change of control, unless such transaction has been either: (1) approved by the limited partnership holding more than 50% of the outstanding limited partnership interests, (2) the limited partners will receive an amount of cash, securities or other property equal to the amount of cash, securities or other property they would have received if the limited partnership interests were converted into shares of the Company prior to the transaction, or (3) the Company is the surviving entity in the transaction and either the holders of the Company's securities do not receive cash, securities or other property in the transaction or the limited partners receive an amount of cash, securities or other property equal to the amount of cash, securities or other property they would have received if the limited partnership interests were converted into shares of the Company prior to the transaction.

However, we may merge with another entity if after such merger, the surviving 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 of our obligations as the general partner of our operating partnership.

Redemption Rights

Limited partners have redemptions rights, which enable them to cause the operating partnership to redeem their limited partnership interests in the operating partnership in exchange for cash or, at our option, shares of our common stock. The redemption price must be paid in cash if the issuance of common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, stock in excess of the ownership limits;
- result in our shares of capital stock being owned by fewer than 100 persons, determined without reference to any rules of attribution;
- result in the Company being "closely held" under the federal income tax laws;
- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant of our real property; or
- cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the Securities Act.

Except as provided in the contribution agreement regarding the acquisition of limited partnership interests, a limited partner may exercise the redemption rights at any time after the first anniversary of the date the limited partnership interests were originally acquired. Subject to certain exceptions contained in the Limited Partnership Agreement, generally speaking, these redemption rights are subject to the Series A Preferred Return described above. A limited partner may not exercise the redemption right for fewer than 1,000 units or, if such limited partner holds fewer than 1,000 units, all of the units held by such limited partner. In addition, a limited partner may not exercise the redemption right more than one time in a given calendar year. Limited partner units will be redeemed at 97% of the share price on the date the redemption request is received by the Company.

Distributions

The operating partnership will distribute cash on a quarterly basis in an amount determined by us, as general partner, in our sole discretion. Distributions shall be made 100% to the partners (including the general partner but excluding the special limited partner) pro rata based on each partner's ownership percentage. No partner is entitled to demand property other than cash in connection with any distributions by the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of our operating partnership, including any partner loans, and any redemption payments to our Advisor, any remaining assets of our operating partnership will be distributed to the partners as described above. For purposes of clarity and avoidance of doubt, such liquidating distributions will be subject to the Series A Preferred Return and the liquidation preference with respect to the Series A Preferred Units described above.

We, as general partner, are required to use commercially reasonable efforts to cause the operating partnership to distribute amounts sufficient to enable us to make distributions to our stockholders to comply with the REIT distribution requirements and avoid any federal income or excise tax liability imposed by the Code.

Special Partner Distributions

The operating partnership may allow for special partner distributions in connection with contributions of real estate. These special distributions may be nontaxable to the contributing partner. As a result, the operating partnership may not be able to increase the tax basis of the contributed property for the special distribution amount. This may result in less depreciation deductions to the REIT.

Special Debt Guarantees

The operating partnership may allow partners to make special debt guarantees. These special debt guarantees will generally require the operating partnership to allocate more debt to the guarantor partners than would otherwise be allocated to them under the tax rules. As a result, the non-guarantor partners may have less debt allocated to them. This may reduce the REIT's tax basis in the operating partnership.

Indemnification

The partnership agreement provides that we, as general partner, as well as any of our officers or directors, shall be indemnified by the operating partnership for liabilities that relate to the operations of the operating partnership unless either: (1) the act or omission of the indemnified party was done 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 party had reasonable cause to believe the act or omission was unlawful.

Any indemnification will be made out of the assets of the operating partnership. No indemnified party may subject the limited partners to personal liability under this indemnification provision.

Limitation of Liability of the General Partner

We, as general partner, shall not be liable for monetary damages to the operating partnership or the partners of the operating partnership for losses sustained or liabilities incurred as a result of errors in judgment or any act or omission if we acted in good faith.

We, as general partner, shall be acting for our benefit and the benefit of the limited partners of the operating partnership and our stockholders collectively. Neither we nor our Board of Directors will be 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 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. However, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the operating partnership's limited partners will 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.

Tax Matters

We will be the partnership representative of the operating partnership and, as such, will have authority to handle tax audits and to make tax elections under the federal income tax laws on behalf of the operating partnership.

Special Limited Partner

Pursuant to the Limited Partnership Agreement of the operating partnership, the Advisor is a special limited partner of the operating partnership. As a special limited partner, the Advisor has no voting rights but has rights to certain incentive compensation and redemption payments.

On an annual basis, the Advisor will be eligible to receive as incentive compensation an issuance of Shares in the Company or cash ("Incentive Compensation"). The Incentive Compensation will be paid out to the Advisors as a percentage of the Company's Invested Assets as tabulated on the final day of the calendar year for which the Incentive Compensation is calculated and earned. The determination as to the Advisor's eligibility to receive the Incentive Compensation in any given year shall be based fifty percent (50%) on each of the Company's year-over-year percentage growth (per Share) of: (i) funds from operations per Share ("FFO"); and (ii) net asset value per Share of ("NAV"). The Incentive Compensation may be earned through growth in either FFO or NAV, or both, as follows:

- FFO Portion of Incentive Compensation:
  - (i) If the Company's FFO increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base FFO Incentive").
  - (ii) If the Company's FFO increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base FFO Incentive.
  - (iii) If the Company's FFO increases year over year by over 3.0%, the Advisor will receive 115% of the Base FFO Incentive.

- NAV Portion of Incentive Compensation
  (i) If the Company's NAV increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base NAV Incentive").
  (ii) If the Company's NAV increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base NAV Incentive.
  (iii) If the Company's NAV increases year over year by over 3.0%, the Advisor will receive 115% of the Base NAV Incentive.

For purposes of determining the Advisor's eligibility to receive Incentive Compensation in connection with an increase in Net Asset Value per Share and Funds from Operations per Share (each a "Compensation Metric"), the calculation of whether or not the applicable Compensation Metric has increased in any given year shall assume the issuance of 100% of the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has increased, the Advisor shall receive 100% of the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has not increased, the number of shares issuable to the Advisor will be reduced until such calculation produces an increase in the applicable Compensation Metric, and the Advisor shall receive that portion of the total number of shares issuable to the Advisor in connection with an increase in the applicable Compensation Metric which produces an increase in such Compensation Metric.

The Advisor may elect to receive all or part of its Incentive Compensation for a particular year in cash in lieu of shares in the amount calculated by multiplying the number of shares that the Advisor has elected not to receive by the then-current offering price of shares to third-party investors.

The Incentive Compensation amount earned by the Advisor equaled 58% of the eligible Incentive Compensation, or $1,032,000, for the year ended December 31, 2023. Sixty percent (60%) of this amount was paid in shares and forty percent (40%) was paid in cash. The Incentive Compensation amount earned by the Advisor for the year ended December 31, 2022 equaled 57% of the eligible Incentive Compensation, or $833,000. Seventy percent (70%) of this amount was paid in shares and thirty percent (30%) was paid in cash.

Any shares awarded as Incentive Compensation will be shares of common stock and will have the same rights to distributions, losses and voting as all other common shares of the Company.

As the special limited partner, the Advisor also has rights to certain redemption payments in exchange for its special limited partnership interests in the event the Advisory Agreement is terminated or not renewed:

- If the Advisor is terminated for cause or the Advisory Agreement is not renewed by the Advisor, the operating partnership will redeem the Advisor's special limited partnership interests for $9,000 (the contribution to the operating partner originally paid by the Advisor).
- If the Advisory Agreement is terminated because we have become a self-administered REIT by internalizing our Advisor, the Advisor and our Board of Directors will negotiate appropriate compensation to the Advisor in exchange for its special limited partnership interests.
- If the Advisor is terminated without cause or the Advisory Agreement is terminated by our non-renewal or in connection with a merger or sale of assets or transaction pursuant to which a majority of our directors then in office are replaced or removed, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the net proceeds, as if all assets of the operating partnership had been sold for their fair market value and all liabilities of the operating partnership had been satisfied in full, after the other partners of the operating partnership would in that case have received total distributions equal to the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.
- If the Advisory Agreement is terminated due to our shares becoming listed on a national securities exchange, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the amount by which the market value of our common stock plus distributions paid by the Company prior to listing exceeds the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.

The operating partnership will redeem the Advisor's special limited partnership interests for the amounts stated above ("the Redemption Price") in cash or, at the option of the Advisor, units of limited partnership interests in our operating partnership or shares of our common stock.

In addition to any Redemption Price paid under the terms of the Limited Partnership Agreement, the Advisor will receive the net difference between such Redemption Price and the calculated sum that is comprised of the aggregate amount of the following two (2) metrics (defined herein as the "Termination Fee"):

- the average of the previous two (2) calendar years Asset Management Fee earned by Advisors, with such result then multiplied by three (3x) ("AM Fee Metric"); plus

- the average of the previous two (2) calendars years Incentive Compensation earned by the Advisor ("Incentive Compensation Metric") with such result than multiplied by a declining multiple based on the Invested Assets (as determined at the time of termination of the Agreement) as set forth below:

  (i) for Invested Assets of up to $400M, the Incentive Compensation Metric shall be multiplied by 3x, with such sum then increased upon any step up in Invested Assets (with a declining multiple thereon) as set forth below:
  (ii) for Invested Assets between $400M and $500M, the Incentive Compensation Metric shall be multiplied by 2.75x; and
  (iii) for Invested Assets between $500M and $600M, the Incentive Compensation Metric shall be multiplied by 2.50x; and
  (iv) for Invested Assets between $600M and $700M, the Incentive Compensation Metric shall be multiplied by 2.25x; and
  (v) for Invested Assets between $700M and $800M, the Incentive Compensation Metric shall be multiplied by 2.00x; and
  (vi) for Invested Assets over $800M, the Incentive Compensation Metric shall be multiplied by 1.75x.

MANAGEMENT OF OUR COMPANY

General

We operate under the direction of our Board of Directors, which is responsible for the overall management of our business and affairs. However, our Board of Directors has retained the Advisor to manage our day-to-day affairs, subject to our Board of Directors' supervision.

Under the Maryland General Corporation Law, each director is required to discharge his duties in good faith, in a manner reasonably believed to be in our best interests, and with the care of an ordinarily prudent person in a like position under similar circumstances. Directors will serve three-year terms or until their successors are elected and qualify, whichever occurs first. As of the commencement of this offering, our Board of Directors is comprised of seven individuals: Bradley J. Schafer, N. Christopher (Kit) Richardson, Steven G. Norcutt, James W. Hansen, David W. Smith, Jeffrey L. Wright, and Peter Bell. Messrs. Hansen, Smith, Wright and Bell are independent directors.

The Board of Directors will determine from time to time, but at least annually, that our total fees and expenses are reasonable in light of our investment performance, our net assets, our net income and the fees and expenses of other comparable unaffiliated REITs. In addition, the Board of Directors will determine from time to time, but at least annually, that the compensation that we contract to pay to the Advisor is reasonable in relation to the nature and quality of the services performed. The Board of Directors will also supervise the performance of the Advisor and the compensation paid to it to determine that the provisions of the Advisory Agreement are being carried out. The Board of Directors may base its determination using the factors listed below as well as other factors that it deems relevant:

- the size of the advisory fee in relation to the size, composition and profitability of our portfolio of investments;
- the success of the Advisor in generating opportunities that meet our investment objectives;
- the fees charged to similar entities by advisors performing similar services;
- additional revenues realized by the Advisor and any of its affiliates through their relationship with us, including real estate commissions, servicing and other fees, whether paid by us or by others with whom we do business;
- the quality and extent of the service and advice furnished by the Advisor;
- the performance of our portfolio of investments, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and
- the quality of our portfolio of investments in relationship to the investments generated by the Advisor for its own account or for the account of other entities it advises.

The Directors and Executive Officers of the Company

The following table sets forth certain information with respect to our individual executive officers and directors:

Name	Age*	Position
Bradley J. Schafer	64	Director, Chief Executive Officer
N. Christopher (Kit) Richardson	76	Director, Secretary
Steven G. Norcutt	64	Director, President and Chief Operating Officer
James W. Hansen	69	Independent Director
David W. Smith	65	Independent Director
Peter Bell	72	Independent Director
Jeffrey L. Wright	61	Independent Director
Gregory J. Springer	63	Chief Financial Officer and Treasurer
Evan C. Richardson	44	Senior Vice President
Jessica L. Welk	39	Assistant Secretary

* As of the date of this Memorandum

Bradley J. Schafer serves as a Director and Chief Executive Officer of the Company. Mr. Schafer is also a Founding Principal of Schafer Richardson and has over 40 years of commercial real estate experience. Prior to forming Schafer Richardson, Mr. Schafer was Vice President with Griffin Real Estate Company as a leasing and investment specialist for 10 years. For Schafer Richardson, Mr. Schafer focuses on debt/equity capital formation, syndication, investment selection, and strategic planning. He is a member of the National Association of Realtors, the Minneapolis Association of Realtors, and the Urban Land Institute.

N. Christopher (Kit) Richardson serves as a Director and Secretary of the Company. Mr. Richardson is a Founding Principal of Schafer Richardson and a Licensed Architect with over 50 years of experience in commercial real estate, development, and

architecture. Prior to forming Schafer Richardson, he was Vice President with Griffin Real Estate Company as an investment and land sales specialist for eight years and also worked in the office of Ralph Rapson & Associates. Mr. Richardson specializes in design, development, and construction services, and leads many of the entitlement efforts for the development team. He is a member of the American Institute of Architects, Urban Land Institute, Sensible Land Use Coalition, Lambda Alpha Minnesota, and a former member of the Minneapolis Park and Recreation Board's Tree Advisory Commission. Kit Richardson is Evan Richardson's father.

Steven G. Norcutt serves as a Director, President and Chief Operating Officer of the Company. Mr. Norcutt joined Schafer Richardson in 2009 as a Principal and Chief Operating Officer. Mr. Norcutt has over 40 years of experience in financial management, portfolio management and mortgage origination. He has also been involved in developing a residential construction company, as well as land development and commercial real estate development. Prior to joining Schafer Richardson, Mr. Norcutt held senior management positions with several mortgage origination operations. He served as a Senior Vice President/Portfolio Manager of Structured Finance with ReliaStar (ING) for over 13 years and managed a $3.5 billion portfolio. Mr. Norcutt serves on the Board of Directors of a NASDAQ member firm called New York Mortgage Trust (NYMT). With NYMT, he is Lead Director and serves on the Audit Committee. Mr. Norcutt is member of the Urban Land Institute, National Association of Office and Industrial Properties, Sensible Land Use Coalition, and the Mortgage Bankers Association.

Gregory J. Springer serves as the Company's Chief Financial Officer and Treasurer. Mr. Springer joined Schafer Richardson in 2014 as Chief Financial Officer and oversees the financial and administrative aspects of the business. His responsibilities at Schafer Richardson include accounting, planning, treasury, risk management, human resources, employee benefits, technology and transaction processing. Before joining Schafer Richardson, Mr. Springer served as the Chief Financial Officer of a privately-held distributor of mid-range computer solutions, and previously held senior financial positions at United Health Group and Arthur Andersen LLP. Mr. Springer has developed an expertise in a broad array of financial and operational activities with a strong orientation to effective business processes, policies and controls. He is a licensed Certified Public Accountant (inactive) and has extensive experience in public reporting, acquisitions and integrations, and banking relationships.

Evan C. Richardson serves as Senior Vice President of the Company. Mr. Richardson joined Schafer Richardson in 2013 and leads its acquisition, capital markets and asset management activities. Prior to joining Schafer Richardson, Mr. Richardson was a member of the Capital Markets Group at Cushman & Wakefield/NorthMarq (formerly NorthMarq). During his tenure, the Capital Markets Group listed, sold or consulted on more than nine million square feet of commercial real estate representing approximately three quarters of a billion dollars of aggregate value. Mr. Richardson is a member of the NAIOP and is a board member for the Sanneh Foundation. Evan is Kit Richardson's son.

Jessica L. Welk serves as Assistant Secretary of the Company. Ms. Welk joined Schafer Richardson in 2022 as General Counsel. She has over fifteen years of legal experience in commercial real estate transactions and leasing matters. She represents the Company in a broad range of transactions, including acquisitions, dispositions, financing, development, construction, leasing, management, and operations. She also provides legal advice to the Company.

James W. Hansen was named a member of the Board of Directors in November 2018 and has been an investor in the Company since its formation. Mr. Hansen was President of Hill-Murray High School from 2015-2021 and is currently a partner in Bootstrappers.mn a venture advisory firm and a member of the board of Tolomatic, an automatic technology company and SignZone, a private equity backed marketing products company. Prior to joining Hill-Murray he was Chairman of the Board of JAMF Holdings (Nasdaq:JAMF) from 2006 until its sale in 2017. He was Chairman of Reliable Property Services from 2007 until its sale to Asplundh in 2015. Mr. Hansen was formerly Chairman and CEO of E.Mergent, a publicly-traded technology company that was acquired in 2002. Previously, he has been President of a privately held medical services company that was sold to a NYSE company, Senior Vice President and General Manager of the Pension Division of Washington Square Capital, a ReliaStar (NYSE: ING) Company; Vice President of the Apache Corporation (NYSE: APA); and a Management Consultant for BCG. He also served as lead director on the Medtox (NASDAQ:MTOX), Kinnard Investments (NASDAQ: KINN, Ciprico (Nasdaq:CPCI), UBIQ Software and The Braas Company Board of Directors. Mr. Hansen has been recognized as a Distinguished Alumni of the Year by the University of Minnesota and taught at the University of St. Thomas from 1984 until 2015. He twice was named Teacher of the Year by the Graduate Students. Mr. Hansen has been a strong supporter and contributor to civic and non-profit organizations including having served on the Jaycees, Chamber of Commerce, Mahtomedi School Board, Freshwater Society, Solid Ground and Minndependent Board of Directors.

David W. Smith was named a member of the Board of Directors in November 2018 and serves as Lead Independent Director. Mr. Smith invested in Buddy's Kitchen, Inc. in September 2007 and became its CEO at that time. After a decade of rapid growth, Buddy's was sold in late 2017 to a publicly-traded Canadian food company, with Mr. Smith remaining as its CEO until 2019. Prior to Buddy's, Mr. Smith led Mark VII Equipment as CEO and was a founding manager of Nationwide Electric - both private equity-backed firms that concluded with successful exits. Earlier in his career, he led companies in the manufacturing and commercial real estate industries. Mr. Smith serves on a number of boards in both the for-profit and non-profit worlds.

Peter Bell was named a member of the Board of Directors in August 2019. Mr. Bell is the former Chair of the Metropolitan Council, which is a cabinet-level position appointed by the Governor of the State of Minnesota. Prior to his position at the Metropolitan

Council, Mr. Bell was executive vice president of Publishing & Educational Services (PES) at the Hazelden Foundation in Center City, Minnesota. Before joining Hazelden, Mr. Bell was the cofounder and, for 15 years, executive director of the Institute on Black Chemical Abuse. He was appointed to serve on a commission to the White House Conference on a Drug-Free America. He has written numerous books on chemical dependence, and for his pioneering effort, was named ABC Evening News Person of the Week in 1989. In addition to his work in chemical dependence, Mr. Bell served for five years as executive vice president of corporate community relations of TCF Financial Corporation. Mr. Bell has or currently serves on the board of directors of numerous local and national social, civic and business organizations, including TCF Bank, The Citizens League, Center of the American Experiment, CommonBond, TCRISE! and was a founding member and chair of the Center for New Black Leadership, based in Washington, D.C. Mr. Bell was appointed to the Board of Regents for the University of Minnesota in the fall of 2002. He was also appointed to the transition teams for both Governor Ventura, Governor Pawlenty and Mayor Hodges. Mr. Bell appears frequently on the editorial pages of the Star Tribune, provides commentary for Almanac, a statewide public affairs television program and often provides political and social commentary for MPR.

Jeffrey L. Wright was named a member of the Board of Directors in August 2019 and chairs the Audit Committee Mr. Wright runs a business advisory practice that focuses on strategic financial consulting. In addition to SR Realty Trust, he currently serves on the board of directors of Hawkins, Inc. and E. A. Sween Co. Previously, he was EVP and CFO for 16 years at G&K Services, Inc., a $900 million publicly-traded work apparel and facility management services company. In addition to oversight of all financial aspects of G&K, at various times he managed the Information Technology and Human Resources functions, and also ran the Direct Sales and Cleanroom operating divisions. He played a lead role in negotiating and integrating over 40 acquisitions. During the last 5 years of his tenure, he also served on G&K's board of directors. Prior to G&K, he was an executive with BMC Industries, Inc., Employee Benefit Plans, Inc. and Arthur Andersen LLP. Mr. Wright is a graduate of the University of St. Thomas. Mr. Wright is also active in the community, previously serving on the board of directors of the Greater Twin Cities United Way and was Chair of the Audit Committee. He also served as President of the G&K Services Foundation and was Chairman of the Textile Rental Services Association.

Director Compensation

Currently, we do not pay non-independent directors any compensation other than reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at Board of Directors' meetings and in conducting their duties as directors. We presently pay each independent director an annual retainer equal to 2,000 shares of our common stock, plus an annual retainer of $10,000, paid quarterly. In addition, Mr. Smith, as lead independent director, and Mr. Wright, as audit committee chairman, each receive an additional annual retainer of $5,000, paid quarterly.

Executive Officer Compensation

We have no employees and the Company's executive officers are all employees of the Advisor and/or its affiliates. We cannot determine at this time if or when we might hire any employees, although we do not anticipate hiring any employees for the twelve-month period following the date of this Memorandum. Our executive officers are compensated by the Advisor and/or its affiliates and will not receive any compensation from the Company for their services.

The Advisor

The Advisor, SRRT Advisor, LLC, is primarily responsible for managing our day-to-day business affairs and assets and carrying out our Board of Directors' directives. The Advisor is a Minnesota limited liability company that was formed in 2014. The Advisor does not provide management services to any other entity and does not intend to do so in the future. However, there are no limitations in the Advisor's or our governing documents or policies prohibiting or limiting the Advisor in providing these services to another entity, with the exception of the Advisor's fiduciary duties.

Management

The following table sets forth information with respect to the Advisor's executive officers and directors:

Name	Age*	Position
Bradley J. Schafer	64	Chief Manager
N. Christopher (Kit) Richardson	76	Secretary
Steven G. Norcutt	64	Chief Operating Officer
Gregory J. Springer	63	Chief Financial Officer
Evan C. Richardson	44	Vice President

* As of the date of this Memorandum

The Advisory Agreement

We and our operating partnership have entered into an Advisory Agreement, (a copy of which is available upon request), whereby the Advisor is delegated the management of the day-to-day business of the Company and the operating partnership. Under this agreement, the Advisor will manage our business in accordance with our investment objectives, strategy, guidelines, policies and

limitations. The Advisor will provide services related to the acquisition, management and disposition of commercial real estate properties and other real estate related assets; the allocation of our portfolio among commercial real estate properties and other real estate related assets; the selection of property managers and other service providers; and marketing, stockholder relations and other administrative services. The Advisor will also have the responsibility to, among other things:

- participate in formulating our financial, valuation and other policies, consistent with achieving our investment objectives;
- serve as our investment and financial advisor and provide research and economic and statistical data in connection with our assets and investment policies;
- select joint venture and strategic partners and structure corresponding agreements;
- locate, analyze and select potential investments, structure the terms of such investments and arrange for financing or refinancing in connection with investments;
- select our independent appraisers;
- monitor and manage our investments and provide periodic reports to our Board of Directors on their performance; and
- determine when we should sell our investments and reinvest the proceeds.

The above summary is provided to illustrate the material functions which the Advisor will perform and it is not intended to include all of the services which may be provided to us by the Advisor or third parties. The Advisor is subject to the supervision of our Board of Directors. In addition, the Advisor will have a fiduciary duty to our stockholders as provided under the Maryland General Corporation Law and the interpretations thereof under Maryland common law.

Term and Termination. The Advisory Agreement is for a term of one year, subject to successive one-year renewals upon the mutual consent of the parties. In determining whether to renew the Advisory Agreement, our Board of Directors will re-evaluate the performance of the Advisor. The Advisory Agreement may be terminated either by us or the Advisor upon 60 days' prior written notice without cause or penalty. The Advisory Agreement may also be terminated immediately by us for cause, which means fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor in performing its duties under the Advisory Agreement. If the Advisory Agreement is terminated, the Advisory Agreement requires the Advisor to cooperate with us and take all reasonable steps requested to assist the Board of Directors in making an orderly transition of all advisory functions.

Fees and Expenses. The Advisor will receive advisory fees related to the level of invested assets in the Company and transaction fees upon the acquisition or disposition of properties. The Company will also reimburse the Advisor for reasonable acquisition expenses, acquisition pursuit costs, and operating expenses. For specific information on the fees of the Advisor, please see "Compensation Table."

The Advisor bears the expenses incurred by it in connection with performance of its duties under the Advisory Agreement, including administrative expenses incurred in supervising, monitoring and inspecting real property or other assets owned by us or relating to its performance under the Advisory Agreement. We will reimburse the Advisor for operating expenses, including but not limited to the following:

- Our organizational and offering expenses;
- The actual cost of goods and services used by us and obtained from entities not affiliated with the Advisor, other than acquisition expenses;
- Interest and other costs for borrowed money, including discounts, points and other similar fees;
- Taxes and assessments on income of the Company or its real estate assets;
- Costs associated with insurance required in connection with our business or by our Board of Directors;
- Expenses of managing and operating our properties, payable to the property manager, whether or not the property manager is an affiliate of the Advisor;
- Compensation and expenses payable to independent directors and all expenses payable to the non-independent directors in connection with their services to us and our stockholders as well as their attendance at meetings of the Board of Directors and stockholders;
- Expenses associated with a listing of our common stock on a national securities exchange, if applicable, or with the issuance and distribution of our common stock, such as selling commissions and fees, taxes, legal and accounting fees, listing and registration fees and other organizational and offering expenses;
- Expenses connected with payments of distributions in cash or otherwise made or caused to be made by us to our stockholders;
- Expenses of amending, converting, liquidating or terminating us or our charter;
- Expenses of maintaining communications with our stockholders, including the cost of preparation, printing and mailing annual and other stockholder reports and other reports required by governmental entities;
- Administrative services expenses (including personnel costs; provided, however, that no reimbursement shall be made for costs of personnel to the extent that such personnel perform services in transactions for which the Advisor receives a separate fee);
- Transfer agent and registrar's fees and charges paid to third parties; and
- Audit, accounting, legal and other professional fees.

We will not reimburse the Advisor for certain operating expenses that, in the four consecutive fiscal quarters then ended, exceed the greater of 2% of our average invested assets or 25% of our net income for such year unless our Board of Directors finds that, based on unusual and non-recurring factors they deem sufficient, a higher level of expenses is justified. Any reimbursed amount exceeding this limit will be repaid to us within 60 days after the end of the fiscal year.

However, we will reimburse the Advisor for any and all expenses related to selecting, evaluating, acquiring and investing in assets, whether or not acquired or made. Such acquisition expenses include, but are not limited, to the following:

- legal fees and expenses,
- travel and communications expenses,
- cost of appraisals and surveys,
- nonrefundable option payments on property not acquired,
- accounting fees and expenses,
- computer use related expenses,
- architectural, engineering and other property reports,
- environmental and asbestos audits,
- title insurance and escrow fees,
- loan fees or points or any fee of a similar nature paid to a third party, however designated,
- transfer taxes and
- personnel and miscellaneous expenses related to the selection, evaluation and acquisition of and investing in properties.

Acquisition expenses may not in the aggregate exceed 2% of the purchase price for a property unless fees in excess of such amount are approved by our Board of Directors.

We bear our own expenses for functions not required to be performed by the Advisor under the Advisory Agreement, which generally include capital raising and financing activities, corporate governance matters and other activities not directly related to our properties and assets.

Fees Paid for Advisory Services. For the years ended December 31, 2023 and 2022, the Company incurred $2,640,000 and $2,338,000 in advisory services from the Advisor, respectively. The Company owed $1,032,000 and $833,000 to the Advisor as of December 31, 2023 and 2022, respectively, which is included in accrued liabilities in the consolidated balance sheets.

Incentive Fee Payment. The Incentive Compensation amount earned by the Advisor equaled 58% of the eligible Incentive Compensation, or $1,032,000, for the year ended December 31, 2023. Sixty percent (60%) of this amount was paid in shares and forty percent (40%) was paid in cash. The Incentive Compensation amount earned by the Advisor for the year ended December 31, 2022 equaled 57% of the eligible Incentive Compensation, or $833,000. Seventy percent (70%) of this amount was paid in shares and thirty percent (30%) was paid in cash.

Possible Internalization. Many REITs, or entities that operate similar to REITs operate in a "self-administered" manner because the employees of the entity perform all significant management functions. In contrast, entities that are not self-administered, like us, typically engage a third party to perform management functions on its behalf. Accordingly, if we apply to have our shares listed for trading on a national securities exchange or included for quotation on a national market system, it may be in our best interest to become self-administered. If the Board of Directors determines that we should become self-administered, the Advisory Agreement contemplates the internalization of the Advisor into the Company and the termination of the Advisory Agreement. In the event the Advisor is internalized into the Company, some of the Advisor's executives may become executives and/or employees of the Company. While we would then be relieved of paying fees to the Advisor under the Advisory Agreement, we would be required to pay the salaries of our executives and employees and related costs and expenses formerly absorbed by the Advisor under the Advisory Agreement.

Indemnification. We and our operating partnership have agreed to indemnify the Advisor, its executive officers, governors, members and employees and pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to acts or omissions of the Advisor, provided that:

- the indemnified person determined, in good faith, that the course of conduct that caused a loss or liability was in our best interests;
- the indemnified person was acting on behalf of, or performing services for, the Company or the operating partnership;
- such liability or loss was not the result of negligence or misconduct; and
- such indemnification or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders.

Other Services. In addition to the services described above to be provided by the Advisor, if we request, the Advisor or its affiliates may provide other property-level services to us and may receive additional compensation for such services, including leasing, development, construction management, loan origination, personal loan guarantees, loan servicing, property tax reduction and risk

management fees. However, under no circumstances will such compensation for other such services exceed the market rate fee for the same service. The Board of Directors must approve the compensation for such other services paid to the Advisor or any of its affiliates.

Property Management

The Advisor engages property managers to oversee the day-to-day operations of the acquired properties. Our properties are and we believe that the majority of our properties will in the future be managed by a subsidiary of Schafer Richardson, an affiliate of the Advisor. Our Advisor may, however, engage an unaffiliated property manager to manage our properties if it determines it is in our best interest. For any property manager, affiliate or not, we anticipate paying market-rate property management fees, plus a market-rate leasing fee.

Property Management Fees Paid to Affiliates. Schafer Richardson, through a subsidiary, provides property management services to the Company. For the years ended December 31, 2023 and 2022, the Company incurred $1,234,000 and $897,000, respectively, in management services from Schafer Richardson.

COMPENSATION TABLE

The following is a brief description of the fees and compensation that may be received by the Advisor and property management entities.

Advisor:	**Offering Fees and Commissions –** None **Advisory Fee –** 0.50% on invested assets **Transaction Fee** – for any acquisition or disposition in an amount equal to a percentage of the contract price, as follows: • 3% fee for any portion of the contract price of up to $2.5 million; plus • 2% fee for any portion of the contract price between $2.5 million and $15 million; plus • 1.25% fee for any portion of the contract price between $15 million and $50 million; plus • 0.75% fee for any portion of the contract price exceeding $50 million **Reimbursement of Acquisition and Operating Expenses** – The Company will reimburse the Advisor for expenses including, but not limited to, legal fees and expenses, travel and communications expenses, cost of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance and miscellaneous expenses related to selection and acquisition of properties, whether or not acquired. The Company intends to reimburse the Advisor on an ongoing basis for actual costs incurred by the Advisor in connection with the Company's operation and administration. **Incentive Compensation** – On an annual basis, the Advisor will be eligible to receive as incentive compensation an issuance of Shares in the Company or cash (the "Incentive Compensation"). The Incentive Compensation will be paid out to the Advisors as a percentage of the Company's Invested Assets as tabulated on the final day of the calendar year for which the Incentive Compensation is calculated and earned. The determination as to the Advisor's eligibility to receive the Incentive Compensation in any given year shall be based fifty percent (50%) on each of the Company's year-over-year percentage growth (per Share) of: (i) funds from operations per Share ("FFO"); and (ii) net asset value per Share of ("NAV"). The Incentive Compensation may be earned through growth in either FFO or NAV, or both, as follows: • FFO Portion of Incentive Compensation:

(i) If the Company's FFO increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base FFO Incentive").
(ii) If the Company's FFO increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base FFO Incentive.
(iii) If the Company's FFO increases year over year by over 3.0%, the Advisor will receive 115% of the Base FFO Incentive.

- NAV Portion of Incentive Compensation
  (i) If the Company's NAV increases year over year by 1.5% to 3.0%, the Advisor will receive a full 0.50% of the available Incentive Compensation ("Base NAV Incentive").
  (ii) If the Company's NAV increases year over year by 0.5% to 1.5%, the Advisor will receive 85% of the Base NAV Incentive.
  (iii) If the Company's NAV increases year over year by over 3.0%, the Advisor will receive 115% of the Base NAV Incentive.

For purposes of determining the Advisor's eligibility to receive Incentive Compensation in connection with an increase in Net Asset Value per Share or Funds from Operations per Share (each a "Compensation Metric"), the calculation of whether or not the applicable Compensation Metric has increased in any given year shall assume the issuance of 100% of the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has increased, the Advisor shall receive 100% of the shares issuable to the Advisor in connection with an increase in such Compensation Metric. If, following such calculation, the applicable Compensation Metric has not increased, the number of shares issuable to the Advisor will be reduced until such calculation produces an increase in the applicable Compensation Metric, and the Advisor shall receive that portion of the total number of shares issuable to the Advisor in connection with an increase in the applicable Compensation Metric which produces an increase in such Compensation Metric.

Any securities awarded as Incentive Compensation will be shares of common stock of the Company and will have the same rights to distributions, losses and voting as all other shares of common stock of the Company.

Property Managers:

Schafer Richardson and other third-party property managers

Property Management Fees - We pay market-rate property management fees, payable monthly. In addition, we anticipate paying leasing and construction fees that are normally incurred in the industry at prevailing market rates.

Termination of Advisory Agreement:

Advisor as Special Limited Partner

Redemption Fee for Special Limited Partnership Interests:

If the Advisor is terminated for cause or the Advisory Agreement is not renewed by the Advisor, the operating partnership will redeem the Advisor's special limited partnership interests for $9,000 (the contribution to the operating partner originally paid by the Advisor).

If the Advisory Agreement is terminated because we have become a self-administered REIT by internalizing our Advisor, the Advisor and our Board

of Directors will negotiate appropriate compensation to the Advisor in exchange for its special limited partnership interests.

If the Advisor is terminated without cause or the Advisory Agreement is terminated by our non-renewal or in connection with a merger or sale of assets or transaction pursuant to which a majority of our directors then in office are replaced or removed, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the net proceeds, as if all assets of the operating partnership had been sold for their fair market value and all liabilities of the operating partnership had been satisfied in full, after the other partners of the operating partnership would in that case have received total distributions equal to the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.

If the Advisory Agreement is terminated due to our shares becoming listed on a national securities exchange, the operating partnership will redeem the Advisor's special limited partnership interests for an amount equal to 10% of the amount by which the market value of our common stock plus distributions paid by the Company prior to listing exceeds the sum of the amount of invested capital in the operating partnership plus an 8.0% cumulative, non-compounding return on such invested capital. However, such payment cannot be less than $1,000,000.

The operating partnership will redeem the Advisor's special limited partnership interests for the amounts stated above ("the Redemption Price") in cash or, at the option of the Advisor, units of limited partnership interests in our operating partnership or shares of our common stock.

In addition to any Redemption Price paid under the terms of the Limited Partnership Agreement, the Advisor will receive the net difference between such Redemption Price and the calculated sum that is comprised of the aggregate amount of the following two (2) metrics (defined herein as the "Termination Fee"):

- the average of the previous two (2) calendar years Asset Management Fee earned by Advisors, with such result then multiplied by three (3x) **(**"AM Fee Metric"); plus

- the average of the previous two (2) calendars years Incentive Compensation earned by the Advisor ("Incentive Compensation Metric") with such result then multiplied by a declining multiple based on the Invested Assets (as determined at the time of termination of the Agreement) as set forth below:

  (i) for Invested Assets of up to $400M, the Incentive Compensation Metric shall be multiplied by 3x, with such sum then increased upon any step up in Invested Assets (with a declining multiple thereon) as set forth below:
  (ii) for Invested Assets between $400M and $500M, the Incentive Compensation Metric shall be multiplied by 2.75x; and
  (iii) for Invested Assets between $500M and $600M, the Incentive Compensation Metric shall be multiplied by 2.50x; and
  (iv) for Invested Assets between $600M and $700M, the Incentive Compensation Metric shall be multiplied by 2.25x; and

(v) for Invested Assets between $700M and $800M, the Incentive Compensation Metric shall be multiplied by 2.00x; and
(vi) for Invested Assets over $800M, the Incentive Compensation Metric shall be multiplied by 1.75x.

CONFLICTS OF INTEREST

Our officers and directors have a number of other interests in the real estate industry. Thus, we are subject to potential conflicts of interest arising out of our relationships with the Advisor's affiliates. Conflicts of interest may arise among the Advisor's respective affiliates, on the one hand, and us and our stockholders, on the other hand. As a result of these conflicts, the Advisor or its affiliates may favor their own interests and the interests of its affiliates over the interest of our stockholders. The following are some, but not all, of such conflicts of interest that may be encountered:

Allocation of time and effort. We will rely on the personnel of the Advisor and its affiliates to manage our assets and daily operations. Our officers also are officers of the Advisor and its affiliates and therefore will have conflicts of interest in allocating their time, services and functions among us and other real estate programs or business ventures that they organize or serve.

Allocation of investment opportunities. Our officers and directors are or may become committed to the continuing management of other business ventures. Accordingly, there may be conflicts of interest between our investments and other investments or business ventures in which our officers and directors are participants. In addition, our officers and directors will likely advise other investment programs that invest in commercial real estate properties and real estate related assets in which we may be interested. Therefore, our Advisor could face conflicts of interest in allocating and determining which programs will have the opportunity to acquire and participate in such investments as they become available. As a result, other investment programs in which our officers and directors have an interest may compete with us with respect to certain investments that we may want to acquire or sell.

Investments owned by our officers and directors or their affiliates. Our Advisor will identify and select potential investments in commercial real estate properties and other real estate related assets in which we may be interested. Such investments could include property owned by our officers and directors or their affiliates.

May profit even if investment is not profitable. Our officers and directors and their affiliates may be appointed or utilized to provide other services to the Company and our assets and receive fees and compensation for providing such other services. Therefore, our officers and directors and their affiliates may profit from our real estate investments even when we lose all or a portion of our investment.

Not arms-length agreements. The agreements and arrangements, including those relating to compensation, between us and the Advisor and its affiliates are not the result of arm's-length negotiations and their terms may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended December 31, 2023 and 2022 can be found in the notes to the Company's audited consolidated financial statements attached to this Memorandum as Exhibit B.

USE OF PROCEEDS

If all the Shares offered hereby are sold at the offering price of $13.50, we will receive gross proceeds of $20,000,000. Notwithstanding the foregoing, the Shares will be offered and sold at a discounted price of $12.825 per Share to insiders (which consist of our directors and officers; the governors, officers and employees of our Advisor; and their affiliates) and the gross proceeds from the offering will be reduced to the extent of any such sales to Insiders. We anticipate that the majority of the net proceeds will be contributed to our operating partnership. The operating partnership will then use such funds to make investments in accordance with our investment strategy and policies.

We estimate the proceeds will be applied substantially as follows, assuming the amount raised indicated:

	Percent Completion of Offering			
	25%	50%	75%	100%
Offering expenses	$50,000	$50,000	$50,000	$50,000
Reduction of indebtedness	3,000,000	8,000,000	13,500,000	18,000,000
General working capital	1,950,000	1,950,000	1,950,000	1,950,000
Total	$5,000,000	$10,000,000	$15,000,000	$20,000,000

General working capital may include use of proceeds, by either the Company or the operating partnership, to pursue acquisition opportunities and to fund other general operating expenses.

The use of proceeds reflected above represents our best estimate of how the proceeds of this offering will be allocated based on the current state of the Company, our current business plan, and the projected capital requirements of the Company and the operating partnership. These estimates are subject to change based upon factors such as the availability of actual proceeds from this offering and changes to the capital needs of the Company and the operating partnership. If we are unable to fully fund the payment of distributions or payments due on Time Certificates out of cash flows from operations, we may pay some or all of our distributions or payments due on Time Certificates from other sources, including offering proceeds, in anticipation of future operating cash flow.

Commencing with Time Certificates sold after April 1, 2023, Time Certificates with a length of one year or more may, at the holder's option, be converted into Shares at a discounted purchase price per share. If the holder of the Time Certificate elects to convert after one year but before two years, the purchase price per share will be discounted 3%. If converted between two and three years, the discount will be 4%, and after three years the discount will be 5%. Time Certificate holders that convert their Time Certificates to Shares must be accredited investors at the time of conversion. Shares that are sold by means of the conversion of Time Certificates will not result in additional cash proceeds to the Company.

We are offering the Shares on a "best efforts" basis, and there is no minimum amount that must be raised before the Company may begin accepting subscriptions for the Shares and using the proceeds received from investors.

DILUTION

As of December 31, 2023, our net tangible book value (total assets, excluding intangible assets, less total liabilities) attributable to the Company only was $88,427,082, or $34.06 per share. This number is based on 2,595,991.5150 common shares outstanding as of March 31, 2024 but does not account for the 9,440,580.9329 non-controlling limited liability limited partnership units outstanding as of March 31, 2024, which may, after a holding period and upon a repurchase request by the holder, be purchased by the Company and exchanged for common shares, in the Company's discretion, on a one-for-one basis pursuant to the operating partnership's LP Agreement under the Exchange Right. This calculation also does not account for $76,697,498 of book value attributable to the non-controlling interest.

If all of the Shares offered hereby are sold, and are sold at $13.50 per Share, assuming no other changes in the net tangible book value after December 31, 2023, and after deducting offering expenses estimated to be $50,000, and no broker/dealer commissions, our net tangible book value would be increased to $108,377,082 but would result in a lower net tangible book value per share of $26.58. This number is based on 4,077,472.9965 common shares outstanding after the offering.

However, if it was assumed that the 9,440,580.9329 limited liability limited partnership units outstanding as of March 31, 2024, were all exchanged into common shares under the Exchange Right (on a one-to-one basis), our net tangible book value per share would be $7.35 per share as of March 31, 2024. Then, if all the Shares offered hereby are sold and are sold at $13.50 per Share, assuming no other changes in the net tangible book value after December 31, 2023, and after deducting estimated offering expenses of $50,000 and no broker/dealer commissions, our net tangible book value per share would be $8.02 per share, and new investors would suffer an immediate dilution (the difference between the offering price of $13.50 per share, and the $8.02 net tangible book value per share after the offering) of $5.48 per share, assuming the exchange of all the limited partnership units. A unitholder's Exchange Rights are restricted by, among other factors, the ownership limitations contained in the Charter, and so the number of units which may be exchanged under the Exchange Right may be limited.

PRINCIPAL STOCKHOLDERS

The following table shows, as of the date of this Memorandum, the beneficial ownership of common shares of the Company and of limited partnership units of our operating partnership, which are exchangeable for Shares of our common stock on a one-for-one basis or cash, at the option of the Company (the "Exchange Right"), by (1) each director and executive officer of the Company and (2) all of the directors and executive officers of the Company as a group. The calculation of the percentage of outstanding shares is based on 2,595,991.5150 common shares outstanding as of March 31, 2024. Except as otherwise indicated by footnote, each shareholder named has sole voting and investment power with respect to such common shares and limited partnership units.

	Common Shares Beneficially Owned		Limited Partnership Units Beneficially Owned [1]		Percentage of Total Shares if All Units Exchanged [3]
Name of Beneficial Owner	Number [2]	Percentage	Number[2]	Percentage	Percentage
Bradley J. Shafer [4]	114,526	4.41%	558,190	5.91%	5.59%
N. Christopher Richardson [5, 6]	104,856	4.04%	550,066	5.83%	5.44%
Steven G. Norcutt [9]	119,463	4.60%	104,064	1.10%	1.86%
Gregory J. Springer [7]	49,906	1.92%	-	-	0.41%
Evan C. Richardson [5]	53,087	2.04%	807	0.01%	0.45%
Peter Bell	7,000	0.27%	172,377	1.83%	1.49%
Jeffrey L. Wright	34,408	1.33%	-	-	0.29%
James. W. Hansen	56,019	2.16%	-	-	0.47%
David. W. Smith [8]	201,494	7.76%	10,075	0.11%	1.76%
All directors and executive officers as a group	740,760	28.53%	1,395,579	5.91%	17.75%

Notes:

(1) Upon the expiration of an initial mandatory holding period, a holder of limited partnership units may request the operating partnership to repurchase the units. At such time, the Company has the option to purchase such units, in lieu of the operating partnership, for either common shares on a one-for-one basis or cash. The number of limited partnership units does not take into account the ownership limitations contained in our charter.

(2) Share and unit amounts have been rounded to the nearest whole number.

(3) Each figure showing the percentage of Total Shares beneficially owned has been calculated by treating as outstanding and owned the common shares which may be acquired by the indicated person, and all other Unit Holders, as of the date of this Memorandum pursuant to the Exchange Rights, taking into account the mandatory holding period.

(4) Includes 68,486 Shares owned by Mr. Schafer's spouse.

(5) Includes 5,618 shares of common stock and 9,380 units held in an irrevocable trust of which Mr. Richardson is a trustee and Evan Richardson is a beneficiary. These shares and units are not included in Evan Richardson's share or unit amounts.

(6) Includes 55,427 shares of common stock and 55,371 units held in a revocable trust owned by Mr. Richardson's spouse.

(7) Includes 16,843 shares of common stock held in an IRA for the benefit of Mr. Springer.

(8) Includes 65,105 shares of common stock held in an IRA for the benefit of Mr. Smith.

(9) Includes 2,527 shares of common stock held in a revocable trust owned by Mr. Norcutt's spouse.

DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock summarizes some of the provisions of our charter and bylaws as in effect as of the date of this Memorandum. Because it is a description of what is contained in our charter and bylaws, it may not contain all the information that is important to you.

Under our charter, we are authorized to issue up to 100,000,000 shares of capital stock, $0.01 par value per share, and up to 50,000,000 shares of preferred stock, $0.01 par value per share. Our charter authorizes our Board of Directors to amend our charter to increase the aggregate number of authorized shares or the number of authorized shares of any class or series without stockholder approval. As of March 31, 2024, 2,595,991.5150 shares of our common stock were issued and outstanding, and 527,856.7650 shares of preferred stock were issued and outstanding. See "Principal Stockholders."

All of the outstanding shares of our common stock are fully paid and non-assessable, and the Shares offered hereby will be fully paid and non-assessable. Holders of our stock are not liable for further calls or assessments. Our common stock is not convertible. In the discretion of our Board of Directors, we may redeem up to 5% of the outstanding shares of our common stock annually. See "Executive Summary – Redemption Program."

Common Stock

The holders of our common stock are entitled to one vote per share on all matters voted on by stockholders, including the election of our directors. Our charter does not provide for cumulative voting in the election of directors. Therefore, the holders of a majority of the outstanding shares of our common stock can elect our entire Board of Directors, subject to the Advisor's right to appoint a director in each class.

Subject to any preferential rights of any outstanding series of preferred shares, the holders of our common stock are entitled to such distributions as may be authorized from time to time by our Board of Directors out of legally available funds and declared by us and, upon liquidation, are entitled to receive all assets available for distribution to stockholders.

Holders of our common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares of common stock that we issue, or have appraisal rights, unless our Board of Directors determines that appraisal rights apply, with respect to all or any classes or series of our common stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise such rights. Stockholders are not liable for our acts or obligations.

Preferred Stock

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock. Prior to issuance of shares of each class or series, the Board of Directors is required by the Maryland General Corporation Law to set, subject to our charter restrictions on transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of common stock or preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. Our Board of Directors has no present plans to issue preferred stock but may do so at any time in the future without stockholder approval.

Issuance of Additional Securities and Debt Instruments

Our Board of Directors is authorized to issue additional securities, including common stock, preferred stock, convertible preferred stock and convertible debt, for cash, property or other consideration on such terms as they may deem advisable and to classify or reclassify any unissued shares of capital stock of our company without approval of the holders of the outstanding securities. We may issue debt obligations with conversion privileges on such terms and conditions as the directors may determine, whereby the holders of such debt obligations may acquire our common stock or preferred stock. We may also issue warrants, options and rights to buy shares on such terms as the directors deem advisable subject to certain restrictions in our charter, despite the possible dilution in the value of the outstanding shares which may result from the exercise of such warrants, options or rights to buy shares, as part of a ratable issue to stockholders, as part of a private or public offering or as part of other financial arrangements. Our Board of Directors, without any action by stockholders, may also amend our charter from time to time to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue.

Restrictions on Ownership and Transfer

In order to qualify as a REIT under the federal tax laws, we must meet several requirements concerning the ownership of our outstanding capital stock. Specifically, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly,

by five or fewer individuals, as defined in the federal income tax laws to include specified private foundations, employee benefit plans and trusts and charitable trusts, during the last half of a taxable year. Moreover, 100 or more persons must own our outstanding shares of capital stock during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year.

Because our Board of Directors believes it is important for us to continue to qualify as a REIT and for other corporate purposes, our charter, subject to the exceptions described below, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the federal income tax laws, more than 9.8% of:

- the value of outstanding shares of our capital stock; or
- the value or number (whichever is more restrictive) of outstanding shares of our common stock:

unless specifically exempted by our Board of Directors.

Our charter provides that, subject to the exceptions described below, any transfer of capital stock that would:

- result in any person owning, directly or indirectly, shares of our capital stock in excess of the foregoing ownership limitations;
- result in our capital stock being owned by fewer than 100 persons, determined without reference to any rules of attribution;
- result in our company being "closely held" under the federal income tax laws;
- cause us to own, actually or constructively, 9.9% or more of the ownership interests in a tenant of our real property, under the federal income tax laws; or
- before our shares constitute a class of "publicly-offered securities," result in 25% or more of our shares being owned by ERISA investors;

will be null and void, with the intended transferee acquiring no rights in such shares of stock or result in such shares being designated as shares-in-trust and transferred automatically to a trust effective on the day before the purported transfer of such shares. The record holder of the shares that are designated as shares-in-trust, or the prohibited owner, will be required to submit such number of shares of capital stock to us for registration in the name of the trust. We will designate the trustee, but it will not be affiliated with the Company. The beneficiary of the trust will be one or more charitable organizations that are named by us.

Shares-in-trust will remain shares of issued and outstanding capital stock and will be entitled to the same rights and privileges as all other stock of the same class or series. The trust will receive all dividends and distributions on the shares-in-trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trust will vote all shares-in-trust. The trust will designate a permitted transferee of the shares-in-trust, provided that the permitted transferee purchases such shares-in-trust for valuable consideration and acquires such shares-in-trust without such acquisition resulting in a transfer to another trust.

Our charter requires that the prohibited owner of the shares-in-trust pay to the trust the amount of any dividends or distributions received by the prohibited owner that are attributable to any shares-in-trust and the record date of which was on or after the date that such shares of stock became shares-in-trust. The prohibited owner generally will receive from the trust the lesser of:

- the price per share such prohibited owner paid for the shares of capital stock that were designated as shares-in-trust or, in the case of a gift or devise, the market price per share on the date of such transfer; or
- the price per share received by the trust from the sale of such shares-in-trust.

The trust will distribute to the beneficiary any amounts received by the trust in excess of the amounts to be paid to the prohibited owner.

The shares-in-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:

- the price per share in the transaction that created such shares-in-trust or, in the case of a gift or devise, the market price per share on the date of such transfer; or
- the market price per share on the date that we, or our designee, accepts such offer.

We will have the right to accept such offer for a period of 90 days after the later of the date of the purported transfer which resulted in such shares-in-trust or the date we determine in good faith that a transfer resulting in such shares-in-trust occurred.

"Market price" on any date means the average of the closing prices for the five consecutive trading days ending on such date. The "closing price" refers to the last quoted price as reported by the primary securities exchange or market on which our stock is then listed or quoted for trading. If our stock is not so listed or quoted at the time of determination of the market price, our Board of Directors will determine the market price in good faith.

If you acquire or attempt to acquire shares of our capital stock in violation of the foregoing restrictions, or if you owned common or preferred shares that were transferred to a trust, then we will require you immediately to give us written notice of such event and to

provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

If you own, directly or indirectly, more than 5%, or such lower percentages as required under the federal income tax laws, of our outstanding shares of stock, then you must, within 30 days after January 1 of each year, provide to us a written statement or affidavit stating your name and address, the number of shares of capital stock owned directly or indirectly, and a description of how such shares are held. In addition, each direct or indirect stockholder shall provide to us such additional information as we may request in order to determine the effect, if any, of such ownership on our status as a REIT and to ensure compliance with the ownership limits.

Our Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel and upon such other conditions as our Board of Directors may direct, may exempt a person from the ownership limits. However, the ownership limits will continue to apply until our Board of Directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The Board of Directors has approved David W. Smith, an independent director of the Company, as exempt from the 9.8% ownership limitation in accordance with that certain Excepted Holder agreement entered into between Mr. Smith and the Company in March 2020.

All certificates representing our common or preferred shares, if any, will bear a legend referring to the restrictions described above.

The ownership limits in our charter may have the effect of delaying, deferring or preventing a takeover or other transaction or change in control of us that might involve a premium price for your shares or otherwise be in your interest as a stockholder.

Time Certificates

Commencing with Time Certificates sold after April 1, 2023, Time Certificates with a length of one year or more may, at the holder's option, be converted into Shares at a discounted purchase price per share. If the holder of the Time Certificate elects to convert after one year but before two years, the purchase price per share will be discounted 3%. If converted between two and three years, the discount will be 4%, and after three years the discount will be 5%. Time Certificate holders that convert their Time Certificates to Shares must be accredited investors at the time of conversion.

Distributions

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for federal income tax purposes. Generally, income distributed will not be taxable to us under the Internal Revenue Code of 1986, as amended, if we distribute at least 90% of our taxable income each year (computed without regard to the distributions paid deduction and our net capital gain). Distributions will be authorized at the discretion of our Board of Directors, in accordance with our earnings, cash flow and general financial condition. Our Board of Directors' discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. We are authorized to borrow money, issue new securities or sell assets to make distributions. There are no restrictions on the ability of our operating partnership to transfer funds to us.

We are not prohibited from distributing our own securities in lieu of making cash distributions to stockholders, provided that the securities distributed to stockholders are readily marketable. The receipt of marketable securities in lieu of cash distributions may cause stockholders to incur transaction expenses in liquidating the securities. We do not have any current intention to list the shares of our common stock on a national securities exchange, nor is it expected that a public market for the shares of common stock will develop.

Although we intend to fund the payment of distributions solely from cash flow from operations, we may pay distributions from other sources, including the sale of assets, borrowings or return of capital (including from the proceeds received in this offering) or from the sale of Time Certificates. In addition, we may distribute stock dividends, consent dividends and "throwback" distributions in lieu of cash distributions in the case of a cash shortfall where the 90% distribution requirement cannot be met.

Dividend Policy

We have historically paid regular quarterly dividends to our stockholders. Because all of our operations are conducted through our operating partnership, our ability to pay dividends depends on the operating partnership's ability to make distributions to us and its other limited partners. Dividends will be paid to stockholders as of the record dates selected by the Board of Directors. We intend to pay dividends sufficiently to satisfy the requirements for qualification as a REIT for federal tax purposes.

The following table shows the historic dividends we have paid on a per share basis over the last three years:

Period Paid	Dividend Per Share	Annual Dividend Percentage Yield
First Quarter 2021	$0.175	5.60%
Second Quarter 2021	$0.180	5.33%
Third Quarter 2021	$0.180	5.33%
Fourth Quarter 2021	$0.180	5.33%
First Quarter 2022	$0.180	5.33%
Second Quarter 2022	$0.180	4.88%
Third Quarter 2022	$0.180	4.88%
Fourth Quarter 2022	$0.180	4.88%
First Quarter 2023	$0.180	4.88%
Second Quarter 2023	$0.180	4.88%
Third Quarter 2023	$0.180	4.88%
Fourth Quarter 2023	$0.180	4.88%
First Quarter 2024	$0.180	4.88%

We expect to maintain the dividend rate at its present rate to the extent necessary to meet REIT qualification for federal tax purposes. In making this determination, the results of our operations, our general financial condition, general economic conditions and other factors may impact future dividend rates. The funds we receive from operations that are available for dividends may also be affected by a number of additional factors, including:

- our operating and interest expenses;
- the ability of tenants to meet their obligations under the leases associated with our properties;
- our ability to keep our properties occupied;
- our ability to maintain or increase rental rates when renewing or replacing current leases; and
- unanticipated capital expenditures.

We may not be able to maintain our historical or expected level of dividends in the future. Our ability to pay dividends will be impacted by our investing and financing strategies. In particular, we expect to continue to finance certain acquisitions partially through borrowings. As a result, our need to repay and/or refinance such indebtedness may adversely affect our ability to make future dividends. We must distribute to our stockholders at least 90% of our taxable income in order to meet the requirements for being treated as a REIT under the Internal Revenue Code of 1986, as amended.. Our Board of Directors may increase this percentage as they deem appropriate. Since the Code's distribution requirements are calculated after inclusion of certain non-cash income items and deduction of certain non-cash charges, we expect normal distributions of our funds from operations will exceed any such dividend requirements. However, on occasion, we may have to distribute more than our funds generated from operations in order to maintain our qualification as a REIT. On such occasions, we may have to borrow the excess funds required from third parties.

Federal Income Tax Treatment of Common Dividends

For income tax purposes, dividends paid to the Company's common stockholders are characterized as ordinary income, capital gains or as a return of stockholder's invested capital. For the years ended December 31, 2023 and 2022, the dividends per common share were characterized as follows:

	2023	As a Percentage of Distributions	2022	As a Percentage of Distributions
Ordinary Income	$0.0714	9.92%	$0.0000	0.00%
Capital Gain	0.0319	4.43%	0.0000-	0.0%
Return of Capital	0.6167	85.65%	0.0000	0.0%
	$0.7200	100.0%	$0.7200	100.00%

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan, whereby stockholders will be able to elect to have their cash dividends automatically reinvested in additional shares of our common stock. All such dividends will be immediately reinvested in our shares on behalf of the participants on the business day such dividend would have been paid to such stockholder.

The per share purchase price for shares purchased pursuant to the dividend reinvestment plan is equal to 95% of the then-current price per share, determined as of the dividend effective date. No selling commissions are payable with respect to shares purchased pursuant to the dividend reinvestment plan. Shares acquired under the dividend reinvestment plan entitle the participant to the same rights to be treated in the same manner as those purchased in this offering.

We reserve the right to amend any aspect of our dividend reinvestment plan without the consent of our stockholders, provided that notice of any material amendment is sent to participants at least ten days prior to the effective date of that amendment. In addition, we may terminate the dividend reinvestment plan for any reason at any time upon ten days' prior written notice to participants. A stockholder's participation in the plan will be terminated to the extent that a reinvestment of such stockholder's dividends in our shares would cause the percentage ownership or other limitations contained in our charter to be violated. Participants may terminate their participation in the dividend reinvestment plan with ten days' prior written notice to us.

Account Statements

Within 90 days after the end of each fiscal year, we will mail to each participant a statement of account describing, as to such participant: (1) the dividends reinvested during the year; (2) the number of shares purchased during the year; (3) the per share purchase price for such shares; and (4) the total number of shares purchased on behalf of the participant under the plan. In addition, tax information with respect to income earned on shares under the plan for the calendar year will be sent to each applicable participant.

Tax Consequences of Participation

If a stockholder elects to participate in the dividend reinvestment plan and is subject to federal income taxation, the stockholder will be treated as if the stockholder has received the dividend from us in cash and then applied such dividend to the purchase of additional shares. The stockholder will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain dividend in which event the dividend will be treated as long-term capital gain.

Redemption Program

To provide liquidity to investors, we have adopted a redemption program whereby the Company may redeem up to 5% of the outstanding shares of our common stock per year, subject to the discretion of the Board of Directors. Beginning on the second anniversary of the date an investor originally acquires its shares of Company common stock (or, if the investor initially acquired such shares of Company common stock in exchange for units in our operating partnership, the second anniversary of the date the investor acquired such operating partnership units), an investor may request that the Company redeem the investor's shares of Company common stock. Any shares of Company common stock redeemed under the redemption program will be redeemed at 97% of the per share price of the Company's common stock on the date the redemption request is received by the Company, as such price is determined by the Board of Directors. The Board of Directors can withdraw, revoke or eliminate the redemption program at any time for any reason or no reason on ten (10) days' notice. Additional information about our redemption program is available upon request.

Transfer Agent

The Company's transfer agent is Computershare Limited.

PLAN OF DISTRIBUTION

The Offering

We are offering up to $20,000,000 worth of shares of common stock of the Company, $0.01 par value per share, at an offering price of $13.50 per Share; provided, however, that the Shares will be offered and sold at a discounted price of $12.825 per Share to insiders (which consist of our directors and officers; the governors, officers and employees of our Advisor; and their affiliates ("Insiders")). We are offering the Shares on a "best efforts" basis, and there is no minimum amount that must be raised before the Company may begin accepting subscriptions for the Shares and using the proceeds received from investors.

We may in our sole discretion increase the offering by up to $5,000,000 worth of additional common shares to cover over subscriptions, if any.

The Shares are being offered solely to "accredited investors," as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act"). See "Plan of Distribution – Investor Qualifications." A minimum subscription of $20,000 from each investor is required, unless waived by the Company in its sole discretion. The offering price of the Shares was arbitrarily determined by the Company and is not related to the Company's operating results, assets, independent appraisals, net worth or other financial statement criteria of value. Prior to this offering, there has been no market for the Company's securities, and it is unlikely that such a market will develop in the foreseeable future.

We anticipate that we will conduct several closings on the sales of the Shares throughout the term of the offering. The final closing on the sale of Shares will occur no later than the last date of the term of this offering. Investors whose subscriptions are accepted at a closing will be admitted as stockholders of the Company as of the first day of the succeeding month.

The offering will terminate on March 31, 2025 (the "Termination Date"), unless extended by us in our sole discretion. If we do not accept a subscription on or before the Termination Date, subject to our right to extend such date, the original subscription will be returned unaccepted, and the funds will be returned without deduction but with any interest earned thereon to the appropriate investor.

We reserve the right, exercisable in our discretion, to reject any subscription agreement, in whole or in part, for any reason, to waive any minimum investment limits for a particular investor and to allot to a particular investor fewer than the number of Shares being subscribed for and/or to withdraw or cancel this offering without notice or to modify its terms. We reserve the right to abandon, withdraw, cancel or modify the offering at any time in our sole discretion.

This offering does not constitute a public offer to sell or a public solicitation of an offer to buy the securities described herein. No general solicitation will be conducted and no offering literature or advertising of any sort will be employed in the offering of the Shares except for this Memorandum and any exhibits, supplements or amendments hereto.

The Shares are being sold by our executive officers and directors, who will receive no commissions, warrants or other compensation for doing so. However, we may, at our discretion, retain registered broker/dealers to act as non-exclusive agents ("Agents") to sell the Shares in this Offering. We retain the right to pay such Agents consideration for doing so, which may include commissions and warrants to purchase shares of our common stock. Any such commissions and fees would increase the expense of the Offering and reduce our proceeds.

Our directors and officers and the Advisor and its affiliates may purchase Shares in this offering. All Shares purchased by such parties in this offering will be counted towards satisfying the maximum number of Shares offered in this offering.

Investor Qualifications

State Residency. Investment in the Shares offered hereby is limited to persons who are bona fide residents of states in which this offering is exempt from registration, or in which the Shares have been registered or qualified for sale. Investors will be required to identify their state of residence in the Subscription Agreement and to represent that they are purchasing the Shares for their own account and not for the account of, or beneficial interest in, or with the intent to transfer to, any person not named therein.

Financial Suitability and Accredited Investor Status. An investment in the Shares offered hereby is highly speculative, involves a high degree of risk and is not liquid. Accordingly, investors should purchase the Shares only if they have no need for liquidity of investment with respect to the Fund's securities and can afford the loss of their entire investment.

We will sell the Shares only to persons who are "accredited investors," as such term is defined in Rule 501(a) of Regulation D under the 1933 Act. Accredited investors generally include:

- Any of our executive officers or members of our Board of Directors;
- Any natural person who had an individual income in excess of $200,000 in each of the two (2) most recent years or joint income with that person's spouse (or spousal equivalent)3 in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

- Any natural person whose individual net worth, or joint net worth with that person's spouse (or spousal equivalent), at the time of his/her purchase exceeds $1,000,000;
- Any natural person who holds, in good standing, one of the following professional licenses: the General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65); Any natural person who is a "knowledgeable employee" (as defined in Rule 3c-5(a)(4) under the Investment Company Act of 1940), of the issuer of the offered securities where the issuer would be an investment company (as defined in Section 3 of such Act), but for the exclusion provided by either Section 3(c)(1) or Section 3(c)(7) of such Act. Any bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any investment adviser registered under Section 203 of the Investment Advisers Act of 1940 or registered under the laws of a state; any investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in Section 2(13) of the Act; any 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; any 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, as amended; any Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended; Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, a corporation, a Massachusetts or similar business trust, a partnership, or a limited liability company, not formed for the specific purpose of acquiring the Shares, with total assets in excess of $5,000,000;
- Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D;
- Any entity in which all of the equity owners are accredited investors;
- Any other entity (not listed above) that is not formed for the specific purpose of acquiring the Shares and owns investments (as defined in Rule 2a51-1(b) under the Investment Company Act of 1940) in excess of $5,000,000;
- Any family office (as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940) that (i) has assets under management in excess of $5,000,000; (ii) is not formed for the specific purpose of acquiring the Shares; and (iii) has a person directing the prospective investment who has such knowledge and experience in financial and business matters so that the family office is capable of evaluating the merits and risks of the prospective investment;
- Any family client (as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940), of a family office meeting the requirements of the preceding paragraph and whose prospective investment in the issuer is directed by that family office pursuant to the preceding paragraph.

Restrictions on Transferability of Securities

The Shares offered hereby have not been registered under the 1933 Act, Minnesota securities law or other state securities laws. Consequently, investors must bear the economic risk of the investment for an indefinite period of time, and the Shares cannot be sold unless they are subsequently registered under the 1933 Act or applicable state securities laws or unless an exemption from such registration is available. Certain restrictions will be placed on the sale or assignment of the Shares including: (i) the placing of a legend on any certificate or agreement evidencing the Shares stating that they have not been registered under the 1933 Act or any state securities law and that such Shares may not be sold or assigned without such registration or an available exemption therefrom; (ii) at our request, providing an opinion of counsel reasonably satisfactory to the Company regarding exemptions for such resales; (iii) the requirement that investors, in the Subscription Agreement, represent in writing that they are purchasing the Shares for their own account for investment and not for resale and that the Shares will not be sold or assigned without registration under the 1933 Act and the applicable state securities law covering such sale, or an appropriate exemption therefrom; and (iv) the requirement to obtain written consent of us for a transfer. We will not transfer any Shares held by a stockholder that would violate these restrictions or that would result in a violation of the transfer restrictions contained in our charter. Investors should seek independent legal advice regarding the effect of these restrictions and investment representations on the transferability of the Shares and the applicability of Rule 144 and other rules of the Securities and Exchange Commission applicable to the resale of restricted securities.

IMPORTANT PROVISIONS OF MARYLAND CORPORATE LAW AND OUR CHARTER AND BYLAWS

The following is a summary of some important provisions of Maryland General Corporate Law (MGCL) and our charter and bylaws in effect as of the date of this Memorandum.

Limitation of Liability and Indemnification

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter provides that none of our directors or officers will be liable to our company or our stockholders for money damages.

Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty,
- the director or officer actually received an improper personal benefit in money, property or services, or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

Maryland law permits us to indemnify and pay or reimburse reasonable expenses in advance of the final disposition of a proceeding to our directors, our officers, the Advisor, the Advisor's affiliates and any individual who, while our director or officer at our request, served as a director, trustee, partner or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for losses they may incur by reason of their service in those capacities; provided, however, we do not intend to indemnify or hold harmless our directors, our officers, the Advisor or its affiliates unless all of the following conditions are met:

- the party was acting on behalf of or performing services on the part of the Company;
- our directors, officers, Advisor or its affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;
- such indemnification or agreement to be held harmless is recoverable only out of our net assets and not from our stockholders; and
- such liability or loss was not the result of:
    - negligence or misconduct by our officers or directors (other than the independent directors) or the Advisor or its affiliates; or
    - gross negligence or willful misconduct by the independent directors.

The Securities and Exchange Commission takes the position that indemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable.

Also, our Board of Directors may cause us to indemnify or contract to indemnify any person not specified above who was, is, or may become a party to any proceeding, by reason of the fact that he or she is or was an employee or agent of ours, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the same extent as if such person were specified as one whom indemnification is granted as described above. Any determination to indemnify or contract to indemnify will be made by a majority vote of the Board of Directors.

We may purchase and maintain insurance to indemnify such parties against the liability assumed by them.

The indemnification provided in our charter is not exclusive to any other right to which any person may be entitled, including any right under policies of insurance that may be purchased and maintained by us or others, with respect to claims, issues or matters in relation to which we would not have obligation or right to indemnify such person under the provisions of our charter.

Defenses Available

There are defenses available to our directors and officers and the Advisor under Maryland corporate law in the event of a stockholder action against them. A director or officer may contend that he or she performed the action giving rise to the stockholder's action in good faith, in a manner he or she reasonably believed to be in our best interests and with the care that an ordinarily prudent person in a like position under similar circumstances would have used. The directors and officers also are entitled to rely on information,

opinions, reports or statements prepared by experts, including accountants, consultants and counsel, who were selected with reasonable care or a committee of the Board of Directors on which the director does not serve as to a matter within its authority so long as the director has a reasonable belief that the committee merits its confidence.

Takeover Provisions of the MGCL

The following paragraphs summarize some provisions of Maryland law and our charter and bylaws which may delay, defer or prevent a transaction or a change of control of the Company that might involve a premium price for our stockholders.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (defined as any person who beneficially owns 10% or more of the voting power of the corporation's shares or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation) or an affiliate of such an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. A person is not an interested stockholder under the statute if the Board of Directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board of Directors. Thereafter, any such business combination must be recommended by the Board of Directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a Board of Directors prior to the time that the interested stockholder becomes an interested stockholder.

Pursuant to the statute, our Board of Directors has opted out of these provisions of the MGCL only with respect to affiliates of our company and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any of our affiliates. As a result, any affiliate who becomes an interested stockholder may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance by us with the super-majority vote requirements and the other provisions of the statute.

Control Share Acquisitions

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors:

(1) a person who makes or proposes to make a control share acquisition,

(2) an officer of the corporation, or

(3) an employee of the corporation who is also a director of the corporation.

"Control shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

(a) one-tenth or more but less than one-third,

(b) one-third or more but less than a majority, or

(c) a majority or more of all 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 control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the Board of Directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply to (a) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) acquisitions approved or exempted by the charter or bylaws of the corporation.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summarizes the material United States federal income tax considerations relating to our qualification and taxation as a REIT and the acquisition, holding, and disposition of our common stock. For purposes of this section under the heading "Material United States Federal Income Tax Considerations," references to "the company," "we," "our," and "us" mean only SR Realty Trust, Inc. and not its subsidiaries or other lower-tier entities, except as otherwise indicated. You are urged both to review the following discussion and to consult your tax advisor to determine the effect of the ownership and disposition of our shares on your individual tax situation, including any state, local or non-U.S. tax consequences.

This summary is based upon the Code, the Treasury regulations promulgated by the U.S. Treasury Department (the "Treasury Regulations"), current administrative interpretations and practices of the IRS (including administrative interpretations and practices expressed in private letter rulings, which are binding on the IRS only with respect to the particular taxpayers who requested and received the rulings) and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. We cannot assure you that the IRS would not assert, or that a court would not sustain, a position contrary to any of the material United States federal income tax consequences described in this summary. No advance ruling has been, or will be, sought from the IRS regarding any matter discussed in this summary. This summary is for general information only and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular stockholder in light of the stockholder's investment or particular tax circumstances, or to stockholders subject to special tax rules, such as financial institutions, insurance companies, and broker-dealers.

This summary assumes that stockholders will hold shares of our common stock as capital assets within the meaning of Code Section 1221.

Except for the discussion under "Taxation of Non-U.S. Stockholders" and "Backup Withholding and Information Reporting" below, this summary of material federal income tax considerations generally relates only to U.S. stockholders. A "U.S. stockholder" means a beneficial owner of our common stock who is: (a) an individual citizen or resident of the United States, (b) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof (including the District of Columbia), (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (d) any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trustor or (ii) it has a valid election in place to be treated as a U.S. person. Beneficial owners of our common stock who are not U.S. stockholders ("non-U.S. stockholders") should consult their own tax advisors regarding the tax consequences to them of the purchase, ownership, and sale of our common stock.

THE U.S. FEDERAL INCOME TAX TREATMENT OF HOLDERS OF OUR COMMON STOCK DEPENDS, IN SOME INSTANCES, ON DETERMINATIONS OF FACT AND ON INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES TO YOU OF ACQUIRING, HOLDING, AND DISPOSING OF OUR COMMON STOCK.

Taxation of the Company

We believe that we are organized and will operate in a manner that allows us to qualify for taxation as a REIT under the Code, and we intend to continue to be organized and to operate in such a manner.

Our qualification and taxation as a REIT will depend upon our ability to meet, on an ongoing basis, the various and complex REIT qualification tests imposed under the Code. See "Requirements for Qualification—General" below. Accordingly, we cannot assure you that we, in fact, will satisfy such requirements. While we believe that we are organized to qualify as a REIT, and we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, the possibility of future changes in our circumstances, and circumstances that are not entirely within our control, we cannot assure you that we will qualify as a REIT for any particular year.

Taxation of REITs in General

As indicated above, our qualification and taxation as a REIT depend on our ability to meet, on a continuing basis, various qualification requirements that the Code imposes on REITs. The material qualification requirements are summarized under "Requirements for Qualification—General" below. While we intend to operate so that we qualify as a REIT, we cannot assure you that the IRS will not challenge our qualification as a REIT or that we will be able to operate in accordance with the REIT requirements in the future. See "Failure to Qualify" below.

As a REIT, we, in general, will not be subject to U.S. federal corporate income tax on our net income that we distribute each year to our stockholders. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that, in general, results from owning stock in a corporation.

As a REIT though, we will be subject to U.S. federal tax in the following circumstances:

- We will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.
- If we have net income from prohibited transactions, such income will be subject to a 100% tax. "Prohibited transactions" are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, rather than for investment, other than foreclosure property. See "—Prohibited Transactions" and "—Foreclosure Property" below.
- If we have net income from the sale or disposition of "foreclosure property," as described below, which is held primarily for sale in the ordinary course of business or other nonqualifying income from foreclosure property, we will be subject to corporate tax on such income at the highest applicable rate (currently 21%).
- If we fail to satisfy the 75% gross income test or the 95% gross income test, each as discussed below, but still maintain our qualification as a REIT because we meet other requirements, we will be subject to a 100% tax on an amount equal to (a) the greater of (1) the amount by which we fail the 75% gross income test or (2) the amount by which we fail the 95% gross income test, multiplied by (b) a fraction intended to reflect our profitability.
- If we fail to satisfy any of the REIT asset tests, as described below, other than a failure by a *de minimis* amount of the 5% or 10% asset tests, each as described below, but our failure is due to reasonable cause and not willful neglect, and we still maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or 21% of the net income generated by the nonqualifying assets during the period in which we failed to satisfy the asset tests.
- If we fail to satisfy any other REIT qualification requirements (other than a gross income or an asset test requirement) and the failure is due to reasonable cause and not willful neglect, we may retain our REIT qualification, but we will be required to pay a penalty of $50,000 for each failure.
- If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (1) the amounts that we actually distribute (taking into account excess distributions from prior years) and (2) retained amounts on which we pay U.S. federal corporate income tax.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet recordkeeping requirements that are intended to monitor our compliance with rules relating to the composition of our stockholders, as described in "—Requirements for Qualification—General" below.
- If we acquire appreciated assets from a C corporation (i.e., a corporation that is subject to corporate federal income tax) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the C corporation and if we subsequently recognize gain on a disposition of any such asset during the ten-year period following the acquisition, we will be subject to tax at the then-applicable highest regular corporate rate on the lesser of (i) the amount of gain that we would have recognized if we had sold the asset when we acquired it (i.e., the built-in appreciation at the time of the acquisition) and (ii) the amount of gain that we recognize when we dispose of the asset. The results described in this paragraph assume that the non-REIT corporation will not elect to be subject to an immediate tax when we acquire the assets.
- We may elect to retain and to pay income tax on our net long-term capital gain. In that case, a stockholder would include the stockholder's proportionate share of our undistributed long-term capital gain (to the extent we make a timely designation of such gain to the stockholder) in the stockholder's taxable income, would be deemed to have paid the stockholder's proportionate share the tax that we paid on the gain, would be allowed a credit for the stockholder's proportionate share of the tax deemed to have been paid, and would increase the stockholder's basis in our common stock.
- We may have subsidiaries or own interests in other lower-tier entities that are C corporations, such as "taxable REIT subsidiaries," the earnings of which would be subject to U.S. federal corporate income tax.

In addition, we and our subsidiaries or other lower-tier entities in which we own interests may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state, local, and non-U.S. income, franchise, property, and other taxes on assets and operations. We also could be subject to tax in situations and on transactions not presently contemplated.

In general, net operating losses, foreign tax credits, and other tax attributes of a REIT do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs. See "—Taxation of Stockholders" below.

Requirements for Qualification - General

The Code defines a REIT as a corporation, trust, or association that meets the following requirements:

1) that is managed by one or more trustees or directors;

2) the beneficial ownership of which is evidenced by transferable shares or certificates of beneficial interest;

3) that would be taxable as a domestic corporation but for the special Code REIT provisions;

4) that is neither a financial institution nor an insurance company;

5) the beneficial ownership of which is held by 100 or more persons;

6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding shares is owned, directly or indirectly, by or for five or fewer "individuals" (as defined in the Code to include specified entities, including a supplemental unemployment compensation benefit plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes but not a qualified pension plan or a profit-sharing trust);

7) that meets other tests described below, including with respect to the nature of its income and assets and the amount of its distributions;

8) that makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year that has not been terminated or revoked; and

9) that uses the calendar year as its fiscal year.

The Code provides that requirements (1) through (4) must be met during the entire taxable year, and that the requirement (5) must be met during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Requirements (5) and (6) do not need to be satisfied for the first taxable year for which an election to become a REIT has been made. Our charter provides restrictions regarding the ownership and transfer of our shares, which are intended to assist us in satisfying the share ownership requirements described in requirements (5) and (6). We do not believe these restrictions cause our stock to be nontransferable within the meaning of Code Section 856(a)(2).

To monitor compliance with the share ownership requirements, we 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 stockholders of certain percentages of our shares in which the record stockholders are to disclose the actual owners of the shares (*i.e.*, the persons required to include in gross income the dividends paid by us). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure by us to comply with these recordkeeping requirements could subject us to monetary penalties. If we satisfy these requirements and have no reason to know that condition (6) is not satisfied, we will be deemed to have satisfied such condition. The Treasury Regulations require a record stockholder that fails or refuses to comply with our demand to submit a statement with the stockholder's tax return that discloses the actual ownership of the shares and other information.

Our taxable year is the calendar year, which satisfies requirement (9).

Effect of Subsidiary Entities

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," that subsidiary is disregarded for U.S. federal income tax purposes, and all assets, liabilities, and items of income, deduction, and credit of the subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the REIT, including for purposes of the REIT gross income and asset tests. A qualified REIT subsidiary is any entity, other than a taxable REIT subsidiary (as described below), that is classified as a corporation for U.S. federal income tax purposes and that a REIT wholly owns, directly or indirectly through one or more other disregarded entities. Limited liability companies of which a REIT is the sole member also, in general, are disregarded subsidiaries for U.S. federal income tax purposes, including for purposes of the REIT gross income and asset tests. Disregarded subsidiaries, along with any partnership in which we hold an equity interest, are sometimes referred to in this summary as "pass-through subsidiaries."

If a disregarded subsidiary ceases to be wholly owned by us (*e.g.*, if any equity interest in the subsidiary is acquired by a person other than us or another of our disregarded subsidiaries), the subsidiary's separate existence no longer will be disregarded for U.S. federal income tax purposes. Instead, it will be treated as either a partnership or a taxable corporation. Such event, depending on the circumstances, could affect adversely our ability to satisfy the various REIT gross income and asset tests, including the requirement that REITs, in general, may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another entity. See "Asset Tests" and "Gross Income Tests" below.

A pass-through subsidiary may be subject to state, local, or non-U.S. income taxation.

Taxable Subsidiaries. A REIT, in general, may elect jointly with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary. If a taxable REIT subsidiary owns, directly or indirectly, more than 35%, by voting power or value, of the outstanding securities, other than certain straight-debt securities, of another corporation, the other corporation also will be treated as a taxable REIT subsidiary. The separate existence of a taxable REIT subsidiary or other taxable subsidiary corporation is not disregarded for U.S. federal income tax purposes. Accordingly, each such entity, in general, will be subject to corporate U.S. federal, state, and local income and franchise tax on its earnings, which may reduce the cash flow available to us and our ability to make distributions to our stockholders. The value of all of taxable REIT subsidiaries may not exceed 25% of the total value of a REIT's assets.

A REIT is not treated as holding the assets of a taxable REIT subsidiary or other taxable subsidiary corporation or as receiving any income that each such entity earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT recognizes as income the dividends, if any, that it receives from the subsidiary. Because we do not include the assets and income of a taxable REIT subsidiary in determining our compliance with the REIT income and asset tests, we may use taxable REIT subsidiaries to undertake indirectly activities that the REIT rules might otherwise preclude us from engaging in directly or through pass-through subsidiaries (*e.g.*, activities that give rise to certain categories of income, such as real estate management fees).

If an amount is paid to a REIT or deducted by a taxable REIT subsidiary due a transaction between a REIT, a lessee, and/or a taxable REIT subsidiary exceeds the amount that would be paid to, or deducted by, a party in an arm's-length transaction, the REIT, in general, will be subject to an excise tax equal to 100% of such excess.

Rents that we receive that include amounts for services furnished to one of our lessees by a taxable REIT subsidiary that we own will not be subject to the excise tax if either (1) such amounts satisfy a 1% *de minimis* exception, (2) such amounts are substantially comparable to the charges for similar services that the taxable REIT subsidiary provides to unrelated parties and the amount of similar services that the taxable REIT subsidiary provides to unrelated parties is significant, (3) such amounts are separately stated from the rents that lessees receiving the services pay us and such rents are substantially comparable to the rents lessees that are leasing comparable space but are not receiving such services pay us, or (4) the taxable REIT subsidiary's gross income from the service is not less than 150% of the taxable REIT subsidiary's direct cost of furnishing the service.

We cannot assure you that any taxable REIT subsidiary will be able to deduct fully interest payments (if any) paid to us. In addition, we cannot assure you that the IRS will not seek to impose the 100% tax on services performed by any taxable REIT subsidiary for tenants of ours or on a portion of the payments received by us from, or expenses deducted by, any taxable REIT subsidiary.

Gross Income Tests

To qualify as a REIT, we must satisfy two gross income tests each year. First, at least 75% of our gross income for each taxable year, excluding gross income from prohibited transactions, must be derived from investments relating to real property or mortgages on real property, including "rents from real property," dividends received from other REITs, interest income derived from mortgage loans secured by real property (including certain types of mortgage-backed securities), and gains from the sale of real estate assets, as well as "qualified temporary investment income," which is described below. Second, at least 95% of our gross income in each taxable year, excluding gross income from prohibited transactions, must be derived from sources of income that qualify under the 75% gross income test and other dividends, interest, gain from the sale or disposition of stock or securities, and certain other categories of income.

Rents will qualify as "rents from real property" in satisfying the gross income tests only if several conditions are met, including the following:

- The rent must not be based in whole or in part on the income or profits of any person. An amount will not be disqualified, however, solely by being based on a fixed percentage or percentages of receipts or sales or, if it is based on the net income or profits of a lessee that derives substantially all of its income with respect to such property from the subleasing of substantially all of such property, to the extent that the rents paid by the sublessees would qualify as rents from real property, if earned directly by us.
- If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent that is attributable to the personal property will not qualify as rents from real property if it exceeds 15% of the total rent received under the lease.
- For rents received to qualify as rents from real property, in general, we must not operate or manage the property or furnish or render certain services to the lessees of the property, other than through either (i) an "independent contractor," as defined in the Code, who is adequately compensated and from which we derive or receive no income or (ii) a taxable REIT subsidiary. We, however, may perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and otherwise are not considered rendered to the occupant of the property. In addition, we may provide, directly or indirectly, noncustomary services to lessees of our properties without disqualifying all of the rents from the property if the gross income from such services does not exceed 1% of the total gross income from the property. In such case, only the amounts for noncustomary services are not treated as rents from real property and the provision of the services does not disqualify all of the rents from treatment as rents from real property. For purposes of this test, the gross income received from such noncustomary services is deemed to be at least 150% of the direct cost of providing the services.

- Rental income will not qualify as rents from real property if we own, directly or indirectly (through application of certain constructive ownership rules), (1) in the case of any lessee that is a corporation, stock of such corporation that possesses 10% or more of either (i) the total combined voting power of all classes of stock entitled to vote or (ii) the total value of shares of all classes of stock or (2) in the case of any lessee that is not a corporation, an interest of 10% or more in the assets or net profits of such lessee. Rental payments from a taxable REIT subsidiary, however, will qualify as rents from real property even if we own more than 10% of the total value or combined voting power of the taxable REIT subsidiary if (a) at least 90% of the property is leased to unrelated lessees and the rent that the taxable REIT subsidiary pays is substantially comparable to the rent the unrelated lessees pay for comparable space or (b) the property is a "qualified lodging facility" or a "qualified health care facility" and certain additional requirements are satisfied.

Unless we determine that the resulting nonqualifying income under any of the following situations, taken together with all other nonqualifying income earned by us in the taxable year, will not jeopardize our status as a REIT, we do not intend to:

- charge rent for any property that is based in whole or in part on the income or profits of any person, except by reason of the rent's being based on a fixed percentage or percentages of receipts or sales, as described above;
- rent any property to a related-party lessee, including a taxable REIT subsidiary, unless the rent from the lease to the taxable REIT subsidiary would qualify for an exception from the related-party lessee rule;
- derive rental income attributable to personal property other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease; or
- directly perform services considered to be noncustomary or rendered to the occupant of the property unless the amount we receive or accrue (directly or indirectly) for performing such services for any taxable year will not exceed 1% of all amounts that we receive or accrue during such year with respect to the property.

Distributions from any taxable REIT subsidiary or other corporations that are not REITs or qualified REIT subsidiaries will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions, in general, will be qualifying income for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Any dividends that we receive from a REIT, however, will be qualifying income for purposes of both the 95% and the 75% gross income tests.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test to the extent that the obligation is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan that is outstanding during a taxable year exceeds the fair value of the real property on the date that we acquired or originated the mortgage loan, the interest income will be apportioned between the real property and the other property, and our income from the loan will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. If a loan is not secured by real property or is undersecured, the interest income that it generates may qualify for purposes of the 95% gross income test.

Qualified temporary investment income is income that is attributable to temporary investments in stock and debt securities of new capital proceeds from stock issuances (other than pursuant to our dividend reinvestment plan) and public debt offerings and that is received in the one-year period beginning on the date we receive new capital. We will attempt to track investments of new capital to be able to confirm the amount of our qualified temporary investment income.

To the extent that the terms of a loan provide for contingent interest that is based on the cash proceeds realized upon the sale of the property securing the loan, income attributable to the participation feature will be treated as gain from sale of the underlying property, which, in general, will be qualifying income for purposes of both the 75% and the 95% gross income tests. The REIT requirements relating to mortgages make it difficult for us to invest in certain mezzanine loans that are secured by a pledge of equity in an entity holding real estate (as compared to a mortgage in the underlying real property) and in certain mortgage-backed securities.

If we fail to satisfy one or both of the 75% and the 95% gross income tests for any taxable year, we still may qualify as a REIT for the year if we can qualify for relief under applicable provisions of the Code. These relief provisions, in general, will be available if our failure to meet a gross income test was due to reasonable cause and not willful neglect and, after identifying the failure, we file, in accordance with the Treasury Regulations, a schedule for the taxable year that describes each item of our gross income that satisfies one or both of the gross income tests. We cannot assure you that we will be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions would not apply, we would not continue to qualify as a REIT. As discussed above under "— Taxation of REITs in General," even if these relief provisions would apply, the profit that would be attributable to the amount by which we fail to satisfy the particular gross income test would be subject to federal income tax.

Asset Tests

At the close of each calendar quarter, we also must satisfy a series of tests relating to the nature of our assets:

- At least 75% of the value of our total assets must be represented by "real estate assets," cash, cash items, and U.S. government securities. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other REITs, certain kinds of mortgage-backed securities, and mortgage

loans, and, under some circumstances, stock or debt instruments purchased with new capital. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.

- No more than 25% of the value of our assets may be represented by securities that do not satisfy the 75% test.
- The value of any one issuer's securities owned by us may not exceed 5% of the value of our gross assets.
- We may not own more than 10% of any one issuer's outstanding securities, as measured by either voting power or value.
- The aggregate value of all securities of taxable REIT subsidiaries held by us may not exceed 25% of the value of our gross assets.

The 5% and 10% asset tests do not apply to securities of taxable REIT subsidiaries, qualified REIT subsidiaries, or securities that are "real estate assets" for purposes of the 75% gross asset test described above. The 10% value test does not apply to certain "straight debt" and certain other excluded securities, including, but not limited to, any loan to an individual or estate, any obligation to pay rents from real property, and any security issued by a REIT. In addition: (a) a REIT's interest as a partner in a partnership is not considered a security for purposes of applying the 10% value test to securities issued by the partnership; (b) any debt instrument issued by a partnership (other than straight debt or another excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership's gross income is derived from sources that would qualify for the 75% gross income test; and (c) any debt instrument issued by a partnership (other than straight debt or another excluded security) will not be considered a security issued by the partnership to the extent of the REIT's interest as a partner in the partnership. In general, straight debt is defined as a written, unconditional promise to pay on demand or on a specific date a fixed principal amount, and the interest rate and payment dates on the debt must not be contingent on profits or the discretion of the debtor. In addition, straight debt may not contain a convertibility feature.

After initially meeting the asset tests at the close of any quarter, we will not lose our qualification as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy the asset tests because we acquire securities during a quarter, we may cure the failure by disposing of the nonqualifying assets within 30 days after the close of that quarter.

If we fail the 5% asset test or the 10% asset test at the end of any quarter, and such failure is not cured within 30 days thereafter, to cure the failure, we may dispose of sufficient assets, or otherwise satisfy the requirements of such asset tests, within six months after the last day of the quarter in which we identify the failure, provided that the nonqualifying assets do not exceed the lesser of (i) 1% of the total value of our assets at the end of the relevant quarter and (ii) $10,000,000. If we fail any of the other asset tests, or our failure of the 5% and 10% asset tests is in excess of this amount, if the failure was due to reasonable cause and not willful neglect and, after identifying the failure, we file, in accordance with the Treasury Regulations, a schedule that describes each asset that caused the failure, we may avoid disqualification as a REIT, after the 30-day cure period, by taking steps to satisfy the requirements of the applicable asset test within six months after the last day of the quarter in which we identified the failure to satisfy the REIT asset tests, including the disposition of sufficient assets to meet the REIT asset tests and paying a tax equal to the greater of (i) $50,000 and (ii) 21% of the net income that the nonqualifying assets generated during the period in which we failed to satisfy the REIT asset tests.

We believe that our holdings of securities and other assets will comply with the foregoing REIT asset tests, and we intend to monitor compliance with the tests on an ongoing basis. The values of some of our assets, including the securities of any taxable REIT subsidiary, however, may not be valued precisely, 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 tests. Accordingly, we cannot assure you that the IRS will not contend that our assets do not meet the requirements of the REIT asset tests.

Annual Distribution Requirements

To qualify as a REIT for each taxable year, we must distribute to our stockholders distributions, other than capital gain distributions, in an amount at least equal to the excess, if any, of (i) the sum of (1) 90% of our "REIT taxable income" (computed without regard to our deduction for dividends paid and our net capital gains) and (2) 90% of the net income, if any (after tax), from foreclosure property (as described below) over (ii) the sum of specified items of noncash income that exceeds a percentage of our income.

In addition to distributions made in the taxable year to which they relate, certain distributions made in the following year are taken into account for these purposes. If distributions are declared in October, November, or December of the taxable year, are payable to record stockholders on a specified date in any such month and are actually paid before the end of January of the following year, such distributions are treated as both paid by us and received by our stockholders on December 31 of the year in which they are declared. In addition, at our election, a distribution for a taxable year may be declared before we timely file our tax return for the year provided, we pay such distribution with or before our first regular dividend payment after such declaration and such payment is made during the 12-month period following the close of such taxable year. 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.

In certain 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. In this case, we may be able to avoid losing our REIT qualification or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

In order for distributions to be counted towards our distribution requirement and to provide a tax deduction to us, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares within a particular class and is in accordance with the preferences among our different classes of shares as set forth in our organizational documents. A distribution of a preferential dividend may cause other distributions to be treated as preferential dividends, possibly preventing us from satisfying the distribution requirement for REIT qualification.

To the extent that we distribute at least 90%, but less than 100%, of our net taxable income, we will be subject to tax at ordinary corporate tax rates on the retained portion. In addition, we may elect to retain, rather than distribute, our net long-term capital gains and to pay tax on such gains. In this case, we would elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in their income and receive a corresponding credit for their proportionate share of the tax paid by us. Our stockholders would increase their adjusted basis in our shares by the difference between the amount included in their long-term capital gains and the tax deemed paid with respect to their shares.

If we fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such amount over the sum of (A) the amounts that we actually distribute (taking into account excess distributions from prior periods) and (B) the amounts of income that we retain and on which we have paid corporate income tax. We intend to make timely distributions so that we are not subject to the 4% excise tax.

Under certain technical rules governing deficiency dividends, we could lose our ability to cure a REIT distribution failure for a year with a subsequent-year, deficiency dividend if we pay preferential dividends, potentially including "dividend equivalent redemptions." Accordingly, we intend to pay dividends pro rata within each class, to abide by the rights and preferences of each class of our shares if there is more than one, and to avoid dividend equivalent redemptions. (See "Taxation of Stockholders—Redemptions of Our Common Stock" below for a discussion of when redemptions are dividend equivalent and measures we intend to take to avoid them.) Amounts that we distribute in redemptions will not count towards satisfying the 90% distribution requirement or avoiding the 4% excise tax.

We may not have, from time-to-time, sufficient cash to meet the REIT distribution requirements because we need cash to fund redemptions or due to timing differences between (1) the actual receipt of cash, including the receipt of distributions from our pass-through subsidiaries, and (2) our inclusion of items in income for U.S. federal income tax purposes. Additional potential sources of noncash taxable income include loans or mortgage-backed securities that are issued at a discount and, thus, that require the accrual of taxable interest income in advance of our receipt in cash, loans on which the borrower may defer cash payments of interest, and distressed loans on which we may be required to accrue taxable interest income even though the borrower cannot make current interest payments in cash. In addition, we may not have sufficient funds to pay deficiency dividends if we were required to pay them to preserve our REIT status with respect to any taxable year. In the event that we do not have sufficient cash to satisfy our REIT distribution requirements, it may be necessary to sell assets, to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable in-kind distributions of property, including potentially our shares, to satisfy our REIT distribution requirements.

Failure to Qualify

If we fail to qualify as a REIT in any taxable year, relief provisions will be available to avoid disqualification if (1) the violation is due to reasonable cause and not willful neglect, (2) we pay a penalty of $50,000 for each failure to satisfy the provision, and (3) the violation does not include a violation under the gross income or asset tests described above (for which other specified relief provisions are available) or the failure to meet the minimum distribution requirements. This cure provision reduces the instances that could lead to our disqualification as a REIT for violations due to reasonable cause and not willful neglect.

If we fail to qualify 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. Distributions to our stockholders in any year in which we are not a REIT will not be deductible by us, nor will they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, and, subject to limitations of the Code, distributions to our stockholders will be taxable, in general, to stockholders and (ii) as to our stockholders who are not C corporations, will be taxed at a maximum rate of 20% and also may be subject to a surtax at a rate of 3.8% and (ii) as to our stockholders who are C corporations, may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we will also be disqualified from re-electing to be taxed as a REIT for the four taxable years following a year during which we failed to qualify. We cannot assure you that we would be entitled to this statutory relief.

Prohibited Transactions

Net income derived from prohibited transactions is subject to a 100% tax. The term "prohibited transactions," in general, includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of owning and operating properties, and to make sales of properties that are consistent with our investment objectives. Whether a property is held "primarily for sale to customers in the ordinary course of a trade or business," however, depends on the specific facts and circumstances relating to the property. We cannot assure you that any particular property in which we hold a direct or indirect interest will not be treated as property held for sale to customers, or that certain safe-harbor provisions of the Code that prevent such

treatment will apply. The 100% tax will not apply to gains from the sale of property that we hold through a taxable REIT subsidiary, if any, although such income will be subject to tax at regular corporate income tax rates.

Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT's having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was made, entered into, or acquired by the REIT at a time when default was not imminent or anticipated, and (3) for which the REIT elects to treat the property as foreclosure property. REITs, in general, are subject to tax at the maximum U.S. federal corporate income tax rate (currently 21%) on any net income from foreclosure property, including any 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. 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, even if the property is held primarily for sale to customers in the ordinary course of a trade or business.

Hedging Transactions

We 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 swaps or cap agreements, options, futures contracts, forward rate agreements, or similar financial instruments. Any income from a hedging transaction to manage risk of interest rate, 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, 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 the 95% gross income tests. If applicable, there also are rules for disregarding income for purposes of the 75% and the 95% gross income tests with respect to hedges of certain foreign currency risks. To the extent we enter into other types of hedging transactions, the income from those transactions likely will be treated as nonqualifying income for purposes of both the 75% and the 95% gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our ability to qualify as a REIT.

Sale-Leaseback Transactions

We may enter into sale-leaseback transactions. The IRS could take the position that specific sale-leaseback transactions that we treat as true leases are not true leases for U.S. federal income tax purposes but are, instead, financing arrangements or loans. Successful recharacterization of a sale-leaseback transaction as a financing arrangement or loan could jeopardize our REIT status.

Foreign Investments

To the extent that we hold or acquire any investments and, accordingly, pay taxes in other countries, taxes paid by us in non-U.S. jurisdictions may not be passed through to, or used by, our stockholders as a foreign tax credit or otherwise. In addition, certain passive income earned by a non-U.S. taxable REIT subsidiary must be taken in account by us currently (whether or not distributed by the non-taxable REIT subsidiary) and may not be qualifying income under the 75% and the 95% gross income tests.

Tax Aspects of Investments in Partnerships

General

We intend to hold our investments through our operating partnership, which may hold investments through other entities that are classified as partnerships for U.S. federal income tax purposes. In general, partnerships are "pass-through" entities that are not subject to U.S. federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction, and credit of a partnership and are subject to tax on their respective proportionate shares of the items without regard to whether the partners receive distributions from the partnership. We will include in our income our proportionate share of the partnership items in computing our REIT taxable income. Moreover, for purposes of the REIT income and asset tests, we will include our proportionate share of the income of, and the assets held by, our operating partnership and any other subsidiary partnerships, based on our capital interest in each partnership (other than for purposes of the 10% value test, for which the determination of our interest in partnership assets will be based on our proportionate interest in any securities issued by the partnership excluding, for these purposes, certain excluded securities as described in the Code). Consequently, to the extent that we hold an 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 control, over the partnership.

Entity Classification

The investment by us in partnerships involves special tax considerations, including the possibility of a challenge by the IRS of the status of our operating partnership or a subsidiary partnership as a partnership, as opposed to an association taxable as a corporation, for U.S. federal income tax purposes. Under applicable Treasury Regulations, an unincorporated domestic entity with at least two

members is classified as a partnership unless it elects to be treated as an association taxable as a corporation. Our operating partnership intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation.

Even though our operating partnership will not elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes, our operating partnership or a subsidiary partnership may be taxed as corporations if they are deemed to be "publicly-traded partnerships." A publicly-traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Applicable Treasury Regulations (the "PTP Regulations") provide limited safe harbors from treatment as a publicly-traded partnership. Pursuant to one safe harbor, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction (or transactions) that were not required to be registered under the Securities Act and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (including a partnership, grantor trust, or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through entity is attributable to the flow-through entity's direct or indirect interest in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. Even if our operating partnership or a subsidiary partnership were considered a publicly-traded partnership under the PTP Regulations, they would not be treated as corporations for U.S. federal income tax purposes as long as 90% or more of their gross income consists of "qualifying income" under Code Section 7704(d). In general, qualifying income includes interest, dividends, real property rents (as defined under the REIT rules discussed above), and gain from the sale or disposition of real property, which, in general, includes income that is qualifying income for purposes of the 95% gross income test applicable to REITs. We intend that our operating partnership will operate to avoid taxation as a corporation under the publicly-traded partnership rules.

If our operating partnership or a subsidiary partnership were treated as an association taxable as a corporation for U.S. federal income tax purposes, they would be taxable as corporations and, therefore, could be subject to an entity-level income tax on their income. In such situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests (particularly the tests that prevent a REIT from owning more than 10% of the voting securities, or more than 10% of the value of the securities, of a corporation) or the gross income tests as discussed in "Taxation of the Company—Asset Tests" and "Taxation of the Company—Gross Income Tests," above, and, in turn, could prevent us from qualifying as a REIT. See "—Taxation of the Company—Failure to Qualify," above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of our operating partnership or a subsidiary partnership for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Tax Allocations with Respect to Partnership Properties

If the partnership agreement of our operating partnership and any subsidiary partnerships do not allocate partnership income or loss in accordance with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be allocated in accordance with the partners' interests in the partnership. This allocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to the item. Under Section 704(c) of the Code and the Treasury Regulations, income, gain, loss, and deduction that is attributable to appreciated or depreciated property that is revalued by a partnership as provided in applicable Treasury Regulations or contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner so that the partners who held interests in the partnership at the time of a revaluation or the contributing partner, as the case may be, benefit from, or is charged with, the unrealized gain or unrealized loss that is associated with the property at the time of the revaluation or contribution, as applicable. The amount of the unrealized gain or unrealized loss, in general, is equal to the difference between the fair market value of the contributed property and its adjusted tax basis at the time of the contribution. Frequent contributions to our operating partnership of proceeds from our stock offering and distributions from our operating partnership to fund redemptions of our shares may require frequent revaluations of our operating partnership's property and the application of these rules. Such allocations are solely for U.S. federal income tax purposes and do not affect partnership capital accounts or other economic or legal arrangements among the partners.

If our operating partnership or any of our subsidiary partnerships acquires appreciated (or depreciated) properties by way of capital contributions from its partners, allocations will need to be made in a manner consistent with these requirements.

Partnership Audits

Under the rules for U.S. federal income tax audits of partnerships, 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 any of the operating partnership or our subsidiary partnerships is able to and in fact 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 such entities will be eligible to make such an election or that it will, in fact, make such an election for any given adjustment.

Taxation of Stockholders

Taxation of Taxable U.S. Stockholders

This section summarizes the taxation of U.S. stockholders that are not tax-exempt organizations. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our shares, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership that holds our common stock should consult its tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership, and disposition of our shares by the partnership.

Distributions. Provided that we qualify as a REIT, distributions to our taxable U.S. stockholders from our current and accumulated earnings and profits, and that are not designated as capital gain dividends, in general, will be ordinary dividend income and will not be eligible for the dividends received deduction for corporations. In determining the extent to which a distribution with respect to our common stock constitutes a dividend for U.S. federal income tax purposes, our earnings and profits will be allocated first to distributions with respect to our preferred shares, if any, and then to our common stock. Dividends received from REITs, in general, are not eligible to be taxed at the preferential qualified dividend income rates applicable to individual U.S. stockholders who receive dividends from taxable C corporations.

U.S. stockholders who are not C corporations, in general, are taxed on corporate dividends at a maximum rate of 20% (the same as long-term capital gains). With limited exceptions, however, dividends received by individual U.S. stockholders from us or from other entities that are taxed as REITs are taxed at rates applicable to ordinary income. The current, maximum federal ordinary income rate is 37%.

In addition, for taxable years beginning before January 1, 2026, non-corporate taxpayers (including individuals) generally may deduct 20% of dividends received from REITs, other than capital gain dividends or dividends treated as qualified dividend income, subject to certain limitations. If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us.

Distributions from us that we properly designate as capital gain dividends will be taxed to U.S. stockholders as long-term capital gains, to the extent that they do not exceed our actual net capital gains for the taxable year, without regard to the period for which the U.S. stockholder has held its shares. To the extent that we elect under the applicable provisions of the Code to retain our net capital gains, U.S. stockholders will be treated as having received, for U.S. federal income tax purposes, our undistributed capital gains as well as a corresponding credit for taxes paid by us on such retained capital gains. U.S. stockholders will increase their adjusted tax basis in our common stock by the difference between their allocable share of the retained capital gain and their share of the tax we pay. Corporate U.S. stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income. Long-term capital gains, in general, are taxable at maximum U.S. federal rates of 20% in the case of U.S. stockholders who are not C corporations and 21% for C corporations. Capital gains from the sale of depreciable real property that we held for more than 12 months are subject to a 25% maximum U.S. federal income tax rate to the extent of previously claimed depreciation deductions for U.S. stockholders who are not C corporations.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a U.S. stockholder to the extent that they do not exceed the adjusted tax basis of the U.S. stockholder's shares with respect to which we made the distributions but will reduce the adjusted tax basis of the shares. To the extent that such distributions exceed the adjusted tax basis of a U.S. stockholder's shares, the U.S. stockholder will include the excess amount in income as either long-term capital gain if the U.S. stockholder held the shares for more than one year or short-term capital gain if the U.S. stockholder held the shares held for one year or less.

Any distribution declared by us in October, November, or December of any year and payable to a U.S. stockholder of record on a specified date in any such month will be treated as both paid by us and received by the U.S. stockholder on December 31 of the year if we actually make the distribution before the end of January of the following calendar year.

We may elect to designate a portion of our distributions as "qualified dividend income." A portion of a distribution that we properly designate as qualified dividend income is taxable to noncorporate U.S. stockholders as net capital gain, provided that the U.S. stockholder has held the common stock with respect to which the distribution is made for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which such common stock became ex-dividend with respect to the relevant distribution. The maximum amount of our distributions that will be eligible to be designated as qualified dividend income for a taxable year will equal the sum of:

- the qualified dividend income that we receive during such taxable year from C corporations (including any taxable REIT subsidiary);
- the excess of any "undistributed" REIT taxable income that we recognized during the immediately preceding year over the U.S. federal income tax that we paid with respect to the undistributed REIT taxable income; and

- the excess of any income that we recognized during the immediately preceding year from the sale of a built-in-gain asset that we acquired in a carryover basis transaction from a C corporation over the U.S. federal income tax that we paid with respect to the built-in gain.

To the extent that we have available net operating losses and capital losses that we carried forward from prior tax years, such losses may reduce the amount of distributions that we must make to comply with the REIT distribution requirements. See "—Taxation of the Company—Annual Distribution Requirements" above. Such losses, however, are not passed through to U.S. stockholders and do not offset income of U.S. stockholders from other sources, and they do not affect the character of any distributions that we actually make, which, in general, are subject to tax in the hands of U.S. stockholders to the extent that we have current or accumulated earnings and profits.

Dispositions of Our Common Stock. In general, a U.S. stockholder will realize gain or loss upon the sale or other taxable disposition of our common stock in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash that the U.S. stockholder receives and the U.S. stockholder's adjusted tax basis in the common stock at the time of the disposition. In general, a U.S. stockholder's adjusted tax basis will equal the U.S. stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. stockholder over the tax deemed paid by the U.S. stockholder on the net capital gains (as discussed above), and reduced by returns of capital. In general, capital gains recognized by U.S. stockholders who are not C Corporations upon the sale or disposition of shares of our common stock will be subject to a maximum U.S. federal income tax rate of 20% if the U.S. stockholder held the shares for more than 12 months and will be taxed at ordinary income rates (of up to 37%) if the U.S. stockholder held the shares for 12 months or less. Gains recognized by U.S. stockholders that are corporations are subject to U.S. federal income tax at a maximum rate of 21%, whether or not classified as long-term capital gains. The IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a higher capital gain tax rate of 25% to a portion of capital gain realized by a noncorporate holder on the sale of REIT shares that would correspond to the REIT's "unrecaptured Section 1250 gain." Holders are advised to consult their tax advisors with respect to their capital gain tax liability. Capital losses recognized by a U.S. stockholder upon the disposition of shares of our common stock held for more than one year at the time of disposition will be considered long-term capital losses and, in general, only may offset capital gain income of the U.S. stockholder (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of our common stock by a U.S. stockholder who has held the shares for six months or less, after applying certain holding-period rules, will be treated as a long-term capital loss to the extent of distributions received from us that were required to be treated by the U.S. stockholder as long-term capital gain.

If a U.S. stockholder recognizes a loss upon a subsequent disposition of our common stock in an amount that exceeds a prescribed threshold, the provisions of Treasury Regulations involving "reportable transactions" may apply, requiring separate disclosure of the loss-generating transactions to the IRS. While these Treasury Regulations are directed toward "tax shelters," they are written quite broadly and apply to transactions that typically would not be considered to be tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our common stock or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisor) might be subject to disclosure or other requirements pursuant to these regulations.

Redemptions of Our Common Stock

A redemption of our common stock will be treated as a distribution in exchange for the redeemed shares and taxed in the same manner as other taxable share sales discussed above, provided that the redemption satisfies one of the tests enabling the redemption to be treated as a sale or exchange. A redemption will be treated as a sale or exchange if it (1) is "substantially disproportionate" with respect to a stockholder, (2) results in a "complete termination" of a stockholder's interest in our shares or (3) is "not essentially equivalent to a dividend" with respect to a stockholder, all within the meaning of applicable provisions of the Code. In determining whether any of these tests have been met, shares considered to be owned by a stockholder by reason of certain constructive ownership rules, as well as shares actually owned, must generally be taken into account.

A redemption that does not qualify as an exchange under such tests will constitute a dividend equivalent redemption that is treated as a taxable distribution and taxed in the same manner as regular distributions (*i.e.*, ordinary dividend income to the extent paid out of earnings and profits unless properly designated as a capital gain dividend). In addition, although guidance is sparse, the IRS could take the position that stockholders who do not participate in any redemption treated as a dividend should be treated as receiving a constructive share distribution taxable as a dividend in the amount of their increased percentage ownership of our shares as a result of the redemption, even though such stockholder did not actually receive cash or other property as a result of such redemption.

To avoid certain issues related to our ability to comply with the REIT distribution requirements and utilize the deficiency dividend procedure (see "—Taxation of the Company—Annual Distribution Requirements" above), we have implemented procedures designed to track our stockholders' percentage interests in our common stock in order to identify any such dividend equivalent redemptions and will decline to effect a redemption to the extent that we believe that it would constitute a dividend equivalent redemption. We cannot assure you, however, that we will be successful in preventing all dividend equivalent redemptions.

Passive Activity Losses and Investment Interest Limitations

Distributions made by us and gain arising from the sale, redemption or exchange by a U.S. stockholder of shares of our common stock will not be treated as passive activity income. As a result, U.S. stockholders will not be able to apply any "passive losses" against income or gain relating to shares of our common stock. Distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation. A U.S. stockholder that elects to treat capital gain dividends, capital gains from the disposition of shares or qualified dividend income as investment income for purposes of the investment interest limitation will be taxed at ordinary income rates on such amounts.

3.8% Medicare Tax

A U.S. stockholder who is an individual, estate, or trust and whose annual taxable income exceeds a certain threshold also is required to pay a 3.8% Medicare tax on the U.S. stockholder's "net investment income" for a taxable year. A U.S. stockholder's "net investment income" will include dividends received from us (without regard to the 20% deduction allowed by Section 199A of the Code), undistributed capital gains that the U.S. stockholder is treated as receiving from us, and any gains that the U.S. stockholder recognizes from a disposition of our common stock.

Taxation of Tax-Exempt U.S. Stockholders

U.S. tax-exempt entities, including qualified employee pension and profit-sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. They are subject to taxation, however, on their unrelated business taxable income or UBTI. Provided that (1) a tax-exempt U.S. stockholder has not held shares of our common stock as "debt financed property" within the meaning of the Code (*i.e.*, where the acquisition or ownership of the property is financed through a borrowing by the tax-exempt stockholder) and (2) our common stock is not otherwise used in an unrelated trade or business, distributions from us and income from the sale or redemption of shares of our common stock generally should not give rise to UBTI to a tax-exempt U.S. stockholder.

Tax-exempt U.S. stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from U.S. federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust that (1) is described in Section 401(a) of the Code, (2) is tax-exempt under section 501(a) of the Code and (3) owns more than 10% of the value of our shares could be required to treat a percentage of the dividends from us as UBTI if we are a "pension-held REIT." We will not be a pension-held REIT unless (1) either (A) one pension trust owns more than 25% of the value of our shares or (B) a group of pension trusts, each individually holding more than 10% of the value of our shares, collectively owns more than 50% of the value of such shares and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that REIT shares owned by such trusts will not be treated as individuals for purposes of the requirement that not more than 50% of the value of the outstanding shares of a REIT is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to include certain entities). Certain restrictions on ownership and transfer of our shares should generally prevent a tax-exempt entity from owning more than 10% of the value of our shares and prevent us from becoming a pension-held REIT.

Taxation of Non-U.S. Stockholders

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock applicable to non-U.S. stockholders. The discussion is based on current law and is for general information only. It addresses only selective and not all aspects of U.S. federal income taxation. The discussion does not address special Code provisions that apply to non-U.S. stockholders who are "qualified stockholders" or "qualified foreign pension funds" (as such terms are defined under section 897 of the Code.) Non-U.S. stockholders should consult their own tax advisors regarding the tax consequences to them of the purchase, ownership, and sale of our common stock.

Ordinary Dividends. The portion of dividends received by non-U.S. stockholders payable out of our earnings and profits that are not attributable to gains from sales or exchanges of U.S. real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. stockholder generally will be treated as ordinary income and will be subject to U.S. federal withholding tax at the rate of 30%, unless reduced or eliminated by an applicable income tax treaty.

In cases where the dividend income from a non-U.S. stockholder's investment in our common stock is, or is treated as, effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax (or a lower rate of tax under the applicable income tax treaty) on the income after the application of the income tax in the case of a non-U.S. stockholder that is a corporation. The balance of this discussion assumes that dividends that we distribute to non-U.S. stockholders and gains non-U.S. stockholders recognize with respect to our shares are not effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business unless deemed to be effectively connected

under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, rules described below under "—Dispositions and Redemptions of Our Common Stock."

Nondividend Distributions. Distributions by us to non-U.S. stockholders which are not attributable to gains from sales or exchanges of U.S. real property interests and which exceed our earnings and profits will be a non-taxable return of the non-U.S. stockholder's basis in its shares and, to the extent in excess of the non-U.S. stockholder's basis, gain from the disposition of such shares, the tax treatment of which is described below. We are required to withhold tax at a 15% rate from distributions to non-U.S. stockholders that are not out of our earnings and profits. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, we will withhold at the rate applicable to dividends. A non-U.S. stockholder, however, may seek a refund from the IRS of any amounts withheld that exceed the non-U.S. stockholder's substantive U.S. federal income tax liability.

Capital Gain Dividends. Under FIRPTA, a distribution made by us to a non-U.S. stockholder, to the extent attributable to gains from dispositions of USRPIs held by us directly or through pass-through subsidiaries, must be reported in U.S. tax returns filed and are treated as effectively connected with a U.S. trade or business of the non-U.S. stockholder. Such gains are subject to U.S. federal income tax at the rates applicable to U.S. stockholders and, in the case of a non-U.S. corporate stockholder a 30% branch profits tax (or a lower rate of tax under the applicable income tax treaty). We are required to withhold tax at a 21% rate from distributions that are attributable to gains from the sale or exchange of U.S. real property interests. Treasury Regulations generally treat capital gain dividends as distributions that are attributable to gains from the sale or exchange of U.S. real property interests. The Treasury Regulations recognize that REITs generally make their capital gain dividend designations after the distributions have been made and, accordingly, apply the withholding obligation on a "catch-up" basis.

If any class of our shares were to become regularly traded on an established securities market located in the United States, capital gain dividends distributed to a non-U.S. stockholder who did not own more than 10% of such class of shares at any time during the one-year period ending on the date of the distribution would be recharacterized as ordinary dividends subject to the rules discussed above under "—Ordinary Dividends." Non-U.S. stockholders should be aware that we do not expect our common stock to be regularly traded on an established securities market at any time.

Capital gain dividends that are not attributable to sales or exchanges of U.S. real property interests (*e.g.*, that are attributable to sales of mortgages), other than shared appreciation mortgage loans, generally are not subject to federal income or withholding tax. Such capital gain dividends would be subject to a 30% tax in the case of nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States.

Dispositions and Redemptions of Our Common Stock. Unless shares of our common stock constitute a U.S. real property interest or the distribution is attributable to gain from our sale of a U.S. real property interest (as discussed below), a sale of the shares or a redemption of the shares that is treated as a sale or exchange by a non-U.S. stockholder generally will not be subject to U.S. federal income taxation under FIRPTA. A redemption that is not treated as an exchange will be taxed in the same manner as regular distributions under the rules described above. See "—Taxation of Stockholders—Redemptions of Our Common Stock" for a discussion of when a redemption will be treated as a sale or exchange and related matters.

Our common stock will not constitute a U.S. real property interest if we are a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its outstanding shares are held directly or indirectly by non-U.S. stockholders. We believe we will be a domestically controlled qualified investment entity and, therefore, the sale of our common stock should not be subject to taxation under FIRPTA. Because our shares may be purchased or redeemed daily, however, no assurance can be given that we will be, or that if we are, that we will remain a domestically controlled qualified investment entity.

In the event that we do not constitute a domestically controlled qualified investment entity, a non-U.S. stockholder's sale of our common stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a U.S. real property interest, provided that (1) shares of our common stock are "regularly traded," as defined by applicable Treasury Regulations, on an established securities market and (2) the selling non-U.S. stockholder owned, actually or constructively, 10% or less of our outstanding common stock at all times during a specified testing period. As previously noted, however, we do not expect any of our shares to be regularly traded on an established securities market.

In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our shares, a non-U.S. stockholder may be treated as having gain from the sale or exchange of a United States real property interest if the non-U.S. stockholder (1) disposes of an interest in our shares during the 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from sale or exchange of a United States real property interest and (2) acquires, enters into a contract or option to acquire, or is deemed to acquire, other shares of our shares within 30 days after such ex-dividend date. The foregoing rules do not apply to a transaction if the 10% regularly traded test described above is satisfied with respect to the non-U.S. stockholder. As previously noted, however, we do not expect shares of our common stock to be regularly traded on an established securities market at any time and, therefore, we do not expect the exception for non-U.S. stockholders that satisfy the 10% regularly traded test to apply.

A redemption of shares generally will be taxable under FIRPTA to the extent the distribution in redemption of the shares is attributable to gains from our dispositions of U.S. real property interests. To the extent the distribution is not attributable to gains from our dispositions of U.S. real property interests, the excess of the amount of money received in the redemption over the non-U.S. stockholder's basis in the redeemed shares will be taxable if we are not a domestically controlled REIT. The IRS has confirmed that redemption payments may be attributable to gains from dispositions of U.S. real property interests (except when the 10% publicly-traded exception would apply) but has not provided any guidance to determine when and what portion of a redemption payment is a distribution that is attributable to gains from our dispositions of U.S. real property interests. Due to the uncertainty, we may withhold at the 21% rate from all or a portion of redemption payments to non-U.S. stockholders. To the extent the amount of tax we withhold exceeds the amount of a non-U.S. stockholder's U.S. federal income tax liability, the non-U.S. stockholder may file a U.S. federal income tax return and claim a refund.

If gain on the sale of shares of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the shares could be required to withhold 15% of the purchase price and remit such amount to the IRS.

Gain from the sale of shares of our common stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. stockholder if the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Backup Withholding and Information Reporting

We will report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Under the backup withholding rules, a U.S. stockholder may be subject to backup withholding at the current rate of 24% with respect to dividends paid unless the stockholder is (1) a corporation or comes within other exempt categories and, when required, demonstrates this fact or (2) provides a taxpayer identification number or social security number, certifies under penalties of perjury that such number is correct and that such holder is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide a correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. In addition, we may be required to withhold a portion of capital gain distribution to any U.S. stockholder who fails to certify its nonforeign status.

We must report annually to the IRS and to each non-U.S. stockholder 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. stockholder resides under the provisions of an applicable income tax treaty. A non-U.S. stockholder may be subject to back-up withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of shares of our common stock within the United States is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. stockholder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption. Payment of the proceeds of a sale of shares of our common stock conducted through certain United States related financial intermediaries is subject to information reporting (but not backup withholding) unless the financial intermediary has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

State, Local and Foreign Taxes

We and our subsidiaries and stockholders may be subject to state, local and non-U.S. taxation in various jurisdictions, including those in which they or we transact business, own property or reside. We expect to own interests in properties located in a number of jurisdictions, and we may be required to file tax returns and pay taxes in certain of those jurisdictions. The state, local or non-U.S. tax treatment of the company and our stockholders may not conform to the U.S. federal income tax treatment discussed above. Any non-U.S. taxes incurred by us would not pass through to stockholders as a credit against their U.S. federal income tax liability. Prospective stockholders should consult their tax advisor regarding the application and effect of state, local and non-U.S. income and other tax laws on an investment in shares of our common stock.

Other Tax Considerations

Reporting and Withholding on Foreign Financial Accounts.

Under the provisions in the Code commonly referred to as FATCA, withholding at a rate of 30% is required on dividends in respect of shares of our common stock held by or through certain foreign financial institutions (including investment 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 will affect the determination of whether such withholding is required. Similarly, withholding at a rate of 30% is required on dividends in respect of our shares held by an investor that is a passive non-financial non-U.S. entity, 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 also would have applied to payments of gross proceeds from the sale or other disposition of stock after December 31, 2018, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. 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.

2017 Tax Reform

On December 22, 2017, H.R. 1, informally titled the Tax Cuts and Jobs Act (the "TCJA"), was enacted. The TCJA, generally applicable for taxable years beginning after December 31, 2017, made significant changes to the Code, including a number of provisions of the Code that affect the taxation of businesses and their owners, including REITs and their stockholders. Among other changes not reflected in the discussion above, the TCJA made the following changes:

- For taxable years beginning after December 31, 2017 and before January 1, 2026, (i) the U.S. federal income tax rates on ordinary income of individuals, trusts and estates have been generally reduced and (ii) non-corporate taxpayers are permitted to take a deduction for certain pass-through business income, including, as discussed above, a deduction equal to 20% of dividends received from REITs that are not designated as capital gain dividends or qualified dividend income, subject to certain limitations.
- The maximum U.S. federal income tax rate for corporations has been reduced, and corporate alternative minimum tax has been eliminated for corporations, which would generally reduce the amount of U.S. federal income tax payable by our taxable REIT subsidiaries and by us to the extent we were subject corporate U.S. federal income tax.
- Certain new limitations on the deductibility of interest expense now apply, which limitations may affect the deductibility of interest paid or accrued by us or our taxable REIT subsidiaries.
- Certain new limitations on net operating losses now apply, which limitations may affect net operating losses generated by us or our taxable REIT subsidiaries.
- A U.S. tax-exempt stockholder that is subject to tax on its UBTI will be required to separately compute its taxable income and loss for each unrelated trade or business activity for purposes of determining its UBTI.
- New accounting rules generally require us to recognize income items for federal income tax purposes no later than when we take the item into account for financial statement purposes, which may accelerate our recognition of certain income items.

The full effect of many changes made by the TCJA on us and our stockholders is uncertain. Furthermore, many of the provisions of the TCJA require guidance through the issuance of Treasury Regulations of other IRS guidance to assess their full application and effect. Final Treasury Regulations and proposed Treasury Regulations have been issued regarding some provisions of the TCJA. There may be substantial delay before such proposed Treasury Regulations or other IRS guidance is issued as to other provisions and before any proposed guidance is finalized, increasing the uncertainty as to the ultimate application and effect of the TCJA on us and our stockholders. There also may be technical corrections legislation proposed with respect to the TCJA in 2022 or later years, the effect of which cannot be predicted and may be adverse to us and our stockholders.

Cash/Income Differences/Phantom Income

The Company may be required to recognize taxable income in advance of its receipt of cash flow or cash proceeds from asset dispositions. The Company may be required under the terms of indebtedness that it incurs to private lenders or otherwise to use cash 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 stockholders.

The Tax Cuts and Jobs Act (the "TCJA") in 2017 revised Code Section 163(j) to create a new limitation on the deductibility of "business interest" for both individuals and corporations. Real property trades or businesses are permitted to elect out of this limitation, but as a consequence are required to use longer depreciation periods for their assets. Such election, once made, is irrevocable. The Company and its subsidiaries generally expect to make the real property trade or business election. To the extent interest deductions of

the Company or its subsidiaries are deferred or disallowed under Code Section 163(j) or any other provision of law, the taxable income of the Company may exceed its cash available for distribution to stockholders.

As a result, there is a risk that the Company may have taxable income in excess of cash available for distribution. In that event, the Company 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.

COD Income

From time to time, the Company and its subsidiaries may recognize income from the cancellation of debt ("COD Income"). COD Income is excluded from both the numerator and the denominator for purposes of both the 75% and 95% gross income tests.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be changed. Changes to the federal tax laws and interpretations of federal tax laws could adversely affect an investment in shares of our common stock.

ERISA CONSIDERATIONS

The following is a summary of material considerations arising under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the prohibited transaction provisions of the federal income tax laws that may be relevant to a prospective purchaser. This discussion does not deal with all aspects of ERISA, the prohibited transaction provisions of ERISA and the Code or IRAs subject to the prohibited transaction provisions of the Code. This discussion also does not cover state laws that may be relevant, other employee benefit plans or governmental plans and church plans that are exempt from ERISA.

ERISA is a broad statutory framework that governs most retirement and other employee benefit plans in the United States. ERISA and applicable rules and regulations promulgated under ERISA contain provisions that should be considered by fiduciaries of employee benefit plans subject to the provisions of Title I of ERISA ("ERISA Plans") and their legal advisors. In particular, a fiduciary of an ERISA Plan should consider whether an investment in the Shares (or, in the case of a participant-directed defined contribution plan, making Shares available for investment under such plan) satisfies the requirements of ERISA, including the requirements that (1) the investment satisfy the prudence and diversification standards of ERISA, (2) the investment be in the best interests of the participants and beneficiaries of the ERISA Plan, (3) the investment be permissible under the terms of the ERISA Plan's investment policies and governing instruments and (4) the investment does not give rise to a non-exempt prohibited transaction under ERISA.

In determining whether an investment in the Shares, or making the Shares available as an investment under a participant-directed plan, is prudent, a fiduciary of an ERISA Plan should consider all relevant facts and circumstances including, without limitation: possible limitations on the transferability of the Shares; whether the investment provides sufficient liquidity in light of the foreseeable needs of the ERISA Plan; and whether the investment is reasonably designed, as part of the ERISA Plan's portfolio, to further the ERISA Plan's purposes, taking into consideration the risk of loss and the opportunity for gain (or other return) associated with the investment. The Advisor and its affiliates and our Board of Directors are not required to, nor will they assume responsibility for, advising an ERISA Plan as to the advisability of an investment in the Shares. Acceptance of a subscription agreement for the purchase of Shares by any Plan shall in no respect be deemed a representation by us or any other party that such investment meets the relevant legal requirements with respect to that Plan or that the investment is appropriate for such Plan.

ERISA and the Code prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but that are subject to Section 4975 of the Code, such as individual retirement accounts (collectively with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" for purposes of ERISA or "disqualified persons" for purposes of the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and the Code, and the transaction might have to be rescinded. In addition, a fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction may be personally liable for any resultant loss incurred by the ERISA Plan and may be subject to other potential remedies.

A Plan that proposes to invest in the Shares, or to make the Shares available for investment under a participant directed plan, may already maintain a relationship with the Advisor or one of its affiliates. In this case, the Advisor or such affiliate may be a party in interest under ERISA or a disqualified person under the Code, with respect to such Plan (*e.g.*, if the Advisor or its affiliates provide investment management, investment advisory or other services to that Plan). ERISA and the Code prohibit Plan assets from being used for the benefit of a party in interest or disqualified person. This prohibition is not triggered by "incidental" benefits to a party in interest or disqualified person that result from a transaction involving the Plan that is motivated solely by the interests of the Plan. ERISA and the Code also prohibits a fiduciary from using its position to cause the Plan to make an investment from which the fiduciary, its affiliates or certain parties in which it has an interest would receive a fee or other consideration. In this circumstance, Plans that propose to invest in the Shares should consult with their counsel to determine if an investment in shares of our common stock would result in a transaction that is prohibited by ERISA or the Code.

If our assets were considered to be assets of a Plan or IRA, our management might be deemed to be fiduciaries of the investing Plan or IRA. If this occurs, our operation could become subject to the restrictions of the fiduciary responsibility and prohibited transaction provisions of ERISA and/or the prohibited transaction rules of the Code.

Neither ERISA nor the Code contains a definition of plan assets, but a regulation under ERISA provides guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute plan assets for purposes of applying the fiduciary requirements of ERISA and the prohibited transaction rules of ERISA and the Code. Under the guidelines, the assets of an entity in which a Plan or IRA makes an equity investment will generally be deemed to be assets of such Plan or IRA unless the entity satisfies one of the exceptions to this general rule. Generally, the exceptions require that the investment in the entity be one of the following:

- in securities issued by an investment company registered under the Investment Company Act of 1940, as amended;
- in publicly offered securities, defined generally as interests that are freely transferable, widely held and registered with the Securities and Exchange Commission;
- in which equity participation by Plan investors is not significant; or

- in an "operating company" which includes "venture capital operating companies" ("VCOC") and "real estate operating companies" ("REOC").

The Shares offered in this Memorandum will not be issued by a registered investment company or deemed publicly offered securities. However, we anticipate that ERISA Plan investors will not acquire a significant ownership of the Shares. The guidelines provide that equity participation in an entity by benefit plan investors is "significant" if at any time 25% or more of the value of any class of equity interest is held by "benefit plan investors." In calculating the value of a class of equity interests, the value of any equity interests held by us or any of our affiliates must be excluded.

In the event we fail to meet the above exception, we anticipate that we may be able to rely on the exception for operating companies. Generally under the guidelines, an entity will qualify as a VCOC if (a) at least 50% of the entity's assets, valued at cost, are invested in "venture capital investments," with respect to which the entity has or retains direct contractual rights to substantially participate in the management of such operating company and (b) the entity in the ordinary course of its business actually exercises such management rights. A venture capital investment is an investment in an operating company, other than a VCOC. Further, an entity will quality as a REOC if (i) at least 50% of the entity's assets, valued at cost, are invested in real estate that is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development of the real estate and (ii) the entity in the ordinary course of its business is engaged directly in real estate management or development activities. A REOC can be a venture capital investment. However, because of the uncertainty of the application of standards in the plan assets regulation with respect to this exception, we cannot assure that we will qualify for this exception.

The Shares offered hereby may be purchased or owned by investors who are investing assets of their IRAs. Our acceptance of an investment by an IRA should not be considered to be a determination or representation by us or any of our respective affiliates that such an investment is appropriate for an IRA. In consultation with its advisors, each prospective IRA investor should carefully consider whether an investment in the Shares is appropriate for, and permissible under, the terms of its IRA governing documents. In addition, although IRAs are not subject to ERISA, they are subject to the provisions of Section 4975 of the Code, prohibiting transactions with "disqualified persons" and investments and transactions involving fiduciary conflicts. A prohibited transaction or conflict of interest could arise if the fiduciary making the decision to invest has a personal interest in or affiliation with us, the Advisor or any of its affiliates. In the case of an IRA, a prohibited transaction or conflict of interest that involves the beneficiary of the IRA could result in disqualification of the IRA. A fiduciary for an IRA who has any personal interest in or affiliation with us, the Advisor or any of its affiliates, should consult with his or her tax and legal advisors regarding the impact such interest may have on an investment in the Shares with assets of the IRA.

Prospective investors should consult with their counsel and advisors as to the provisions of ERISA and the Code relevant to an investment in the Shares offered hereby.

REPORTS TO STOCKHOLDERS

The Company will furnish (i) audited, consolidated financial statements of the Company and the operating partnership to the stockholders annually, (ii) unaudited, consolidated financial statements of the Company and the operating partnership for the first three quarters of each fiscal year, and (iii) annual tax information necessary for each stockholder's tax returns. Audited, consolidated financial statements of the Company and the Operating Partnership for the year ended December 31, 2023 and 2022 are attached hereto as Exhibit B.

SUBSCRIPTION PROCEDURE – HOW TO INVEST

After reading this Memorandum, if you satisfy the investor qualifications and are interested in purchasing the Shares, you must complete and execute a Subscription Agreement, the form of which is attached as Exhibit A, and return it along with the full purchase price of the Shares for which you are subscribing to the Company at:

SR Realty Trust, Inc.
901 North Third Street, Suite 100
Minneapolis, MN 55401
Attn: Laura Hanneman, Investor Services Manager

Checks should be made payable to "**SR Realty Trust, Inc.**" If you would prefer to wire the funds, the wiring instructions are below:

Bremer Bank, N.A.
St. Paul, MN
ABA #096010415
Re: SR Realty Trust, Inc.
Account #67041987

If, upon receipt of the completed and signed Subscription Agreement and receipt of funds to cover the full purchase price of the Shares subscribed for, we accept a Subscription Agreement, in whole or in part, we will notify the investor of such receipt and acceptance. If we do not accept an investor's subscription, the original subscription will be returned unaccepted, and the funds will be returned without deduction but with any interest earned thereon to the appropriate investor. If we accept an investor's subscription in part, the funds for that portion of the subscription not accepted will be returned without deduction but with any interest earned thereon to the appropriate investor.

We reserve the right to abandon, withdraw, cancel or modify the offering and to reject Subscription Agreements in whole or in part for the purchase of any of the Shares. Without eliminating the generality of the foregoing, the right is reserved to cancel any sale of the Shares if such sale, in our opinion, would, among other reasons, violate federal or state securities laws.

ADDITIONAL INFORMATION

Persons interested in investing in the Shares are urged and invited to ask questions and receive answers concerning the Company and the terms and conditions of this offering and to obtain any additional information that is necessary to verify the accuracy of the information contained in this Memorandum. Please direct requests to Evan C. Richardson, the Senior Vice President of the Company, by telephone at (612) 359-5849 or by email at ericharson@sr-re.com, or to Laura Hanneman, Investor Services Manager, by telephone at (612) 305-7083 or by email at lhanneman@sr-re.com, during normal business hours. Subject to restrictions designed to protect our confidential information, we will furnish any qualified prospective purchaser with additional information such prospective purchaser desires which is not set forth herein, provided such information may be obtained without undue burden or expense, and provide an opportunity for inquiry concerning the terms and conditions of this offering. Copies of all documents described or referred to herein are available for inspection and duplication at the offices of the Company.

EXHIBIT A

FORM OF SUBSCRIPTION AGREEMENT

IMPORTANT: PLEASE READ CAREFULLY BEFORE SIGNING
SIGNIFICANT REPRESENTATIONS ARE
CALLED FOR HEREIN

SUBSCRIPTION AGREEMENT
AND
LETTER OF INVESTMENT INTENT

SR Realty Trust, Inc.
901 North Third Street, Suite 100
Minneapolis, MN 55401
Attention: Laura Hanneman

Ladies and Gentlemen:

_____
[PLEASE PRINT OR TYPE NAME OF INDIVIDUAL/ENTITY SUBSCRIBER]

(the "Investor"), desires to purchase from SR Realty Trust, Inc., a Maryland corporation (the "Company"), shares of the Company's common stock, $0.01 par value per share ("Shares") upon the terms and conditions set forth below. Capitalized terms used but not defined herein shall have the respective meanings attributed to such terms in the Memorandum, as such term is defined herein.

1. Residence. Investor is a bona fide resident of (or, if an entity, the entity is organized or incorporated under the laws of and is domiciled in) the State of: _____.
[PLEASE INSERT NAME OF STATE]

2. Subscription.

(a) Investor hereby represents and warrants as follows (check the box under either i. or ii., as applicable, and complete):

i. ☐ **Not an Insider:** I hereby subscribe to purchase the number of Shares set forth below and agree to pay to the Company the aggregate purchase price set forth below, representing the purchase price of $13.50 per Share.

Number of Shares ..... _____ Shares

Aggregate Purchase Price ..... $_____*

ii. ☐ **An Insider:** I hereby represent that I am an Insider (either one of our trustees or officers; a governor, officer or employee of our Advisor; or an affiliate of those listed above) and hereby subscribe to purchase the number of Shares set forth below and agree to pay to the Company the aggregate purchase price set forth below, representing the purchase price of $12.825 per Share.

Number of Shares ..... _____ Shares

Aggregate Purchase Price ..... $_____*

* A minimum investment of $20,000 worth of Shares is required, unless waived in the sole discretion of the Company.

(b) Investor has enclosed a check payable to **"SR Realty Trust, Inc."** in the amount of the Aggregate Purchase Price set forth above. If investor would prefer to wire the funds, please wire the funds to:

Bremer Bank, N.A.
St. Paul, MN
ABA #096010415
Re: SR Realty Trust, Inc.
Account #67041987

Investor acknowledges that this subscription is contingent upon acceptance by the Company, and that the Company has the right to accept or reject subscriptions in whole or in part.

3. Representations of Investor. In connection with the sale of the Shares to Investor, Investor hereby acknowledges and represents to the Company as follows:

(a) I have received a copy of the Company's Confidential Private Placement Memorandum dated May 1, 2024 relating to the offering of the Shares. I have carefully read the Memorandum, including the section entitled "Risk Factors", and have relied solely upon the Memorandum and investigations made by me or my representatives in making the decision to invest in the Shares. No statement, printed material or inducement has been given or made by any person associated with the offering of the Shares which was contrary to the information in the Memorandum.

(b) I have been given access to full and complete information regarding the Company (including the opportunity to meet with Company officers and review all the documents described in the Memorandum and such other documents as I may have requested in writing) and have utilized such access to my satisfaction for the purpose of obtaining information in addition to, or verifying information included in, the Memorandum.

(c) I am experienced and knowledgeable in financial and business matters, capable of evaluating the merits and risks of investing in the Shares, and do not need or desire the assistance of a knowledgeable representative to aid in the evaluation of such risks (or, in the alternative, I have used a knowledgeable representative in connection with my decision to purchase the Shares).

(d) I understand that an investment in the Shares is highly speculative and involves a high degree of risk. I believe the investment is suitable for me based on my investment objectives and financial needs. I have adequate means for providing for my current financial needs and personal contingencies and have no need for liquidity of investment with respect to the Shares. I can bear the economic risk of an investment in the Shares for an indefinite period of time and can afford a complete loss of such investment.

(e) I understand that there will be no market for the Shares, that there are significant restrictions on the transferability of the Shares and that for these and other reasons, I may not be able to liquidate an investment in the Shares for an indefinite period of time.

(f) I have been advised that the Shares have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), or under applicable state securities laws (the "State Laws") and are offered pursuant to exemptions from registration under the 1933 Act and the State Laws. I understand that the Company's reliance on such exemptions is predicated in part on my representations to the Company contained herein.

(g) I hereby acknowledge that I am not subscribing for the Shares as a result of, subsequent to or pursuant to (i) any advertisement, article, notice or other communications published in any newspaper, magazine or similar media (including any internet site) or broadcast over television or radio, or (ii) any seminar or meeting whose attendees, including me, had been invited as a result of, subsequent to or pursuant to any of the foregoing.

(h) I recognize that an investment in the Shares is highly speculative, illiquid and involves a high degree of risk including, but not limited to, the risk of economic losses from operations of the Company and the total loss of my investment and other risks disclosed in the Memorandum.

(i) Neither the Investor nor any of its subsidiaries, affiliates, owners, partners, members, indemnitors, guarantors or related person or entity:

(i) is a Sanctioned Person (as defined below);
(ii) has more than 15% of its assets in Sanctioned Countries (as defined below); or
(iii) derives more than 15% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries.

For purposes of the foregoing, a "Sanctioned Person" shall mean:

(A) a person named on the list of "specially designated nationals" or "blocked persons" maintained by the U.S. Office of Foreign Assets Control ("OFAC") as otherwise published from time to time or at the website: *http://www.treas.gov/offices/eotffc/ofac/sdn/index.html*, or

(B) an agency of the government of a Sanctioned Country, an organization controlled by a Sanctioned Country, or a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

A "Sanctioned Country" shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at *http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html*, or as otherwise published from time to time.

4. Investment Intent; Restrictions on Transfer.

(a) Investor understands that (i) there will be no market for the Shares, (ii) the purchase of the Shares is a long-term investment, (iii) the transferability of the Shares is restricted, (iv) the Shares may be sold by me only pursuant to registration under the 1933 Act and State Laws, or an opinion of counsel that such registration is not required, and (v) the Company does not have any obligation to register the Shares.

(b) Investor represents and warrants that Investor is purchasing the Shares for Investor's own account, for long term investment and without the intention of reselling or redistributing the Shares. The Shares are being purchased by Investor in Investor's name solely for Investor's own beneficial interest and not as nominee for, on behalf of, for the beneficial interest of, or with the intention to transfer to, any other person, trust, or organization (except as specifically set forth in this Subscription Agreement), and Investor has made no agreement with others regarding any of the Shares. Investor's financial condition is such that it is not likely that it will be necessary for Investor to dispose of any of the Shares in the foreseeable future.

(c) Investor is aware that, in the view of the Securities and Exchange Commission, a purchase of securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market values, or any change in the condition of the Company or its business or in connection with a contemplated liquidation or settlement of any loan obtained for the acquisition of any of the Shares and for which the Shares were or may be pledged as security would represent an intent inconsistent with the investment representations set forth above.

(d) Investor understands that any sale, transfer, assignment, pledge or other disposition of the Shares by Investor (i) will require the written consent of the Company, (ii) will require conformity with the restrictions contained in this Section 4, and (iii) will be further restricted by a legend placed on the document representing the Shares containing substantially the following language:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws. No transfer of such securities or any interest therein may be made except pursuant to registration under said laws unless the Company has received an opinion of counsel acceptable to the Company stating either that the securities have been registered or such transfer does not require registration under said laws."

Investor agrees to furnish any additional information in which the Company deems necessary in order to verify the answers set forth below.

INVESTORS MUST REVIEW AND PROVIDE INFORMATION IN RESPONSE TO ITEM 5 BELOW.

5. Investor Qualifications. The Investor understands that the representations contained below are made for the purpose of qualifying the Investor as an "accredited investor," as that term is defined in Rule 501 of Regulation D of the General Rules and Regulations promulgated under the 1933 Act and for the purpose of inducing a sale of the Shares to the Investor. Investor hereby represents that the statement or statements marked below are true and correct in all respects. Investor understands that a false representation may constitute a violation of law, and that any person who suffers damage as a result of a false representation may have a claim against the Investor for damages.

In connection with the issuance by SR Realty Trust, Inc. (the "**Company**"), of its shares of common stock, $0.01 par value per share (the "**Shares**"), the undersigned hereby represents and warrants to the Company, intending that the Company rely upon these representations and warranties, as follows:

The undersigned is (check all applicable paragraphs):

☐ A natural person who had an individual income[1] in excess of $200,000 in each of the two (2) most recent years or joint income[2] with that person's spouse (or spousal equivalent)[3] in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

☐ A natural person whose individual net worth, or joint net worth[4] with that person's spouse (or spousal equivalent), at the time of his/her purchase exceeds $1,000,000.

☐ A natural person who holds, in good standing, one of the following professional licenses: the General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65).

☐ A natural person who is a "knowledgeable employee" (as defined in Rule 3c-5(a)(4) under the Investment Company Act of 1940), of the issuer of the offered securities where the issuer would be an investment company (as defined in Section 3 of such Act), but for the exclusion provided by either Section 3(c)(1) or Section 3(c)(7) of such Act.

☐ A bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended (the "**Act**"), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any investment adviser registered under Section 203 of the Investment Advisers Act of 1940 or registered under the laws of a state; any investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in Section 2(13) of the Act; any 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; any 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, as amended; any Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.

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[1] For purposes of this item, "individual income" means adjusted gross income as reported for federal income tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any interest income received which is tax-exempt under §103 of the Code; (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040); (iii) any deduction claimed for depletion under §611 *et seq.* of the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of §1202 of the Code prior to its repeal by the Tax Reform Act of 1986.

[2] For purposes of this item, "joint income" means adjusted gross income as reported for federal income tax purposes, including any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any interest income received which is tax-exempt under §103 of the Code; (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040); (iii) any deduction claimed for depletion under §611 *et seq.* of the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of §1202 of the Code prior to its repeal by the Tax Reform Act of 1986.

[3] "Spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

[4] For purposes of this item, "joint net worth" can be the aggregate net worth of a person and spouse (or spousal equivalent); assets do not need to be held jointly to be included in the calculation.

☐ An organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, a corporation, a Massachusetts or similar business trust, a partnership, or a limited liability company, not formed for the specific purpose of acquiring the Shares, with total assets in excess of $5,000,000.

☐ A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D.

☐ An entity in which all of the equity owners are accredited investors.

☐ Any other entity (not listed above) that is not formed for the specific purpose of acquiring the Shares and owns investments (as defined in Rule 2a51-1(b) under the Investment Company Act of 1940) in excess of $5,000,000.

☐ Any family office (as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940) that (i) has assets under management in excess of $5,000,000; (ii) is not formed for the specific purpose of acquiring the Shares; and (iii) has a person directing the prospective investment who has such knowledge and experience in financial and business matters so that the family office is capable of evaluating the merits and risks of the prospective investment.

☐ Any family client (as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940), of a family office meeting the requirements of the preceding paragraph and whose prospective investment in the issuer is directed by that family office pursuant to the preceding paragraph.

☐ A director or executive officer of the Company.

☐ Investor does not qualify as an accredited investor.

Prior Investor Confirmation:

☐ By checking this box Investor hereby confirms that Investor previously acquired Shares from the Company in the last five (5) years and Investor hereby confirms that Investor remains an accredited investor based on the above-checked category.

6. Lock Up Agreement. The Investor understands that the Company at a future date may file a registration or offering statement (the "Registration Statement") with the Securities and Exchange Commission to facilitate an initial public offering of its securities. The Investor agrees, for the benefit of the Company, that should such an initial public offering be made and should the managing underwriter of such offering require, the undersigned will not, without the prior written consent of the Company and such underwriter, during the "Lock Up Period" as defined herein: (i) sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of any of the shares of the Company's common stock beneficially held by the Investor during the Lock Up Period; (ii) sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of any options, rights or warrants to purchase shares of the Company's common stock beneficially held by the Investor during the Lock Up Period; or (iii) sell or grant, or agree to sell or grant, options, rights or warrants with respect to any of the Shares. The foregoing does not prohibit gifts to donees or transfers by will or the laws of descent to heirs or beneficiaries provided that such donees, heirs and beneficiaries shall be bound by the restrictions set forth herein. The term "Lock Up Period" shall mean the lesser of (x) 180 days or (y) the period during which Company officers and directors are restricted by the managing underwriter from effecting any sales or transfers of the Company's shares of common stock. The Lock Up Period shall commence on the effective date of the Registration Statement.

7. Type of Ownership. Manner in which the Shares subscribed for are to be held (**initial** one).

(a) _____ Individual Ownership

(b) _____ Joint Tenant with Right of Survivorship (both parties must sign). Briefly describe relationship between parties (e.g. married):_____

(c) _____ Tenants in Common (both parties must sign). Briefly describe relationship between parties (e.g. married):_____

(d) _____ Qualified Retirement Account (i.e. IRA, 401(k), Profit Sharing Plans) (See note below.)

(e) _____ Community Property

(f) _____ Partnership

(g) _____ Corporation

(h) _____ Limited Liability Company

(h) _____ Trust or Estate (Describe and enclose evidence of authorization):_____

(i) _____ Other (Describe): _____

8. Not a Non-U.S. Equity Holder or Restricted Party. I represent that I am (i) not a Non-U.S. Equity Holder, (ii) not a person listed on a Prohibited Parties List, (iii) not listed on any similar restricted list maintained by any United States, Department of Commerce, Department of State or any other U.S., State or Federal governmental official or entity, and (iv) do not have any property blocked, or subject to seizure, forfeiture or confiscation, by any order relating to terrorism or money laundering issued by the President, Attorney General, Secretary of State, Secretary of Defense, Secretary of the Treasury or any other U.S. State or Federal governmental official or entity.

For purposes of the above paragraph, the term:

"FHFA SCP List" means the Suspended Counterparty List maintained by the Federal Housing Finance Agency (FHFA) which is currently published at

https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/suspendedcounterpartyprogram.

"Non-U.S. Equity Holder" means any Person with a collective equity interest (whether direct or indirect) of 10% or more in Borrower, and which is either (a) an individual who is not a citizen of the United States, or (b) an entity formed outside the United States.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"OFAC Lists" means either one of the following:

(i) The OFAC Specially Designated Nationals and Blocked Persons List.
(ii) The OFAC Consolidated Sanctions List.

"Person" means any natural person, sole proprietorship, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, limited liability limited partnership, joint venture, association, joint stock company, bank, trust, estate, unincorporated organization, any federal, state, county or municipal government (or any agency or political subdivision thereof), endowment fund or any other form of entity.

"Prohibited Parties List" means any one or more of the (i) OFAC Lists or (ii) FHFA SCP List.

9. Regulation D and "Bad Actor" Compliance. Investor hereby represents that none of the "bad actor" disqualifying events described in Rule 506(d)(1)(i) (viii) promulgated under the Securities Act (a "Disqualification Event") is applicable to Investor or any of Investor's Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. For purposes of this Agreement, "Rule 506(d) Related Party" shall mean with respect to any person any other person that is a beneficial owner of such first person's securities for purposes of Rule 506(d) of the Securities Act. Investor agrees that, if Investor owns twenty percent (20%) or more of the Company's outstanding units at any time, Investor will complete, and cause any of Investor's managers, partners or owners who is a beneficial owner of twenty percent (20%) or more of the Company's securities to complete, a "Disqualification Event Questionnaire" containing representations as to potential Disqualification Events, and such questionnaire shall constitute a representation and warranty by Investor under this Subscription Agreement. Investor will immediately notify the Manager in writing if Investor has become subject to a Disqualification Event at any date after Investor completes a Disqualification Event Questionnaire. In the event that Investor becomes subject to a Disqualification Event at any date after the date that Investor completes a Disqualification Event Questionnaire, Investor agrees and covenants to use Investor's best efforts to coordinate with the Manager (i) to provide documentation as reasonably requested by the Manager related to any such Disqualification Event and (ii) to remedy such Disqualification Event such that the Disqualification Event will not affect in any way the Company's or its affiliates' ongoing and/or future reliance on the exemptions available under Rule 506 of Regulation D promulgated under the Securities Act.

10. Miscellaneous.

(a) Investor agrees to furnish any additional information that the Company or its counsel deem necessary in order to verify the responses set forth above.

(b) Investor understands the meaning and legal consequences of the agreements, representations and warranties contained herein. Investor agrees that such agreements, representations and warranties shall survive and remain in full force and effect after the execution hereof and payment for the Shares. Investor further agrees to indemnify and hold harmless the Company, the Advisor, each of their affiliates and all of their stockholders, members, officers, directors, governors, employees and advisors from and against any and all loss, damage or liability due to, or arising out of, a breach of any of Investor's agreements, representations or warranties contained herein, or by reason of the untruth or inaccuracy of any of the representations, warranties or agreements contained herein or in any other documents Investor has furnished to any of the foregoing in connection with this transaction, including in connection with 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 or agreements contained herein or in any other documents Investor has furnished in connection with this transaction.

(c) This Subscription Agreement shall be construed and interpreted in accordance with Minnesota law without regard to choice of law provisions.

* * * * * * * **

FOR PURCHASES IN A RETIREMENT ACCOUNT

(please initial in the blank space provided)

Purchasing in a Retirement Account. An investment in a private placement of securities is HIGHLY SPECULATIVE in nature. Accordingly, such an investment may not be appropriate for Individual Retirement Accounts or other retirement-type accounts that carry conservative investment objectives. If this investment is in fact purchased in a retirement-type account, the purchaser hereby represents and affirms that he/she understands the risks of the investment and has decided that such risks are consistent with purchaser's investment objectives for this account.

Dated: _____.

INDIVIDUAL INVESTOR(S):

X _____	X _____
Signature	Signature of Second Individual (if applicable)
_____	_____
Name (Typed or Printed)	Name (Typed or Printed)
_____	_____
Address to Which Correspondence Should be Directed	Address to Which Correspondence Should be Directed
_____	_____
_____	_____
City, State and Zip Code	City, State and Zip Code
_____	_____
Social Security or Tax Identification Number	Social Security or Tax Identification Number
_____	_____
Telephone Number	Telephone Number
_____	_____
E-mail Address	E-mail Address

Dated: _____.

ENTITY INVESTOR(S):

_____
Name of Entity (Typed or Printed)

By: _____
*Signature of Authorized Person

Its: _____
Title

_____
Name of Signatory (Typed or Printed)

_____
Address to Which Correspondence Should be Directed

_____

_____
City, State and Zip Code

_____
Entity's Tax Identification or Social Security Number

_____
Telephone Number

_____
E-mail Address

Examples of Entity Investor(s):

- Qualified Retirement Account (i.e. IRA, 401(k), Profit Sharing Plans)
- Community Property
- Partnership
- Corporation
- Limited Liability Company
- Trust or Estate

* If Shares are being subscribed for by any entity, the Certificate of Signatory (page A-10) must also be completed.

CUSTODIAL ACCOUNT AUTHORIZATION

Trust, IRA, qualified plan, corporation, partnership or other entity investors: please provide information regarding the entity and the individual(s) responsible for the entity's investment decision. Custodial information should be presented here for IRA and qualified plan investors. **Note: For Custodial accounts (IRA's, etc.) distributions must be sent to the custodian unless the custodian provides written instructions to send distributions elsewhere.**

Name of Entity	Tax ID Number of Entity
Address of Entity	City, State, Zip Code
Telephone Number	Account Number (custodial accounts)
Type of Entity (Trust, IRA, 401(k), Corp., etc.)	Date of Formation
Authorized Person	Title of Authorized Person

A. REGISTRATION INFORMATION

Please print the exact name (registration) Investor desires on account:

Mailing address:

E-mail address:

B. DISTRIBUTION INFORMATION

Please send all distributions to the following:

Name:

Address:

Phone: Business (___)_____

Fax: Business (___)_____ _____

CERTIFICATE OF SIGNATORY

(To be completed if Shares are being subscribed
for by an entity)

I, _____ the _____ of _____ (the "Entity"), hereby certify that I am empowered and duly authorized by the Entity to execute and carry out the terms of the Subscription Agreement and to purchase the Shares, and certify further that the Subscription Agreement has been duly and validly executed on behalf of the Entity and constitutes a legal and binding obligation of the Entity.

IN WITNESS WHEREOF, I have set my hand this ____ day of _____.

_____
(Signature)

ACCEPTANCE

This Subscription Agreement is accepted by SR Realty Trust, Inc. as to:

☐ the number of Shares set forth in item 2.a.; or

☐ _____ Shares.

Dated: _____, 20____

SR Realty Trust, Inc.

By: _____

Name: _____

Its: _____

NOTE: Acceptance date will be the first day of the succeeding month.

Form **W-9**
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. *See Specific Instructions on page 3.*

1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)

2 Business name/disregarded entity name, if different from above.

3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor ☐ C corporation ☐ S corporation ☐ Partnership ☐ Trust/estate

☐ LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) _____

Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) _____

3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions ☐

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____

(Applies to accounts maintained outside the United States.)

5 Address (number, street, and apt. or suite no.). See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

			–			–				

or

Employer identification number

		–							

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	**Signature of U.S. person**	**Date**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9*.

What's New

Line 3a has been modified to clarify how a disregarded entity completes this line. An LLC that is a disregarded entity should check the appropriate box for the tax classification of its owner. Otherwise, it should check the "LLC" box and enter its appropriate tax classification.

New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS is giving you this form because they

must obtain your correct taxpayer identification number (TIN), which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid).
- Form 1099-DIV (dividends, including those from stocks or mutual funds).
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds).
- Form 1099-NEC (nonemployee compensation).
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers).
- Form 1099-S (proceeds from real estate transactions).
- Form 1099-K (merchant card and third-party network transactions).
- Form 1098 (home mortgage interest), 1098-E (student loan interest), and 1098-T (tuition).
- Form 1099-C (canceled debt).
- Form 1099-A (acquisition or abandonment of secured property).

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

Caution: If you don't return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding*, later.

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued);

2. Certify that you are not subject to backup withholding; or

3. Claim exemption from backup withholding if you are a U.S. exempt payee; and

4. Certify to your non-foreign status for purposes of withholding under chapter 3 or 4 of the Code (if applicable); and

5. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting is correct. See *What Is FATCA Reporting*, later, for further information.

Note: If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding. Payments made to foreign persons, including certain distributions, allocations of income, or transfers of sales proceeds, may be subject to withholding under chapter 3 or chapter 4 of the Code (sections 1441–1474). Under those rules, if a Form W-9 or other certification of non-foreign status has not been received, a withholding agent, transferee, or partnership (payor) generally applies presumption rules that may require the payor to withhold applicable tax from the recipient, owner, transferor, or partner (payee). See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

The following persons must provide Form W-9 to the payor for purposes of establishing its non-foreign status.

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the disregarded entity.
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the grantor trust.
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust and not the beneficiaries of the trust.

See Pub. 515 for more information on providing a Form W-9 or a certification of non-foreign status to avoid withholding.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person (under Regulations section 1.1441-1(b)(2)(iv) or other applicable section for chapter 3 or 4 purposes), do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Pub. 515). If you are a qualified foreign pension fund under Regulations section 1.897(l)-1(d), or a partnership that is wholly owned by qualified foreign pension funds, that is treated as a non-foreign person for purposes of section 1445 withholding, do not use Form W-9. Instead, use Form W-8EXP (or other certification of non-foreign status).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a saving clause. Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items.

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

2. The treaty article addressing the income.

3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.

4. The type and amount of income that qualifies for the exemption from tax.

5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if their stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first Protocol) and is relying on this exception to claim an exemption from tax on their scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

Backup Withholding

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 24% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include, but are not limited to, interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third-party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester;

2. You do not certify your TIN when required (see the instructions for Part II for details);

3. The IRS tells the requester that you furnished an incorrect TIN;

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only); or

5. You do not certify to the requester that you are not subject to backup withholding, as described in item 4 under "*By signing the filled-out form*" above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code*, later, and the separate Instructions for the Requester of Form W-9 for more information.

See also *Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding*, earlier.

What Is FATCA Reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all U.S. account holders that are specified U.S. persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code*, later, and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you are no longer tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Line 1

You must enter one of the following on this line; **do not** leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account (other than an account maintained by a foreign financial institution (FFI)), list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9. If you are providing Form W-9 to an FFI to document a joint account, each holder of the account that is a U.S. person must provide a Form W-9.

• **Individual.** Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

Note for ITIN applicant: Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040 you filed with your application.

• **Sole proprietor.** Enter your individual name as shown on your Form 1040 on line 1. Enter your business, trade, or "doing business as" (DBA) name on line 2.

• **Partnership, C corporation, S corporation, or LLC, other than a disregarded entity.** Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

• **Other entities.** Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. Enter any business, trade, or DBA name on line 2.

• **Disregarded entity.** In general, a business entity that has a single owner, including an LLC, and is not a corporation, is disregarded as an entity separate from its owner (a disregarded entity). See Regulations section 301.7701-2(c)(2). A disregarded entity should check the appropriate box for the tax classification of its owner. Enter the owner's name on line 1. The name of the owner entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2. If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, enter it on line 2.

Line 3a

Check the appropriate box on line 3a for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box on line 3a.

IF the entity/individual on line 1 is a(n) . . .	THEN check the box for . . .
• Corporation	Corporation.
• Individual or • Sole proprietorship	Individual/sole proprietor.
• LLC classified as a partnership for U.S. federal tax purposes or • LLC that has filed Form 8832 or 2553 electing to be taxed as a corporation	Limited liability company and enter the appropriate tax classification: P = Partnership, C = C corporation, or S = S corporation.
• Partnership	Partnership.
• Trust/estate	Trust/estate.

Line 3b

Check this box if you are a partnership (including an LLC classified as a partnership for U.S. federal tax purposes), trust, or estate that has any foreign partners, owners, or beneficiaries, and you are providing this form to a partnership, trust, or estate, in which you have an ownership interest. You must check the box on line 3b if you receive a Form W-8 (or documentary evidence) from any partner, owner, or beneficiary establishing foreign status or if you receive a Form W-9 from any partner, owner, or beneficiary that has checked the box on line 3b.

Note: A partnership that provides a Form W-9 and checks box 3b may be required to complete Schedules K-2 and K-3 (Form 1065). For more information, see the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

If you are required to complete line 3b but fail to do so, you may not receive the information necessary to file a correct information return with the IRS or furnish a correct payee statement to your partners or beneficiaries. See, for example, sections 6698, 6722, and 6724 for penalties that may apply.

Line 4 Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space on line 4 any code(s) that may apply to you.

Exempt payee code.

• Generally, individuals (including sole proprietors) are not exempt from backup withholding.

• Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.

• Corporations are not exempt from backup withholding for payments made in settlement of payment card or third-party network transactions.

• Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space on line 4.

1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).

2—The United States or any of its agencies or instrumentalities.

3—A state, the District of Columbia, a U.S. commonwealth or territory, or any of their political subdivisions or instrumentalities.

4—A foreign government or any of its political subdivisions, agencies, or instrumentalities.

5—A corporation.

6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or territory.

7—A futures commission merchant registered with the Commodity Futures Trading Commission.

8—A real estate investment trust.

9—An entity registered at all times during the tax year under the Investment Company Act of 1940.

10—A common trust fund operated by a bank under section 584(a).

11—A financial institution as defined under section 581.

12—A middleman known in the investment community as a nominee or custodian.

13—A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
• Interest and dividend payments	All exempt payees except for 7.
• Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
• Barter exchange transactions and patronage dividends	Exempt payees 1 through 4.
• Payments over $600 required to be reported and direct sales over $5,000[1]	Generally, exempt payees 1 through 5.[2]
• Payments made in settlement of payment card or third-party network transactions	Exempt payees 1 through 4.

[1] See Form 1099-MISC, Miscellaneous Information, and its instructions.

[2] However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) entered on the line for a FATCA exemption code.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37).

B—The United States or any of its agencies or instrumentalities.

C—A state, the District of Columbia, a U.S. commonwealth or territory, or any of their political subdivisions or instrumentalities.

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i).

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i).

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state.

G—A real estate investment trust.

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940.

I—A common trust fund as defined in section 584(a).

J—A bank as defined in section 581.

K—A broker.

L—A trust exempt from tax under section 664 or described in section 4947(a)(1).

M—A tax-exempt trust under a section 403(b) plan or section 457(g) plan.

Note: You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns. If this address differs from the one the requester already has on file, enter "NEW" at the top. If a new address is provided, there is still a chance the old address will be used until the payor changes your address in their records.

Line 6

Enter your city, state, and ZIP code.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have, and are not eligible to get, an SSN, your TIN is your IRS ITIN. Enter it in the entry space for the Social security number. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN.

If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's SSN (or EIN, if the owner has one). If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note: See *What Name and Number To Give the Requester*, later, for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at *www.SSA.gov*. You may also get this form by calling 800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/EIN*. Go to *www.irs.gov/Forms* to view, download, or print Form W-7 and/or Form SS-4. Or, you can go to *www.irs.gov/OrderForms* to place an order and have Form W-7 and/or Form SS-4 mailed to you within 15 business days.

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and enter "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, you will generally have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note: Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon. See also *Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding*, earlier, for when you may instead be subject to withholding under chapter 3 or 4 of the Code.

Caution: A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, 4, or 5 below indicates otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code*, earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third-party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), ABLE accounts (under section 529A), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account) other than an account maintained by an FFI	The actual owner of the account or, if combined funds, the first individual on the account[1]
3. Two or more U.S. persons (joint account maintained by an FFI)	Each holder of the account
4. Custodial account of a minor (Uniform Gift to Minors Act)	The minor[2]
5. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee[1]
b. So-called trust account that is not a legal or valid trust under state law	The actual owner[1]
6. Sole proprietorship or disregarded entity owned by an individual	The owner[3]
7. Grantor trust filing under Optional Filing Method 1 (see Regulations section 1.671-4(b)(2)(i)(A))**	The grantor*
8. Disregarded entity not owned by an individual	The owner
9. A valid trust, estate, or pension trust	Legal entity[4]
10. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
11. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
12. Partnership or multi-member LLC	The partnership
13. A broker or registered nominee	The broker or nominee
14. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
15. Grantor trust filing Form 1041 or under the Optional Filing Method 2, requiring Form 1099 (see Regulations section 1.671-4(b)(2)(i)(B))**	The trust

[1] List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

[2] Circle the minor's name and furnish the minor's SSN.

[3] You must show your individual name on line 1, and enter your business or DBA name, if any, on line 2. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

[4] List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

* **Note:** The grantor must also provide a Form W-9 to the trustee of the trust.

** For more information on optional filing methods for grantor trusts, see the Instructions for Form 1041.

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records From Identity Theft

Identity theft occurs when someone uses your personal information, such as your name, SSN, or other identifying information, without your permission to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax return preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity, or a questionable credit report, contact the IRS Identity Theft Hotline at 800-908-4490 or submit Form 14039.

For more information, see Pub. 5027, Identity Theft Information for Taxpayers.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 877-777-4778 or TTY/TDD 800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to *phishing@irs.gov*. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 800-366-4484. You can forward suspicious emails to the Federal Trade Commission at *spam@uce.gov* or report them at *www.ftc.gov/complaint*. You can contact the FTC at *www.ftc.gov/idtheft* or 877-IDTHEFT (877-438-4338). If you have been the victim of identity theft, see *www.IdentityTheft.gov* and Pub. 5027.

Go to *www.irs.gov/IdentityTheft* to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their laws. The information may also be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payors must generally withhold a percentage of taxable interest, dividends, and certain other payments to a payee who does not give a TIN to the payor. Certain penalties may also apply for providing false or fraudulent information.

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EXHIBIT B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

SR Realty Trust, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

SR Realty Trust, Inc. and Subsidiaries

Table of Contents
December 31, 2023 and 2022

Independent Auditors' Report

To the Stockholders and Board of Directors of
SR Realty Trust, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of SR Realty Trust, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Minneapolis, Minnesota
April 1, 2024

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Assets		
Land and land improvements	$ 75,502,711	$ 61,275,099
Buildings and improvements	221,747,510	171,464,890
Tenant improvements	12,634,923	9,074,977
Total real estate property	309,885,144	241,814,966
Accumulated depreciation	(41,323,606)	(32,358,782)
Net real estate property	268,561,538	209,456,184
Cash and cash equivalents	2,236,610	4,366,938
Rents receivable	789,803	634,291
Notes receivable	2,839,799	1,425,054
Prepaid expenses and other assets	990,038	1,218,497
Deferred rent	2,339,414	1,570,725
Restricted escrows and reserves	3,477,393	3,287,343
Intangible assets, net of accumulated amortization	9,432,944	11,088,402
Leasing commissions, net of accumulated amortization	2,319,865	2,444,837
Investments in real estate ventures	17,421,748	15,716,782
Due from related parties	2,631,759	2,080,407
Total assets	$ 313,040,911	$ 253,289,460

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Liabilities and Stockholders' Equity		
Liabilities		
Mortgage notes payable	$ 189,057,570	$ 151,383,701
Time certificates	901,650	1,518,924
Other notes payable	807,845	906,342
Line of credit	20,810,000	15,285,000
Financing fees, net of accumulated amortization	(1,554,191)	(1,391,540)
Notes payable, net	210,022,874	167,702,427
Accounts payable	1,155,988	1,084,747
Tenant security deposits	1,122,695	1,078,558
Deferred development fee payable	-	577,310
Accrued liabilities	2,389,206	2,135,607
Due to related parties	490,122	597,726
Total liabilities	215,180,885	173,176,375
Stockholders' Equity		
Preferred stock, $0.01 par value per share 50,000,000 shares authorized No shares issued and outstanding	-	-
Common stock, $0.01 par value per share 100,000,000 shares authorized 2,561,384 and 2,313,583 shares issued and outstanding	25,614	23,136
Additional paid-in capital	29,956,646	26,378,946
Accumulated deficit	(8,819,732)	(6,515,879)
Total SR Realty Trust, Inc. stockholders' equity	21,162,528	19,886,203
Noncontrolling interest	76,697,498	60,226,882
Total stockholders' equity	97,860,026	80,113,085
Total liabilities and stockholders' equity	$ 313,040,911	$ 253,289,460

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Rental revenues	$ 34,574,375	$ 23,774,558
Other revenue	2,126,459	1,624,310
Total revenues	36,700,834	25,398,868
Operating Expenses		
Operating and maintenance	12,460,293	9,593,380
Real estate taxes	4,797,792	4,043,961
Insurance expenses	890,508	601,580
Asset management fee	1,238,164	896,905
Acquisition fees and expenses	31,171	43,133
Depreciation and amortization	12,336,984	8,813,464
Total operating expenses	31,754,912	23,992,423
Operating income	4,945,922	1,406,445
Other Income (Expense)		
Interest expense	(9,713,578)	(6,837,821)
Loss from real estate ventures	(505,816)	(247,943)
Gain on acquisition of real estate property	398,682	199,454
Gain on sale of real estate ventures	112,923	1,069,019
Net other expense	(9,707,789)	(5,817,291)
Net loss	(4,761,867)	(4,410,846)
Net loss attributable to noncontrolling interest	4,178,599	4,053,911
Net Loss Attributable to SR Realty Trust, Inc. and Subsidiaries	$ (583,268)	$ (356,935)

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total Stockholders' Equity
Balances, December 31, 2021	1,861,206	$ 18,612	$ 20,244,817	$ (4,662,367)	$ 38,720,579	$ 54,321,641
Net loss	-	-	-	(356,935)	(4,053,911)	(4,410,846)
Common stock issued for cash, net of issuance costs	411,599	4,116	5,607,375	-	-	5,611,491
Issuance of common stock as settlement for liabilities	54,109	541	729,936	-	-	730,477
Operating Partnership common units issued for property acquisitions	-	-	-	-	28,457,702	28,457,702
Contributions from noncontrolling interest	-	-	-	-	1,422,786	1,422,786
Operating Partnership common units issued for investment in real estate venture	-	-	-	-	3,317,349	3,317,349
Purchase of noncontrolling interest, net of expenses	-	-	-	-	(2,105,420)	(2,105,420)
Redemption of common stock and Operating Partnership common units	(54,547)	(545)	(767,954)	-	(1,252,495)	(2,020,994)
Shares (units) issued through dividend reinvestment program	41,216	412	564,772	-	113,696	678,880
Distributions	-	-	-	(1,496,577)	(4,393,404)	(5,889,981)
Balances, December 31, 2022	2,313,583	23,136	26,378,946	(6,515,879)	60,226,882	80,113,085
Net loss	-	-	-	(583,268)	(4,178,599)	(4,761,867)
Common stock issued for cash, net of issuance costs	150,877	1,509	2,185,430	-	-	2,186,939
Issuance of common stock as settlement for liabilities	52,792	528	774,312	-	-	774,840
Operating Partnership common units issued for property acquisitions	-	-	-	-	26,763,022	26,763,022
Contributions from noncontrolling interest	-	-	-	-	1,176,877	1,176,877
Redemption of Operating Partnership common units	-	-	-	-	(266,461)	(266,461)
Shares (units) issued through dividend reinvestment program	44,132	441	617,958	-	227,323	845,722
Distributions	-	-	-	(1,720,585)	(7,251,546)	(8,972,131)
Balances, December 31, 2023	2,561,384	$ 25,614	$ 29,956,646	$ (8,819,732)	$ 76,697,498	$ 97,860,026

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net loss	$ (4,761,867)	$ (4,410,846)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	9,068,626	6,474,808
Amortization	3,606,833	3,293,991
Equity in loss of real estate ventures	505,816	247,943
Gain on acquisition of real estate property	(398,682)	(199,454)
Gain on sale of real estate ventures	(112,923)	(1,069,019)
Changes in operating assets and liabilities:		
Rents receivable	(106,142)	(269,049)
Prepaid expenses and other assets	198,255	381,820
Deferred rent	(768,690)	(406,594)
Cash paid for leasing commissions	(421,958)	(1,289,223)
Accounts payable	30,308	611,059
Tenant security deposits	(74,552)	180,056
Accrued liabilities	341,343	124,839
Net cash flows from operating activities	7,106,367	3,670,331
Cash Flows From Investing Activities		
Cash received from (paid for) acquisitions, net of cash paid	1,430,030	(162,010)
Investments in real estate ventures	(13,670,457)	(20,270,859)
Advances to related parties	(286,073)	(233,369)
Purchases of real estate property	(6,551,062)	(7,487,255)
Cash received from sale of real estate venture	8,421,754	24,948,886
Distributions received from real estate ventures	799,263	710,821
Repayments of notes receivable	336,935	-
Issuance of notes receivable	-	(320,054)
Net cash flows from investing activities	(9,519,610)	(2,813,840)
Cash Flows From Financing Activities		
Common stock issued for cash, net of issuance costs	2,186,939	5,611,491
Distributions paid	(8,126,409)	(5,211,101)
Principal payments on mortgage notes payable	(16,657,902)	(41,428,147)
Principal payments on other notes payable	(98,497)	(94,138)
Net advances (repayments) on line of credit	5,525,000	(2,015,000)
Cash paid for financing fees	(297,601)	(562,072)
Redemption of common stock and Operating Partnership common units	(266,461)	(2,020,994)
Proceeds from issuance of mortgage notes payable and bonds payable	18,600,000	29,670,927
Payment of deferred development fee	(577,310)	-
Contributions from noncontrolling interests	802,480	636,039
Repayments of time certificates	(617,274)	(1,151,334)
Net cash flows from financing activities	472,965	(16,564,329)
Net change in cash and cash equivalents and restricted cash	(1,940,278)	(15,707,838)
Cash and Cash Equivalents and Restricted Cash, Beginning	7,654,281	23,362,119
Cash and Cash Equivalents and Restricted Cash, Ending	$ 5,714,003	$ 7,654,281

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 9,333,553	$ 6,142,174
Noncash Investing and Financing Activities		
Real estate assets and liabilities acquired through the issuance of Operating Partnership units, debt and liabilities	$ 65,879,237	$ 57,534,793
Reinvestment of dividends and distributions	$ 845,722	$ 678,880
Issuance of common stock for payment of advisory services, guarantees and board compensation	$ 774,840	$ 730,477
Contributions from noncontrolling interests included in due from related parties	$ 374,397	$ 786,747
Investment in real estate ventures included in due to related parties	$ (1,514)	$ (502,050)
Real estate property contributed for investment in real estate venture	$ 1,306,944	$ -
Operating Partnership units issued for investment in real estate venture	$ -	$ 3,317,349

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Operations

SR Realty Trust, Inc. (the Company or SR Realty Trust) is a Maryland corporation formed on September 15, 2014 for the purpose of investing in a portfolio of real estate properties and other real estate related assets. The Company has elected to be taxed as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code, which requires that 75% of the assets of a REIT must consist of real estate assets and that 75% of its gross income must be derived from real estate. The net income of the REIT is allocated in accordance with stock ownership in the same fashion as a regular corporation. The Company's real estate holdings currently consist of commercial office, industrial, multifamily and retail properties located in Iowa, Minnesota, Missouri, Nebraska and Wisconsin.

The Company established an operating partnership, SRRT Properties, LP (the Operating Partnership or SRRT Properties), a Delaware limited partnership, to own its investments in real estate and other real estate related assets. The Company transferred cash to the Operating Partnership in exchange for general partnership units. As the general partner, the Company has management responsibility for all activities of the Operating Partnership. As of December 31, 2023 and 2022, the Company owned 21.3% and 23.2% of the Operating Partnership, respectively. As of December 31, 2023 and 2022, there were 12,037,203 and 9,977,358 limited partnership units outstanding, respectively.

The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests (Units) for SR Realty Trust common stock based on the terms of the partnership agreement, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its interest in SRRT Properties. SRRT Properties owns a controlling interest in SRRT Harding, LLC, SRRT Kennedy, LLC, Roseville Fairview, LLC, Railroad Properties, LLC, 615 Properties, LLC, 530 Third, LLC, Cobblestone Properties, LLC, SRRT 2112, LLC, IDC Properties, LLC, SRRT Bedford, LLC, SRRT Edge, LLC, SRRT Duluth, LLC, SRRT Lee, LLC, SRRT Industrial Blvd, LLC, SRRT Parkway, LLC, SRRT Boone, LLC, SRRT Outlot, LLC, SRRT Northland Drive, LLC, SRRT Hale, LLC, SRRT Empire I, LLC, Firestation MT, LLC, SRRT Redwell, LLC, SRRT Solar NE, LLC, BP Holdings Realty, LLC, SRRT Executive Park I, LLC, SRRT Sentry I, LLC, SRRT Botts Road I, LLC, Gurley Lofts, LLC, SRRT Libra, LLC, SRRT Jackson Street, LLC, SRRT Fleet I, LLC, SRRT Hillside, LLC, SRRT Pearl Street, LLC, SRRT Maple Plain, LLC, SRRT Lone Oak, LLC, SRRT Orpheum, LLC, and 48th Street Investments, LLC. Significant intercompany accounts and transactions have been eliminated in consolidation.

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*. In determining whether the Company has a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which the Company is the primary beneficiary.

Investments in Real Estate Ventures

Certain investments where the Company does not have control but has the ability to exercise significant influence are accounted for by the equity method of accounting. Under this method, the Company's investments in real estate ventures are recorded at cost and the investment accounts are adjusted for the Company's share of the entities' income or loss and for distributions and contributions.

The Company evaluates the carrying amount of the investments for impairment if the carrying amount of the investment exceeds its fair value. An impairment charge is recorded when an impairment is deemed to be other-than-temporary. To determine whether impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until the carrying amount is fully recovered. The evaluation of a real estate venture for potential impairment can require management to exercise significant judgments. No impairment losses were recorded related to real estate ventures for the years ended December 31, 2023 and 2022.

In determining whether an investment in a limited liability company or tenancy in common is a variable interest entity, the Company considers many factors, including: the form of its ownership interest and legal structure; the size of the Company's investment; the financing structure of the entity, including the existence of subordinated debt; estimates of future cash flows; the Company and its partners ability to participate in the decision making related to acquisitions, dispositions, budgeting and financing of the entity; and obligations to absorb losses and preferential returns.

Five of our tenant in common arrangements did not qualify as variable interest entities and did not meet the control requirements for consolidation as of, and for the year ended, December 31, 2023. Nine of our tenant in common arrangements did not quality as variable interest entities and did not meet the control requirements for consolidation as of, and for the year ended, December 31, 2022.

Properties Held for Sale

We classify operating properties as properties held for sale in the period in which all of the following criteria are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year; (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be withdrawn.

At such time as a property is classified as held for sale, it is carried at the lower of (i) its carrying amount or (2) fair value less costs to sell. In addition, a property being held for sale ceases to be depreciated.

There were no properties classified as held for sale as of December 31, 2023 or 2022.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include the determination of the useful life of property and other long-lived assets, valuation and impairment analysis of property and other long-lived assets and valuation of the allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

Limited Liability Companies

Certain of the Company's subsidiaries are limited liability companies (LLC's). As such, the members of each LLC are not liable for any of the debts or liabilities of that LLC, or of any other LLC included in these consolidated financial statements.

Cash and Cash Equivalents

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents.

The Company presents the statements of cash flows including all restricted cash in the beginning and ending balances. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets to the amounts shown in the statements of cash flows:

	2023	2022
Cash and cash equivalents	$ 2,236,610	$ 4,366,938
Restricted escrows and reserves (Note 10)	3,477,393	3,287,343
Total cash, cash equivalents and restricted cash	$ 5,714,003	$ 7,654,281

Rents Receivable

The Company makes a determination of whether the collectibility of lease payments in its operating leases is probable. If the Company determines the lease payments are not probable of collection, the Company would fully reserve for any outstanding rent receivables related to contractual lease payments and variable lease payments, would write-off any deferred rent receivable and would recognize income only to the extent cash has been received. The Company exercises judgment in assessing collectibility and considers payment history, current credit status, the tenant's financial condition, security deposits, letters of credit, lease guarantees and current market conditions that may impact the tenant's ability to make payments in accordance with its lease agreements, in making the determination. The allowance for doubtful accounts was $174,672 and $131,685 as of December 31, 2023 and 2022, respectively. The Company charges interest and late fees on delinquent accounts.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company considers factors such as current and expected market conditions, current and expected rental rates, estimated future development costs and expected holding period and carry costs in estimating cash flows and related fair values used in the impairment assessments. Based on this assessment, property that is considered impaired is written down to its fair value. An impairment loss is recognized when the undiscounted estimated future cash flows from continued use and eventual disposition of the asset are less than the carrying amount. To date, there have been no such losses.

Revenue Recognition

The Company accounts for leases to its tenants under ASC 842, *Leases*. The Company leases real estate to its tenants under month-to-month and long-term leases which it accounts for as operating leases. Leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Rental increases based upon variable factors are recognized only after changes in such factors have occurred and are then applied according to the lease agreements. Recognition of rental income commences when control of the leased space has been transferred to the tenant.

Recognizing rent escalations on a straight-line method results in rental revenue in the early years of a lease being higher than actual cash received, resulting in the Company recording a deferred rent asset on the consolidated balance sheets.

Some leases provide for reimbursement from tenants for common area maintenance (CAM), insurance, real estate taxes and other operating expenses. Leases may also include income for parking, storage and other items. A portion of the operating cost reimbursement revenue is estimated each period and is recognized as rental income in the period the recoverable costs are incurred and accrued.

The Company elected a practical expedient under ASC 842 which allows lessors to not separate lease and nonlease components when the timing and pattern of transfer for the lease and nonlease components are the same, and if the lease component, if accounted for separately, would be classified as an operating lease. As a result, the Company presents all rentals and reimbursements from tenants as a single line item, rental revenues, within the consolidated statement of operations.

Revenue streams that are accounted for under ASC 606, *Revenue from Contracts with Customers*, include:

- Gains upon the sale of property, which are recognized in revenue at a point in time upon closing of the sale transaction.

- Lease termination fees, which are recognized in revenue at a point in time, as such fees are incurred.

Leasing Commissions

Direct costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and are amortized on a straight-line basis over the term of the related lease. Lease incentive costs, which are payments made on behalf of a tenant to sign a lease, are amortized on a straight-line basis over the respective lease term as a reduction to rental revenue. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed. The Company had amortization expense of $550,527 and $401,638 for the years ended December 31, 2023 and 2022, respectively. The Company had accumulated amortization of $1,630,330 and $1,105,170 as of December 31, 2023 and 2022, respectively.

Financing Fees

The Company presents debt issuance costs as a direct reduction from the carrying value of its long-term debt liabilities. Costs incurred in connection with obtaining financing are capitalized and are being amortized on a straight-line basis, which approximates the effective interest method, over the financing term and are included in interest expense. The Company had amortization expense of $338,475 and $955,335 for the years ended December 31, 2023 and 2022, respectively that was included in interest expense. No amortization of deferred financing fees was capitalized for either of the years ended December 31, 2023 or 2022. The Company had accumulated amortization of deferred financing fees totaling $587,523 and $799,526 as of December 31, 2023 and 2022, respectively.

Real Estate Property

Investments in real estate property with a useful life longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes costs of acquisitions, development, construction and tenant allowances and improvements.

The Company's acquisitions of investment properties are accounted for as asset acquisitions. The Company allocates the purchase price of each acquired investment property based upon the relative fair value of the individual assets acquired and liabilities assumed, which generally include (i) land, (ii) building, (iii) in-place lease value intangibles, (iv) acquired above and below-market lease intangibles and (v) any assumed financing. Asset acquisitions do not give rise to goodwill and the related transaction costs are capitalized and included with the allocated purchase price.

For tangible assets acquired, including land, building and other improvements, the Company considers available comparable market and industry information in estimating the acquisition date fair value. Key factors considered in the calculation of fair value of both real property and intangible assets include the current market rent values, "dark" periods (building in vacant status), direct costs estimated with obtaining a new tenant, discount rates, escalation factors, standard lease terms and tenant improvement costs. The Company allocates a portion of the purchase price to the estimated acquired in-place lease value intangibles based on factors available in third party appraisals or cash flow estimates of the property prepared. These estimates are based upon cash flow projections for the property, existing leases, lease origination costs for similar leases as well as lost rental payments during an assumed lease-up period. The Company also evaluates each acquired lease as compared to current market rates. If an acquired lease is determined to be above or below-market, the Company allocates a portion of the purchase price to such above or below-market lease based upon the present value of the difference between the contractual lease payments and estimated market rent payments over the remaining lease term. Renewal periods are included within the lease term in the calculation of above and below-market lease values if, based upon factors known at the acquisition date, market participants would consider it reasonably assured that the lessee would exercise such options. Fair value estimates used in acquisition accounting, including the discount rate used, require the Company to consider various factors, including, but not limited to, market knowledge, demographics, age and physical condition of the property, geographic location and size and location of tenant spaces within the acquired investment property.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and improvements and the term of the lease for tenant improvements. The estimated useful lives are as follows:

Land improvements	15 years
Buildings	27.5-39 years
Building improvements	5-39 years
Tenant improvements	1-15 years

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Construction in process represents costs incurred by the Company on the construction of real estate property that has not yet been placed in service. Depreciation of these costs will begin upon completion of the construction activities.

Intangible Assets or Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above and below-market leases and value of acquired in-place leases) and any assumed liabilities and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above and below-market leases) are amortized over the term of the related lease.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code, as amended. A REIT calculates taxable income similar to other domestic corporations, with the major difference being that a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute at least 90% of its taxable income each year. If it chooses to retain the remaining 10% of taxable income, it may do so, but it will be subject to a corporate tax on such income. REIT shareholders are taxed on REIT distributions of ordinary income in the same manner as they are taxed on other corporate distributions.

A summary of the tax characterization of the dividends paid to shareholders of the Company's common stock for the years ended December 31 is as follows:

	2023		2022	
Ordinary income	$ 0.0714	9.92 %	$ -	- %
Capital gain	0.0319	4.43	-	-
Return of capital	0.6167	85.65	0.7200	100.00
	$ 0.7200	100.00 %	$ 0.7200	100.00 %

The Company intends to continue to qualify as a REIT and, as such, will not be taxed on the portion of the income that is distributed to the shareholders. In addition, the Company intends to distribute all of its taxable income; therefore, no provisions or liabilities for income taxes has been recorded in the consolidated financial statements.

The Company conducts its business activity as an Umbrella Partnership Real Estate Investment Trust (UPREIT) through its Operating Partnership. The Operating Partnership is organized as a limited partnership. Income or loss is allocated to the partners in accordance with the provisions of the Internal Revenue Code. UPREIT status allows nonrecognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for partnership interest. The conversion of partnership interests to shares of common stock in the REIT will be a taxable event to the limited partner.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the consolidated financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized, upon ultimate settlement with the relevant tax authority.

The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as operating and maintenance expense and any related interest as interest expense in the Company's consolidated statements of operations.

Noncontrolling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was 21.3% and 23.2% of the common units of the Operating Partnership as of December 31, 2023 and 2022, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions and profits and losses are allocated to noncontrolling interests in accordance with the terms of the Operating Partnership agreement.

During 2022, the Company acquired approximately 38% of the noncontrolling interest in the property owned by SRRT Empire I, LLC for 157,426 common units of SRRT Properties valued at $2,125,254, plus cash of $34,525, which was in excess of the net book value of the noncontrolling interest of $2,105,420. The excess of the consideration paid over the net book value was treated as a distribution to the noncontrolling interest members.

Reclassification

For comparability, certain 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications had no impact on previously reported net loss or stockholders' equity.

Accounting Pronouncements Adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments (ASU 2016-13)*. ASU 2016-13 affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net carrying value at the amount expected to be collected on the financial asset. ASU 2016-13 also requires additional required disclosures. For financial assets measured at amortized cost, an entity will be required to disclose information about how it developed its allowance for credit losses, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. ASU 2018-19 was subsequently issued, which clarified that operating lease receivables are excluded from the scope of Topic 326. ASU 2016-13 and ASU 2018-19 are effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of ASU 2016-13 and ASU 2018-19 did not have a material impact on the consolidated financial statements.

2. Notes Receivable

During 2020, the Company issued a note receivable in the amount of $161,000 to a related party. The note bears interest at 4.50%. Interest only payments are due monthly beginning November 2020, with all remaining unpaid principal and interest due on October 2030. The outstanding balance of the note receivable was $161,000 as of both December 31, 2023 and 2022.

During 2020, the Company issued a note receivable in the amount of $944,000 to a related party. The note bears interest at 4.50%. Interest only payments are due monthly beginning November 2020, with all remaining unpaid principal and interest due on November 1, 2029. The outstanding balance of the note receivable was $944,000 as of both December 31, 2023 and 2022.

During 2022, the Company issued a note receivable in the amount of $222,022 to an unrelated party. The note bears interest at the one-month Secured Overnight Financing Rate (SOFR), plus 2.75% (8.15% and 7.08% as of December 31,2023 and 2022, respectively), with a minimum rate of 3.50%. Quarterly payments of interest only are due beginning October 2022, with all outstanding principal and interest due March 2024. Subsequent to December 31, 2023, the note was applied towards the redemption of common stock.

During 2022, the Company issued a note receivable in the amount of $98,032 to a related party. The note bore interest at 8.00%. All outstanding principal and interest were due July 2030. The note was repaid during 2023.

During 2023, the Company acquired a tax increment financing note receivable with its acquisition of 48th Street Investments, LLC (see Note 12). The note bears interest at 3.75%, and will be repaid through semi-annual payments due each June and December, the amount of which will be determined by the tax increment generated by the development of the property. The note is due December 31, 2032. The outstanding balance of the note receivable was $1,512,777 as of December 31, 2023.

The Company has assessed the credit risk of these receivables to be low based on factors such as the value of the security supporting the notes and the expected future net income and cash flows for the borrowers.

3. Tenant Leases

The Company leases commercial and industrial space to tenants over terms ranging from month-to-month to 16 years. Some of the leases have renewal options for additional terms. The leases expire at various dates from January 2024 to August 2038. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company has elected the practical expedient in ASC 842 to not separate lease and nonlease components. The lease and nonlease components combined as a result of this election include tenant rentals and maintenance charges respectively. The nonlease components, along with reimbursements for real estate taxes and insurance, are considered to be variable lease payments. The Company applies the accounting requirements of ASC 842 to the combined component.

The following table includes information regarding the Company's operating leases for the years ended December 31:

	2023	2022
Lease income related to fixed lease payments	$ 25,872,431	$ 16,696,570
Lease income related to variable lease payments	8,701,944	7,077,988
Rental revenues	$ 34,574,375	$ 23,774,558

The Company has the following future minimum base rentals on noncancelable leases as of December 31, 2023:

Years ending December 31,	
2024	$ 17,922,546
2025	15,085,118
2026	13,526,674
2027	10,410,641
2028	7,651,922
Thereafter	42,308,024
Total	$ 106,904,925

4. Mortgage Notes Payable

Mortgage notes payable consisted of the following notes payable as of December 31:

	2023	2022
Mortgage note payable to a bank with borrowing capacity up to $11,332,717; initial borrowing of $9,569,278; interest at 4.79% through October 2027; thereafter, interest will be fixed at the then five-year U.S. constant maturity Treasury rate as defined in the agreement, plus 2.0%, with a minimum rate of 4.79%; interest only payments due through April 2023; thereafter, the mortgage note payable will be due in monthly installments amortized over a 25-year period through September, 2032, with a final balloon payment due October, 2032; the note is collateralized by a mortgage on the properties owned by SRRT Harding, LLC, SRRT Kennedy, LLC, and SRRT 2112, LLC and an assignment of all rents on such properties; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 9,436,758	$ 9,569,278
Mortgage note payable to a bank in the original amount of $5,880,000; interest at 4.30%; due in monthly installments of $32,217 through December 2026, with a final balloon payment due January 2027; the note is collateralized by a mortgage on the property owned by Railroad Properties, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by certain stockholders of the Company. Based on the results of the existing financial covenants as of December 31, 2023, it is anticipated that the Company will be required to make an additional principal payment during the year ending December 31, 2024 currently estimated to be approximately $1,250,000.	5,362,481	5,511,752

	2023	2022
Mortgage note payable to a bank in the original amount of $10,000,000; interest at the one-month SOFR, plus 1.50% (6.88% as of December 31, 2023); monthly interest only payments due through March 2026, with a final balloon payment due April 2026; the note is collateralized by a mortgage on the property owned by 615 Properties, LLC; the note is subject to certain financial and nonfinancial covenants; the note is guaranteed by SRRT Properties.	$ 10,000,000	$ -
Mortgage note payable to a bank in the original amount of $7,400,000; interest at 3.86%; due in monthly installments of $34,734 through April 2023, with a final balloon payment due May 2023; the note is collateralized by a mortgage on the property owned by 615 Properties, LLC. Repaid during 2023.	-	5,926,681
Mortgage note payable to a bank in the original amount of $8,600,000; interest at 5.82%; monthly interest only payments due through March 2025; thereafter, due in monthly installments of $54,468 through March 2026, with a final balloon payment due March 2026; the note is collateralized by a mortgage on the property owned by Cobblestone Properties, LLC; the note is subject to certain nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	8,600,000	-
Mortgage note payable to a bank in the original amount of $9,850,000; interest at 3.95%; due in monthly installments of $46,742 through March 2023, with a final balloon payment due April 2023; the note is collateralized by a mortgage on the property owned by Cobblestone Properties, LLC. Repaid during 2023.	-	8,362,750
Mortgage note payable to a bank in the original amount of $4,600,000; interest at 4.76%; monthly interest only payments due through October 2018; thereafter, due in monthly installments of $24,024 through September 2025, with a final balloon payment due October 2025; the note is collateralized by a mortgage on the property owned by IDC Properties, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	4,212,752	4,295,550

	2023	2022
Mortgage note payable to a bank in the original amount of $1,170,000; interest at 3.75% through July 2021; thereafter interest will be the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years, plus a margin of 2.50% as defined in the mortgage note payable, with a minimum rate of 3.75% (effective rate of 3.75% as of both December 31, 2023 and 2022); due in monthly installments of $6,043 through June 2026, with a final balloon payment due July 2026; the note is collateralized by a mortgage on the property owned by SRRT Bedford, LLC and an assignment of all rents on such property; the note is subject to certain nonfinancial covenants; the note is guaranteed by the Company and SRRT Properties.	$ 941,016	$ 977,004
Mortgage note payable to a bank in the original amount of $7,350,000; interest at 4.125%; the note was due in monthly installments of $39,550 through September 2021, with a final balloon payment due October 2021. The mortgage note payable was refinanced in January 2022 with a drawable loan in an amount up to $7,200,000; interest at 3.50%; payable on demand; however, if no demand is made, monthly interest only payments are due through February 2024; thereafter, due in monthly installments of $36,045 through January 2027, with a final balloon payment due February 2027; the new note is collateralized by a mortgage on the property owned by SRRT Edge, LLC; the new note is subject to certain financial and nonfinancial covenants; the new note is guaranteed by SRRT Properties.	7,010,329	7,010,329
Mortgage note payable to a bank in the original amount of $2,119,000; interest at 4.28%; monthly interest only payments due through September 2022; thereafter, due in monthly installments of $10,461 through September 2027, with a final balloon payment due October 2027; the note is collateralized by a mortgage on the property owned by SRRT Lee, LLC; the note is subject to certain nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	2,078,925	2,113,435
Mortgage note payable to a bank in the original amount of $8,115,000; interest at 3.87%; monthly interest only payments due through November 2019; thereafter, due in monthly installments of $42,254 through October 2029, with a final balloon payment due November 2029; the note is collateralized by a mortgage on the property owned by SRRT Industrial Blvd, LLC; the note is subject to certain nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	7,262,750	7,484,059

	2023	2022
Mortgage note payable to a bank in the original amount of $770,072; interest at 4.06% through October 2022; thereafter the interest rate will adjust to the then current Five Year US Treasury Constant Maturity Rate as provided by the Federal Reserve plus a margin of 2.25% and shall be fixed at that rate; however in no instance shall the interest rate be less than 3.75% (effective rate of 6.20% as of both December 31, 2023 and 2022); due in monthly installments of $4,090 through October 2022; beginning November 2022, due in monthly installments of $4,891, with a final balloon payment due November 2027; the note is collateralized by a mortgage on the property owned by SRRT Parkway, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 655,585	$ 673,039
Mortgage note payable to a bank in the original amount of $1,852,500; interest at 4.00%; due in monthly installments of $9,839 through March 2027, with a final balloon payment due April 2027; the note is collateralized by a mortgage on the property owned by SRRT Boone, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	1,539,203	1,593,668
Mortgage note payable to a bank in the original amount of $4,650,000; interest at 4.125%; monthly interest only payments due through November 2020; thereafter, due in monthly installments of $22,697 through October 2029, with a final balloon payment due November 2029; the note is collateralized by a mortgage on the property owned by SRRT Empire I, LLC; the note is subject to certain financial and nonfinancial covenants.	4,394,444	4,481,579
Construction loan agreement with a bank allowing for proceeds up to $1,700,000; interest at the FHLB 5-year Advance Rate plus 2.50% as determined on the date of permanent loan conversion (5.58%) through the five year anniversary of permanent conversion, at which time the rate will reset to the FHLB 5-year Advance Rate, plus 2.50% as of such date; monthly interest only payments due through August 1, 2022; the loan converted to a permanent loan on August 1, 2022; the loan requires monthly repayments of the loan balance based on a twenty-five year amortization, with a final balloon payment due August 1, 2032; the note is collateralized by a mortgage on the property owned by The Redwell Commercial, LLC (a subsidiary of SRRT Redwell, LLC) and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants; the note is guaranteed by two individuals.	1,658,544	1,687,594

	2023	2022
Mortgage note payable to a bank in the original amount of $4,291,800; interest at 3.51% through July 2027; thereafter interest will be the then current Three Year US Treasury Constant plus 2.25% as defined in the mortgage note payable, and shall be fixed at that rate through the maturity date, with minimum rate of 3.51%; due in monthly installments of $17,946 through June 2030, with a final balloon payment due July 2030; the note is collateralized by a mortgage on the property owned by BP Holdings Realty, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	$ 3,723,036	$ 3,806,121
Mortgage note payable in the original amount of $7,310,000; interest at 4.61%; due in monthly installments of $41,089 through October 2028, with a final balloon payment due November 2028; the note is collateralized by a deed of trust and security agreement on the property owned by SRRT Executive Park I, LLC and an assignment of all rents on such property; the note is subject to certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	6,417,852	6,610,221
Mortgage note payable to a bank in the original amount of $3,940,000; interest at 4.47%; monthly interest only payments due through July 2024; thereafter, due in monthly installments of $20,047 through June 2029, with a final balloon payment due July 2029; the note is collateralized by a mortgage on the property owned by SRRT Sentry I, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants.	3,940,000	3,940,000
Mortgage note payable to a bank in the original amount of $10,400,000; interest at 3.50%; due in monthly installments of $52,346 through August 2027, with a final balloon payment due September 2027; the note is collateralized by mortgages on the properties owned by 530 Third, LLC, SRRT Outlot, LLC, SRRT Northland Drive, LLC, SRRT Hale, LLC, and SRRT Duluth, LLC and an assignment of all rents on such properties; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	9,534,297	9,818,630
Mortgage note payable to a bank in the original amount of $14,738,000; interest at 3.67%; due in monthly installments of $62,371 through July 2037, with a final balloon payment due August 2037; the note is collateralized by a mortgage on the property owned by The Redwell, LLLP and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by two individuals.	14,465,472	14,671,512

	2023	2022
Mortgage note payable to a bank in the original amount of $16,000,000; interest at 4.15%; monthly interest only payments due through September 2024; thereafter, due in monthly installments of principal and interest of $85,785, amortizing the loan over a 25-year period, with a final balloon payment due September 2029; the note is collateralized by a mortgage on the property owned by SRRT Botts Road I, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 16,000,000	$ 16,000,000
Mortgage note payable in the original amount of $8,207,500; interest at 2.27%; due in monthly installments of $28,339 through October 2056; the note is collateralized by a mortgage on the property owned by Gurley Lofts, LLC; the note is subject to certain prepayment penalty provisions.	7,866,350	8,025,888
Mortgage note payable to a bank in the original amount of $3,200,000; interest at 3.35%; monthly interest only payments due through April 2024; thereafter, due in monthly installments of principal and interest of $14,190, amortizing the loan over a 30-year period, with a final balloon payment due May, 2027; the note is collateralized by a mortgage on the property owned by SRRT Libra, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	3,200,000	3,200,000
Mortgage note payable to a bank in the original amount of $3,843,510; the Company has the ability to draw an additional $1,016,490 as defined under the agreement; interest at 3.50% through June 2029; thereafter interest will be the Five Year US Treasury Constant, plus a margin of 1.75% as defined in the note, and will be fixed at such rate through the maturity date with a minimum rate of 3.50%; due in monthly installments of interest only through May 2024; thereafter, due in monthly installments of principal and interest of $21,824, based on a 30-year amortization with a final balloon payment due June 2032; the note is collateralized by a mortgage on the property owned by SRRT Jackson Street, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	3,843,510	3,843,510

	2023	2022
Mortgage note payable to a bank in the original amount of $2,700,000; interest at 5.75%; due in monthly installments of $15,901 through November 2027, with a final balloon payment due December 2027; the note is collateralized by a mortgage on the property owned by SRRT Hillside, LLC; the note is subject to certain financial and nonfinancial covenants and certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 2,665,686	$ 2,700,000
Mortgage note payable to a bank in the original amount of $20,028,250; interest at 4.10% through January 2027; thereafter interest will be adjusted to a fixed annual rate equal to 2.35% in excess of the three year Treasury Constant Maturity Rate as defined in the agreement; due in monthly installments of $97,469 through January 2027; beginning February 2027, monthly principle and interest payments will be recalculated based upon the then applicable interest rate and an assumed term ending January 2050 with a final balloon payment due January 2030; the note is collateralized by a mortgage on the property owned by SRRT Fleet I, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	18,697,401	19,081,101
Mortgage note payable to a bank in the original amount of $6,380,000; interest at 3.50%; monthly interest only payments due through May 2024; thereafter, due in monthly installments of $28,832 through April 2031, with a final balloon payment due May 2031; the note is collateralized by a mortgage on the property owned by SRRT Lone Oak, LLC; the note is subject to certain nonfinancial covenants; the note is guaranteed by SRRT Properties.	6,380,000	-
Mortgage note payable to a bank in the original amount of $5,825,000; interest at 3.50%; monthly interest only payments due through September 2023; thereafter, due in monthly installments of $28,955 through July 2031, with a final balloon payment due August 2031; the note is collateralized by a mortgage on the property owned by SRRT Pear Street, LLC; the note is subject to certain nonfinancial covenants; the note is guaranteed by SRRT Properties.	5,789,565	-
Mortgage note payable to a bank in the original amount of $3,349,000; interest at 3.25%; monthly interest only payments due through February 2024; thereafter, due in monthly installments based on a 30 year amortization, with a final balloon payment due February 2029; the note is collateralized by a mortgage on the property owned by SRRT Maple Plain, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions.	3,349,000	-

	2023	2022
Mortgage note payable to a bank in the original amount of $9,990,743; interest at 3.25%; payable on demand; however, if no demand is made, monthly interest only payments due through February 2024; thereafter, due in monthly installments of $48,732 through December 2026, with a final balloon payment due January 2027; the note is collateralized by a mortgage on the property owned by 48th Street Investments, LLC; the note is subject to certain nonfinancial covenants; the note is guaranteed by SRRT Properties.	$ 9,989,841	$ -
Tax Increment Financing (TIF) note payable to a bank in the original amount of $1,831,400; interest at the United States T-Bill rate plus 2.50%, adjustable every five years with a floor of 3.75% and a maximum rate of 5.75%; principal and interest due in payments to be made each June and December as defined in the agreement, with a maturity date of December 2032; the TIF note is secured by all accounts, rents, furniture, fixtures, equipment, inventory and other personal property owned by 48th Street Investments, LLC.	1,222,773	-
Mortgage note payable to a bank in the original amount of $8,820,000; interest at 3.45%; monthly interest only payments due through December 2024; thereafter, due in monthly installments of $39,500 through November 2026, with a final balloon payment due December 2026; the note is collateralized by a deed of trust and security agreement on the property owned by SRRT Orpheum, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	8,820,000	-
Total mortgage notes payable	$ 189,057,570	$ 151,383,701

Principal requirements on mortgage notes payable for years ending after December 31, 2023, including demand features are as follows:

Years ending December 31:	
2024	$ 19,954,495
2025	7,844,362
2026	31,546,020
2027	25,914,931
2028	8,352,012
Thereafter	95,445,750
Total	$ 189,057,570

Principal requirements on mortgage notes payable, assuming no demand features are requested by the lenders, are as follows:

Years ending December 31:	
2024	$ 4,383,941
2025	8,061,063
2026	31,769,673
2027	41,045,131
2028	8,352,012
Thereafter	95,445,750
	$ 189,057,570

5. Bonds Payable and Bond Escrows

In connection with the development of an affordable housing project on the property owned by The Redwell, LLLP, the Company received proceeds from the sale of tax-exempt mortgage-backed bonds. The Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEMS) were payable to a bank for proceeds received from the bond issuance of Hennepin County Housing and Redevelopment Authority M-TEMS, Series 2019 in the amount of $16,065,000; interest at 2.67%; monthly interest only payments through August 2022; thereafter, due in monthly installments of principal and interest through July 2037, with a final balloon payment due August 2037. On August 1, 2022, through permanent loan conversion (Note 4), the M-TEMS were assumed by Fannie Mae.

Bond Proceeds Fund

The Redwell, LLLP established a Bond Proceeds Fund in the amount of $16,065,000 for the purpose of holding and reinvesting the proceeds from the M-TEMS. Income earned on these investments were used to pay the monthly debt service as required by the agreement. As of December 31, 2021, the Bond Proceeds Fund had a balance of $16,048,875. As part of the permanent loan conversion (Note 4), the funds in the Bond Proceeds Fund were assumed by Fannie Mae.

6. Time Certificates

The Company offers time certificates which may be issued for periods ranging from 30 days to 10 years. The interest rates on the time certificates range from 5.00% to 6.15% as of December 31, 2023, and 0.95% to 4.40% as of December 31, 2022, depending on the term elected for each time certificate issued. Interest is paid quarterly for each time certificate; however, the time certificate holder may elect to compound quarterly interest on certificates with original maturities of 180 days or longer. All principal and unpaid interest is due upon maturity of each time certificate. The time certificates are unsecured and subordinate to other senior obligations of the Company. As of December 31, 2023 and 2022, $901,650 and $1,518,924 of time certificates were outstanding, respectively. Of the outstanding time certificates as of December 31, 2023, $718,338 mature in 2024 and $183,312 mature in 2025. Time certificates due to related parties totaled $283,312 and $449,759 as of December 31, 2023 and 2022, respectively.

7. Other Notes Payable

Other notes payable consisted of the following as of December 31:

	2023	2022
Note payable to a bank in the original amount of $161,000; interest at 4.50%; due in monthly installments of $1,674 through October 2030; the note is collateralized by a mortgage on the property owned by SRRT Harding, LLC, an assignment of rights in the related note receivable from SR Solar, LLC, and the membership interests of SR Solar, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the loan is guaranteed by SRRT Properties and certain individuals.	$ 117,730	$ 132,055
Note payable to a bank in the original amount of $944,000; interest at 4.50%; due in monthly installments of $9,813 through November 2029; the note is collateralized by a mortgage on the property owned by SRRT Industrial Blvd, LLC, an assignment of rights in the related note receivable from SR Solar, LLC, and membership interests of SR Solar, LLC; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions the loan is guaranteed by SRRT Properties and certain individuals.	690,115	774,287
Total other notes payable	$ 807,845	$ 906,342

Principal requirements on other notes payable for years ending after December 31, 2023 are as follows:

Years ending December 31:	
2024	$ 103,041
2025	107,787
2026	113,022
2027	118,255
2028	123,659
Thereafter	242,081
Total	$ 807,845

8. Line of Credit

As of December 31, 2023, the Company had a $25,000,000 line of credit with a bank. Interest was payable monthly at 2.50% above the one-month SOFR (7.90% as of December 31, 2023), with a floor of 3.25%. The line of credit had an outstanding balance of $20,810,000 as of December 31, 2023. The line of credit matures July 2024.

As of December 31, 2022, the Company had a $25,000,000 line of credit with a bank. Interest was payable monthly at 2.50% above the one-month SOFR (6.83% as of December 31, 2022), with a floor of 3.25%. The line of credit had an outstanding balance of $15,285,000 as of December 31, 2022.

The line of credit is secured by mortgages, security agreements, fixture and financing statements and assignments of leases on two of the Company's properties (the property owned by Roseville Fairview, LLC and a portion of the property owned by Railroad Properties, LLC). In addition, the line of credit requires the Company to apply certain proceeds of any refinancing of the mortgage on the Cobblestone Properties, LLC property, as defined in the agreement, to pay down the outstanding balance of the line of credit. Certain stockholders of the Company have also guaranteed the line of credit. The agreement contains certain financial and nonfinancial covenants.

The Company's line of credit matures in July 2024. The Company does not believe that it will have sufficient liquidity available to repay the line of credit at its scheduled maturity date. Based upon the financial condition and results of operations of the Trust and the properties to which this obligation relates and based upon the Trust's ability to previously finance and refinance or extend its line of credit, management believes that the Trust's ability to refinance or extend the line of credit is probable.

9. Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and accounts receivable. Cash and cash equivalents and restricted cash are placed with area banks and balances occasionally exceed federally insured limits. The Company has not experienced any losses in such accounts.

As of December 31, 2023, the Company had no tenants that occupied more than 10% of the Company's total rentable space. As of December 31, 2022, the Company had two tenants that occupied approximately 22% of the Company's total rentable space. The Company had one tenant that represented approximately 12% of the base rental income for the year ended December 31, 2023. The Company had no tenants that represented over 10% of base rental income for the year ended December 31, 2022.

10. Restricted Escrows and Reserves

According to the terms of certain of the Company's mortgage notes payable (Note 4), the Company is required to make monthly or quarterly deposits to various escrow and reserve accounts for the payment of insurance, real estate taxes, tenant improvements, leasing commissions and replacements. The balances in these restricted escrow and reserve accounts as of December 31 are as follows:

	2023	2022
Real estate tax escrow	$ 413,417	$ 607,063
Insurance escrow	34,591	54,030
Leasing commission and tenant improvement escrows	390,121	555,127
Replacement escrows	514,075	409,086
Other escrows	2,125,189	1,662,037
Total	$ 3,477,393	$ 3,287,343

11. Intangible Assets and Liabilities

The Company's identified intangible assets and liabilities as of December 31 were as follows:

	2023	2022
Identified Intangible Assets:		
In-place leases	$ 19,957,157	$ 17,894,247
Above-market leases	1,459,557	1,395,998
Accumulated amortization	(9,792,822)	(7,107,075)
Net carrying amount	11,623,892	12,183,170
Identified Intangible Liabilities:		
Below-market leases	3,198,141	1,735,856
Accumulated amortization	(1,007,193)	(641,088)
Net carrying amount	2,190,948	1,094,768
Intangible assets, net of accumulated amortization	$ 9,432,944	$ 11,088,402

The effect of amortization of intangible assets was $2,717,831 and $1,937,018 for the years ended December 31, 2023 and 2022, respectively. In-place leases, and above and below-market leases acquired in 2023 and 2022 had a weighted average amortization period of 6.22 and 11.31 years in the years acquired, respectively.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

	Assets	Liabilities	Net
Years ending December 31:			
2024	$ 2,572,160	$ 438,627	$ 2,133,533
2025	2,088,848	415,565	1,673,283
2026	1,860,158	373,573	1,486,585
2027	1,287,339	297,567	989,772
2028	737,830	215,063	522,767
Thereafter	3,077,557	450,553	2,627,004
Total	$ 11,623,892	$ 2,190,948	$ 9,432,944

12. Acquisitions

As of December 31, 2022, the Company owned a 12% interest as a tenant in common in a multifamily property in Omaha, NE (the Orpheum property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Orpheum, LLC. On February 1, 2023, the Company entered into a contribution agreement to acquire the remaining 88% interest in the Orpheum property. The acquisition of the Orpheum property was accounted for as an asset acquisition.

Cash paid	$ 191,901
Issuance of 415,783 common units of SRRT Properties	6,132,800
Total purchase price	$ 6,324,701

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 1,021,250
Building	14,667,795
Cash and cash equivalents	182,297
Rents receivable, prepaid expenses and other assets	41,674
Intangible Assets:	
In-place leases	99,407
Above-market leases	1,437
Liabilities Incurred:	
Mortgage note payable	(8,820,000)
Financing fees	84,120
Accounts payable, security deposit and other accrued expenses	(92,060)
Net assets acquired	$ 7,185,920
Fair value of existing 12% ownership	$ 861,219
Recorded value of existing ownership at date of acquisition	730,893
Gain on acquisition of real estate property	$ 130,326

As of December 31, 2022, the Company owned a 16% interest as a tenant in common in an industrial building in Waukesha, WI (the Pearl Street property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Pearl Street, LLC. On March 1, 2023, the Company entered into a contribution agreement to acquire the remaining 84% interest in the Pearl Street property. The acquisition of the Pearl Street property was accounted for as an asset acquisition.

The consideration for the acquisition of the Pearl Street property as of the acquisition date consisted of the following:

Cash paid	$ 7,868
Issuance of 409,690 common units of SRRT Properties	6,042,923
Total purchase price	$ 6,050,791

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 1,730,971
Building	10,259,678
Cash and cash equivalents	1,102,177
Intangible Assets (Liabilities):	
In-place lease	165,689
Below-market lease	(11,488)
Liabilities Incurred:	
Mortgage note payable	(5,825,000)
Financing fees	25,912
Accounts payable and other accrued expenses	(230,760)
Net assets acquired	$ 7,217,179
Fair value of existing 16% ownership	$ 1,166,388
Recorded value of existing ownership at date of acquisition	1,139,517
Gain on acquisition of real estate property	$ 26,871

As of December 31, 2022, the Company owned a 5% interest as a tenant in common in an industrial building in Eagan, MN (the Lone Oak property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Lone Oak, LLC. On April 1, 2023, the Company entered into a contribution agreement to acquire the remaining 95% interest in the Lone Oak property. The acquisition of the Lone Oak property was accounted for as an asset acquisition.

The consideration for the acquisition of the Lone Oak property as of the acquisition date consisted of the following:

Cash paid	$ 146,757
Issuance of 375,672 common units of SRRT Properties	5,541,163
Total purchase price	$ 5,687,920

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 7,248,739
Building	4,802,098
Cash and cash equivalents	276,460
Prepaid expenses and other assets	3,520
Intangible Assets (Liabilities):	
In-place lease	1,291,333
Below-market lease	(1,255,096)
Liabilities Incurred:	
Mortgage note payable	(6,380,000)
Financing fees	28,108
Accounts payable and other accrued expenses	(13,646)
Net assets acquired	$ 6,001,516
Fair value of existing 5% ownership	$ 313,596
Recorded value of existing ownership at date of acquisition	336,229
Loss on acquisition of real estate property	$ (22,633)

As of December 31, 2022, the Company owned a 24% interest as a tenant in common in a mixed-use property in Lincoln, NE (the 48th Street property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, 48th Street Investments, LLC. On April 1, 2023, the Company entered into a contribution agreement to acquire the remaining 76% interest in the 48th Street property. The acquisition of the 48th Street property was accounted for as an asset acquisition.

The consideration for the acquisition of the 48th Street property as of the acquisition date consisted of the following:

Cash paid	$ 198,925
Issuance of 356,569 common units of SRRT Properties	5,259,392
Total purchase price	$ 5,458,317

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 2,671,548
Building	13,686,802
Cash and cash equivalents	416,309
Rents receivable, prepaid expenses and other assets	71,963
Intangible Assets (Liabilities):	
In-place leases	246,764
Above-market leases	54,680
Below-market leases	(2,066)
Liabilities Incurred:	
Mortgage notes payable	(9,989,841)
Financing costs	27,185
Accounts payable, security deposit and other accrued expenses	(28,838)
Net assets acquired	$ 7,154,506
Fair value of existing 24% ownership	$ 1,696,189
Recorded value of existing ownership at date of acquisition	1,427,968
Gain on acquisition of real estate property	$ 268,221

As of December 31, 2022, the Company owned a 3% interest as a tenant in common in an industrial building in Maple Plain, MN (the Maple Plain property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Maple Plain, LLC. On May 1, 2023, the company entered into a contribution agreement to acquire the remaining 97% interest in the Maple Plain property. The acquisition of the Maple Plain property was accounted for as an asset acquisition.

The consideration for the acquisition of the Maple Plain property as of the acquisition date consisted of the following:

Cash paid	$ 128,012
Issuance of 256,728 common units of SRRT Properties	3,786,744
Total purchase price	$ 3,914,756

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	2,086,723
Building		4,752,238
Cash and cash equivalents		126,248
Rents receivable, prepaid expenses and other assets		20,336
Intangible Assets (Liabilities):		
In-place leases		699,019
Above-market leases		3,847
Below-market leases		(231,301)
Liabilities Incurred:		
Mortgage note payable		(3,349,000)
Financing fees		38,197
Accounts payable, security deposit and other accrued expenses		(109,783)
Net assets acquired	$	4,036,524
Fair value of existing 3% ownership	$	121,768
Recorded value of existing ownership at date of acquisition		125,871
Loss on acquisition of real estate property	$	(4,103)

On May 23, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Libra, LLC (the Libra property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Libra property was accounted for as an asset acquisition.

The consideration for the acquisition of the Libra property as of the acquisition date consisted of the following:

Cash paid	$	18,467
Issuance of 239,882 common units of SRRT Properties		3,238,402
Total purchase price	$	3,256,869

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 948,678
Building	4,478,528
Cash and cash equivalents	49,673
Restricted escrows and reserves	25,000
Rents receivable, prepaid expenses and other assets	829,625
Intangible Assets (Liabilities):	
In-place leases	396,241
Below-market leases	(301,771)
Liabilities Incurred:	
Mortgage note payable	(3,200,000)
Financing fees	80,568
Accounts payable, security deposit and other accrued expenses	(49,673)
Net assets acquired	$ 3,256,869

On June 21, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Jackson Street, LLC (the Jackson Street property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Jackson Street property was accounted for as an asset acquisition.

The consideration for the acquisition of the Jackson Street property as of the acquisition date consisted of the following:

Cash paid	$ 795,685
Issuance of 231,944 common units of SRRT Properties	3,131,237
Total purchase price	$ 3,926,922

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 3,265,895
Building	3,157,208
Cash and cash equivalents	152,071
Restricted escrows and reserves	40,250
Intangible Assets (Liabilities):	
In-place leases	1,239,181
Above-market leases	83,585
Below-market leases	(123,785)
Liabilities Incurred:	
Mortgage note payable	(3,843,510)
Financing fees	68,179
Accounts payable, security deposit and other accrued expenses	(112,152)
Net assets acquired	$ 3,926,922

As of December 31, 2021, the Company owned a 9% interest as a tenant in common in a retail building in Oconomowoc, WI (the Fleet property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Fleet I, LLC. On November 4, 2022, the Company entered into a contribution agreement to acquire the remaining 91% interest in the Fleet property. The acquisition of the Fleet property was accounted for as an asset acquisition.

The consideration for the acquisition of the Fleet property as of the acquisition date consisted of the following:

Cash paid	$ 164,448
Issuance of 1,248,805 common units of SRRT Properties	18,419,869
Total purchase price	$ 18,584,317

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 9,243,756
Building	25,722,716
Cash and cash equivalents	894,590
Intangible Assets (Liabilities):	
In-place lease	4,099,490
Below-market lease	(177,883)
Liabilities Incurred:	
Mortgage note payable	(19,143,145)
Financing fees	148,299
Accounts payable, security deposit and other accrued expenses	(400,000)
Net assets acquired	$ 20,387,823
Fair value of existing 9% ownership	$ 1,803,506
Recorded value of existing ownership at date of acquisition	1,636,264
Gain on acquisition of real estate property	$ 167,242

On December 1, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Hillside, LLC (the Hillside property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Hillside property was accounted for as an asset acquisition.

The consideration for the acquisition of the Hillside property as of the acquisition date consisted of the following:

Cash paid	$ 1,224,488
Issuance of 108,291 common units of SRRT Properties	1,597,299
Total purchase price	$ 2,821,787

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:	
Land	$ 1,944,902
Building	2,439,797
Cash and cash equivalents	49,870
Intangible Assets (Liabilities):	
In-place leases	852,462
Above-market leases	297,003
Below-market leases	(31,210)
Liabilities Incurred:	
Mortgage note payable	(2,700,000)
Financing fees	11,226
Accounts payable, security deposit and other accrued expenses	(42,263)
Net assets acquired	$ 2,821,787

13. Investments in Real Estate Ventures

The Company owns a 15% interest in Fisk Properties, LLC, which was formed to invest in a specific real estate property in Minneapolis, MN.

A summary of the assets, liabilities and results of operations for Fisk Properties, LLC is presented below:

	2023	2022
Total assets	$ 8,130,964	$ 8,353,135
Total liabilities	11,009,090	11,271,689
Net income (loss)	160,701	(23,111)

The Company owns a 24% interest in North Loop Opportunity Fund, LLC, which was formed to invest in real estate properties in Minneapolis, MN.

A summary of the assets, liabilities and results of operations of North Loop Opportunity Fund, LLC is presented below:

	2023	2022
Total assets	$ 15,562,357	$ 16,244,038
Total liabilities	11,030,103	11,940,519
Net income (loss)	348,736	(192,897)

The Company owns a 24% interest in BC East, LLC which was formed to invest in a specific real estate property in Minneapolis, MN.

A summary of the assets, liabilities and results of operations for BC East, LLC is presented below:

	2023	2022
Total assets	$ 34,299,393	$ 36,332,637
Total liabilities	33,473,734	32,991,382
Net loss	(2,134,028)	(2,298,680)

The Company owns a 13% interest in WBL Land, LLC, which was formed to invest in a specific real estate property in White Bear Lake, MN.

A summary of the assets, liabilities and results of operations for WBL Land, LLC is presented below:

	2023	2022
Total assets	$ 3,157,818	$ 3,382,442
Total liabilities	1,460,012	2,559,552
Net income (loss)	(17,596)	3,437,445

During 2020, the Company invested in a 70% interest as a tenant in common in a real estate property in Lincoln, NE. The undivided interest in the property is owned by SRRT Properties.

A summary of the assets and liabilities and results of operations of the property are presented below:

	2023	2022
Total assets	$ 4,755,386	$ 4,890,795
Total liabilities	4,313,210	4,434,469
Net income	130,849	109,829

During 2020, the Company invested in an approximately 0.1% interest in SR Solar, LLC, which was formed to install and operate solar equipment to provide energy to various real estate properties.

A summary of the assets, liabilities and results of operations of SR Solar, LLC is presented below:

	2023	2022
Total assets	$ 1,165,789	$ 1,936,136
Total liabilities	1,538,347	1,497,940
Net income (loss)	(387,911)	12,029

During 2021, the Company invested in a 10% interest as a tenant in common in an industrial building in St. Michael, MN. The Company sold a part of their investment during 2022 and owned an approximately 2% interest as a tenant in common as of both December 31, 2023 and 2022. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT St. Michael, LLC.

A summary of the assets, liabilities and results of operations of the SRRT St. Michael, LLC property is presented below:

	2023	2022
Total assets	$ 6,689,796	$ 6,703,004
Total liabilities	3,069,673	3,057,013
Net income	142,133	178,034

The Company owns a 10% interest in Rya Apartments, LLC, which was formed to invest in a specific real estate property in Richfield, MN.

A summary of the assets, liabilities and results of operations for Rya Apartments, LLC is presented below:

	2023	2022
Total assets	$ 43,887,799	$ 44,597,181
Total liabilities	37,006,855	35,918,943
Net loss	(1,668,240)	(1,442,626)

During 2022, the Company invested in an industrial building in Germantown, WI as a tenant in common. The Company sold part of their initial investment during 2023 and 2022 and owned an approximately 2% and 10% interest as a tenant in common as of December 31, 2023 and 2022, respectively. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Carnegie, LLC.

A summary of the assets, liabilities and results of operations of the SRRT Carnegie, LLC property is presented below:

	2023	2022
Total assets	$ 10,907,074	$ 11,039,543
Total liabilities	50	71,054
Net income	321,211	140,868

During 2022, the Company invested in a residential property in White Bear Lake, MN as a tenant in common. The Company sold part of their initial investment during 2022 and owned an approximately 27% interest as a tenant in common as of both December 31, 2023 and 2022. The undivided interest in the property is owned by wholly-owned subsidiaries of SRRT Properties, SRRT Barnum, LLC, SRRT Kennedy, LLC, and SRRT WBL, LLC.

A summary of the assets, liabilities and results of operations of the SRRT Barnum, LLC property is presented below:

	2023	2022
Total assets	$ 50,066,252	$ 52,114,103
Total liabilities	32,331,890	32,201,796
Net loss	(2,218,945)	(1,461,495)

During 2023, the Company invested in an industrial building in Eagan, MN as a tenant in common. The Company sold part of their investment during 2023 and owned an approximately 13% interest as a tenant in common as of December 31, 2023. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Yankee, LLC.

A summary of the assets, liabilities and results of operations of the SRRT Yankee, LLC property is presented below:

	2023
Total assets	$ 25,552,065
Total liabilities	14,952,592
Net loss	(8,285)

During 2023, the Company invested in a 96% ownership in a real estate property in Lincoln, NE. The interest is owned by SRRT Properties.

A summary of the assets and liabilities and results of operations of the property are presented below.

	2023
Total assets	$ 1,602,590
Total liabilities	19,814
Net loss	(17,224)

During 2023, the Company sold the land and building previously owned by SRRT Firestation, LLC to SRRT Firestation DST, LLC. The Company sold a part of their investment during 2023 and owned approximately 81% of SRRT Firestation DST, LLC as of December 31, 2023. Subsequent to December 31, 2023, the Company sold approximately 75% of the ownership in SRRT Firestation DST, LLC, and as of April 1, 2024, the Company owns approximately 6% of SRRT Firestation DST, LLC. The investment in SRRT Firestation DST, LLC is owned by SRRT Properties.

A summary of the assets, liabilities and results of operations of SRRT Firestation DST, LLC is presented below:

	2023
Total assets	$ 1,950,276
Total liabilities	-
Net loss	-

14. Related-Party Transactions

Advisory Services

SRRT Advisor, LLC (the advisor), the special operating partner of SRRT Properties and a related party through common ownership, provides advisory services to the Company. Under the advisory agreement, the advisor receives monthly fees based on the invested assets of the Company, as well as additional fees for any acquisition or disposition of assets by the Company. In addition, the advisor is eligible to earn additional compensation each year based on the performance of the Company. For the years ended December 31, 2023 and 2022, the Company incurred $2,639,672 and $2,337,948 in advisory services from the advisor, respectively. The Company owed $1,032,609 and $833,217 to the advisor as of December 31, 2023 and 2022, respectively, which is included in accrued liabilities in the consolidated balance sheets. During the years ended December 31, 2023 and 2022, the Company issued shares valued at $583,252 and $622,477, as partial settlement of the amounts owed as of December 31, 2022 and 2021, respectively. The remainder of the amounts due as of December 31, 2022 and 2021 were paid in cash during 2023 and 2022, respectively.

Property Management Agreements

A related party through common ownership, provides property management services to the Company. For the years ended December 31, 2023 and 2022, the Company incurred $1,234,164 and $896,905 in management services from the property manager, respectively. No amounts were due to the property manager as of December 31, 2023 or 2022.

Other Related-Party Transactions

For the years ended December 31, 2023 and 2022, the Company incurred costs totaling $3,561,369 and $6,510,423 for building improvements, tenant improvements and repairs and maintenance from a related party through common ownership.

As of December 31, 2023 and 2022, the Company had received advances of $490,122 and $597,726 from two and three related parties, respectively. As of December 31, 2023 and 2022, the Company had advanced $2,631,759 and $2,080,407 to ten and eleven related parties, respectively. The amounts are unsecured and due on demand.

15. Subsequent Events

Effective February 1, 2024, the Company acquired the remaining approximately 73% interest in the SRRT WBL, LLC (dba The Barnum) property in which the Company previously owned 27% as a tenant in common. The consideration paid for the acquisition primarily consisted of 530,000 Series A Preferred Units of SRRT Properties, valued at approximately $10,600,000, and the assumption of a mortgage of approximately $26 million. The Series A Preferred Units were established as part of the transaction, and contain the following terms:

- The holders of the Series A Preferred Units shall be entitled to receive cumulative cash distributions at a rate of 7.50% per annum of the $20 per Series A Preferred Unit issuance price. The Series A Preferred Return shall be paid only when, and as if authorized by the General Partner and declared by the Partnership, but if the Series A Preferred Return is not paid quarterly, it shall continue to accrue and be cumulative.

- Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of SRRT Properties, before any distribution or payment shall be made to the holders of any Partnership Units or Series A Junior Preferred Units, as defined in the agreement, the holders of the Series A Preferred Units then outstanding shall be entitled to be paid, or have the Partnership declare and set apart for payment, out of the assets of SRRT Properties legally available for distribution to its Partners after payment or provision for payment of all debts and other liabilities of SRRT Properties, a liquidation preference in cash or property at fair market value, as determined by the Company, of $20 per Series A Preferred Unit plus an amount equal to any accrued and unpaid distributions to, and including, the date of payment or the date the liquidation preference is set apart for payment (the Series A Liquidating Distributions).

- If upon any such voluntary or involuntary liquidation, dissolution or winding up of SRRT Properties, the available assets of SRRT Properties are insufficient to pay the full amount of the Series A Liquidating Distributions on all outstanding Series A Preferred Units, as defined in the agreement, then the holders of Series A Preferred Units shall share ratably in any such distribution of assets in proportion to the full Series A Liquidating Distributions to which they would otherwise be respectively entitled.

- After payment of the full amount of the Series A Liquidating Distributions to which they are entitled, holders of Series A Preferred Units will have no right or claim to any of the remaining assets of SRRT Properties.

- Once the Barnum Property attains a fair market asset value of $51,700,000 or greater, with such asset value being determined by SRRT Properties in its sole discretion, the holders of Series A Preferred Units shall be entitled to exchange Series A Preferred Units for Partnership Units, at any time and at their option, on the following terms and subject to the following conditions:

- At any time after the Barnum Property reaches an asset value of $51,700,000 or greater (as defined), each holder of Series A Preferred Units at its option may exchange each of its Series A Preferred Units for 2.00 Partnership Units (as may be adjusted for any subdivisions, stock splits, stock dividends, combinations and reclassification of Partnership Units); provided, however, that no Series A Preferred Units may be exchanged unless at least 1,000 Series A Preferred Units, in the aggregate, are exchanged by one or more holders thereof on such Series A Exchange Date.

- A holder of Series A Preferred Units will not have the right to exchange Series A Preferred Units if the Company would no longer qualify or its status would be seriously compromised as a real estate investment trust or such exchange would constitute or be likely to constitute a violation of applicable securities laws.

SRRT Properties may require the holders of Series A Preferred Units to convert the Series A Preferred Units into Partnership Units on the following terms and subject to the following conditions:

- At any time after December 31, 2033, SRRT Properties shall have the option to require each holder of Series A Preferred Units to convert each of its Series A Preferred Units into 2.00 Partnership Units (as may be adjusted for any subdivisions, stock splits, stock dividends, combinations and reclassification of Partnership Units). SRRT Properties may exercise this option in its sole discretion and shall have no obligation to exercise the option at any time.

- A holder of Series A Preferred Units will not have the obligation to convert Series A Preferred Units to Partnership Units unless there is no accrued but unpaid Series A Preferred Return on the Series A Preferred Units to be converted.

- The Series A Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners of SRRT Properties; provided, however, that no action may be taken to amend, alter or repeal any provision of the rights or preferences of the Series A Preferred Units if such amendment, alteration or repeal would result in the Series A Preferred Units no longer having a preference superior or prior to the Partnership Units (as defined in the agreement) as to payment of distributions or distributions of assets.

Effective February 6, 2024, the Company acquired 100% of the equity interest in a property known as SRRT Shakopee Goodwill, LLC. The consideration paid for the acquisition primarily consisted of cash paid of approximately $4,425,000. Subsequent to the acquisition, the Company sold the land and building to SRRT Shakopee DST, LLC, and entered into a master lease agreement with SRRT Shakopee DST, LLC for the underlying lease acquired.

Effective February 6, 2024, the Company entered into a promissory note agreement for $8,000,000 with a third party. The note bears interest at 12.00% and requires monthly interest only payments through January 2025, with the entire unpaid principal and accrued interest being due February 2025. The Company has the one-time right to extend the maturity date for one year until February 2026. The Company pledged its ownership interest in SRRT Shakopee DST, LLC as security for the loan in an amount equal to the difference between the outstanding balance on the loan and $5,000,000. The promissory note is guaranteed by the Company.

Effective March 4, 2024, the Company entered into an amendment on its line of credit, increasing the availability on the line from $25,000,000 to $32,000,000.

Effective March 6, 2024, the Company acquired 100% of the equity interest in a property known as SRRT 4200 Industrial, LLC. The consideration paid for the acquisition primarily consisted of cash paid of approximately $22,800,000, which was partially financed by a mortgage on the property of approximately $15,960,000.

The Company has evaluated subsequent events occurring through April 1, 2024, the date the consolidated financial statements were available to be issued.

EXHIBIT C

PROPERTY LIST

As of the date of this Memorandum

PROPERTY NAME	ADDRESS	ASSET TYPE	SQ FT/ UNITS	% OWNED
SRRT Botts Road, LLC	Kansas, City, MO	Industrial	499,144	100%
SRRT 4200 Industrial, LLC	Omaha, NE	Industrial	409,500	100%
SRRT Yankee, LLC	Eagan, MN	Industrial	358,532	32%
SRRT Industrial, LLC	Minneapolis, MN	Industrial	350,359	100%
SRRT Empire, LLC	Kansas, City, MO	Industrial	303,626	35%
SRRT Pearl, LLC	Milwaukee, MN	Industrial	181,900	16%
SRRT Executive Park, LLC	Kansas, City, MO	Industrial	173,129	100%
SRRT Lone Oak, LLC	Eagan, MN	Industrial	152,625	5%
SRRT Carnegie, LLC	Germantown, WI	Industrial	142,907	2%
SRRT Maple Plain, LLC	Maple Plain, MN	Industrial	140,919	3%
BP Holdings Realty, Inc.	Minneapolis, MN	Industrial	115,060	100%
SRRT Jackson Street, LLC	Hopkins, MN	Industrial	109,306	100%
SRRT St. Michael, LLC	St. Michael, MN	Industrial	98,000	10%
SRRT Libra, LLC	Lincoln, NE	Industrial	53,600	100%
SRRT Northland Drive, LLC	Mendota Heights, MN	Industrial	52,360	100%
SRRT Boone, LLC	New Hope, MN	Industrial	44,000	100%
SRRT Hale, LLC	Oakdale, MN	Industrial	32,800	100%
SRRT Salt Creek, LLC	Lincoln, NE	Industrial	25,200	70%
SRRT Duluth, LLC	Duluth, MN	Industrial	12,000	100%
SRRT Fleet, LLC	Oconomowoc, WI	Single Tenant Net Lease	223,533	33%
SRRT Sentry, LLC	Davenport, IA	Single Tenant Net Lease	73,226	100%
WBL Apartments, LLC	White Bear Lake, MN	Multi-Family	192 units	61%
SRRT Orpheum, LLC [1]	Omaha, NE	Multi-Family	132 units	12%
SRRT Redwell, LLC	Minneapolis, MN	Multi-Family	109 units	75%
48th Street Investments, LLC [3]	Lincoln, NE	Multi-Family	109 units	24%
Gurley Lofts, LLC [4]	Minneapolis, MN	Multi-Family	30 units	100%
SRRT Lee, LLC	Minneapolis, MN	Multi-Family	24 units	100%
615 Properties, LLC	Minneapolis, MN	Office	138,243	72%
SRRT Edge, LLC	Lincoln, NE	Office	103,294	100%
Itasca Building, LLC [2]	Minneapolis, MN	Office	80,219	83%
IDC Properties, LLC	Minneapolis, MN	Office	70,456	100%
SRRT 2112, LLC	Minneapolis, MN	Office	52,233	100%
SRRT Kennedy, LLC	Minneapolis, MN	Office	50,050	100%
SRRT Harding, LLC	Minneapolis, MN	Office	37,410	100%
530 Third, LLC	Minneapolis, MN	Office	35,992	100%
SRRT Hillside LLC – Office	Elk River, MN	Office	17,730	100%
SRRT Bedford, LLC	Omaha, NE	Office	13,792	100%
SRRT Firestation, LLC	Saint Paul, MN	Office	8,000	100%
Cobblestone Properties, LLC	Burnsville, MN	Retail	126,776	65%
SRRT Hillside LLC – Mall	Elk River, MN	Retail	25,436	100%
Roseville Fairview, LLC	Roseville, MN	Retail	21,427	100%
SRRT Shakopee, LLC	Shakopee, MN	Retail	20,600	100%
Redwell Commercial, LLC	Minneapolis, MN	Retail	10,096	75%
SRRT Parkway, LLC	Burnsville, MN	Retail	8,830	100%
SRRT CC Outlot, LLC	Eagan, MN	Retail	2,563	100%

[1] Also includes 3,025 of commercial office space
[2] Also includes 149 stalls of surface parking
[3] Also includes 11,413 of commercial office space
[4] Also includes 10,566 of commercial office space

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