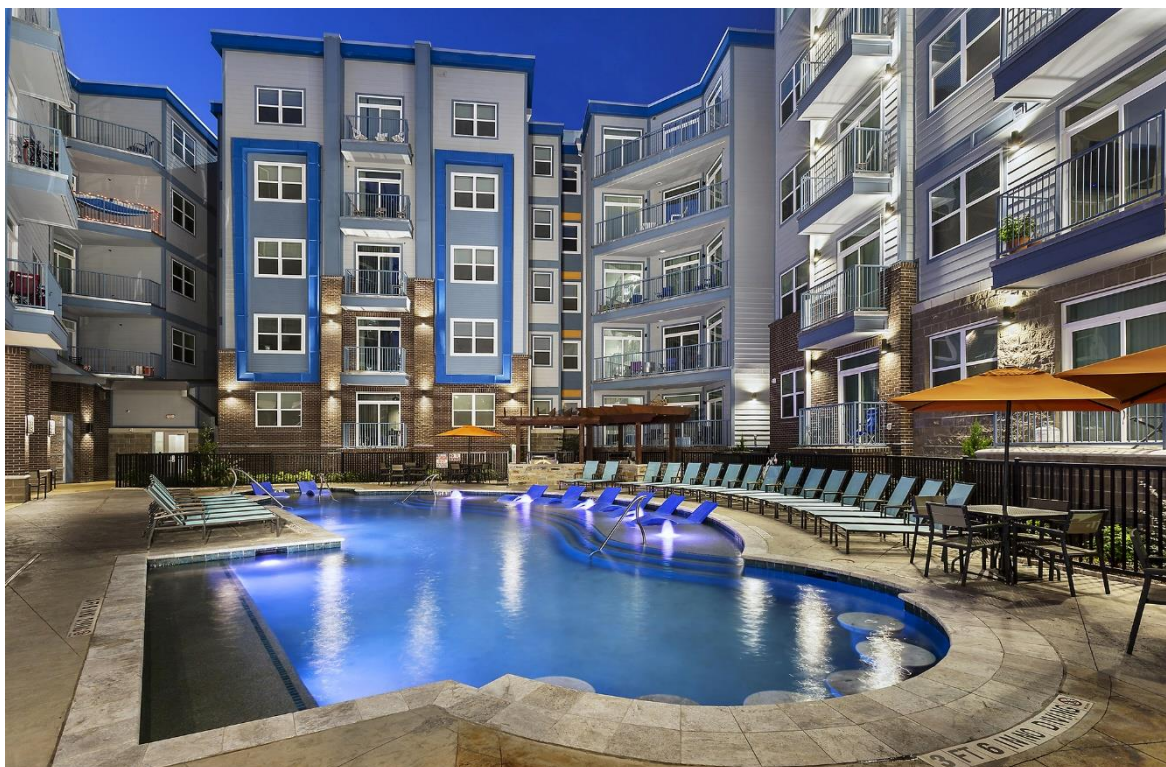


**Project Supplement No. 9**  
**(Dated April 1, 2024)**  
**to the Supplement**  
**of TEI Diversified Income & Opportunity Fund VI, LLC,**  
**dated March 1, 2022**

This Project Supplement No. 9 (this “**Supplement**”) dated April 1, 2024 modifies and supplements the Confidential Private Placement Memorandum of TEI Diversified Income & Opportunity Fund VI, LLC dated March 1, 2022, and should be read only in conjunction with the Memorandum and the other Supplements Number 1 through 8 previously issued. Terms with initial capitals not otherwise defined in this Supplement have the meanings set forth in the Memorandum.



**Supplement**

This Project Supplement pertains to the acquisition of The Armory located at 2257 Sam Houston Avenue, Huntsville, Texas (the “**Property**”)

### Acquisition and Business Plan

Armory is a student housing property located adjacent to the campus of SHSU in Huntsville, Texas. Affiliates of the Managers have experience in owning and operating comparable student housing properties in similar markets as detailed further hereinbelow. The Property is five stories, containing 145 units with 502 beds.

The Property is approximately 95% occupied as of the date of this Memorandum, however there is no guaranty as to the occupancy rate of the Property as of the date of Closing.

The purchase price for the Property is \$25,750,000 (the “**Purchase Price**”). This Purchase Price reflects a cost of \$137.21 per rentable square foot; \$177,586 per unit; and \$51,295 per bed. The projected cap rate of the Property as of the Closing is approximately 8.11% (based on the purchase price and the projected net operating income for the first year of operation). The Purchase & Sale Agreement to purchase the Property was entered into as of January 11, 2024 (“**PSA**”).

The total Invested Capital raise for the Property is \$10,438,362. This reflects a projected 10-year average leveraged return of 10.99% on total Invested Capital. The Fund invested \$1,012,948.05 of the total Invested Capital for a 71.4653% membership interest in one of the tenants in common that comprise the Owner, as described below.

The Property was purchased by Armory TEI Equities LLC, Armory CH Equities LLC, Armory TC Equities LLC, Armory Investor 1 LLC, Armory Investor 2 LLC, Armory Investor 3, LLC, Armory Investor 4 LLC, Armory Investor 5 LLC, Armory Investor 6 LLC, and Armory Investor 6 LLC, as tenants in common (“**TIC**” or “**Armory TIC**”) (collectively, the “**Owner**”) on April 2, 2024. The managers of each Owner are Francis Greenburger and Robert Kantor as “**Managers**”.

The business plan is to continue operating the Property at high occupancy levels, increase rental rates year-over-year, introduce additional income generating services, and explore operating efficiencies to increase revenue or lower expenses in operating the Property.

### Building Description:

|                         |  |
|-------------------------|--|
| # OF BUILDINGS:         | 1 Mid-Rise Building including covered garage |
| # OF UNITS:             | 145  |
| # OF BEDS               | 502  |
| CONSTRUCTION COMPLETED: | 2018   |
| EXTERIOR:               | Hardi-Plank, Brick                           |
| SUPERSTRUCTURE:         | Concrete Post Tension Slab                   |
| ROOFING SYSTEM:         | Flat   |
| PARKING                 | 387 covered space                            |

## Unit Mix and Amenities

The following is the unit mix at the Property:

| Unit Type        | Number of Units | Number of Beds | Average SF      |
|------------------|-----------------|----------------|-----------------|
| S1 - Studio      | 5               | 5              | 336 SF          |
| 1 bedroom/1 bath | 10              | 10             | 511 SF          |
| 2 bedroom/2 bath | 14              | 28             | 871 SF          |
| 3 bedroom/3 bath | 15              | 45             | 1,106 SF        |
| 4 bedroom/4 bath | 91              | 364            | 1,524 SF        |
| 5 bedroom/5 bath | 10              | 50             | 1,848 SF        |
| <b>TOTAL</b>     | <b>145</b>      | <b>502</b>     | <b>1,294 SF</b> |

The apartments feature:

- Modern Furniture Package;
- Full-Size Washer & Dryer;
- Granite Countertops;
- Stainless Steel Appliances;
- 55-Inch TVs In Each Unit;
- Full-Size & Juliet Balconies; and
- Hardwood-Style Flooring.

Amenities and community features for the Property consist of:

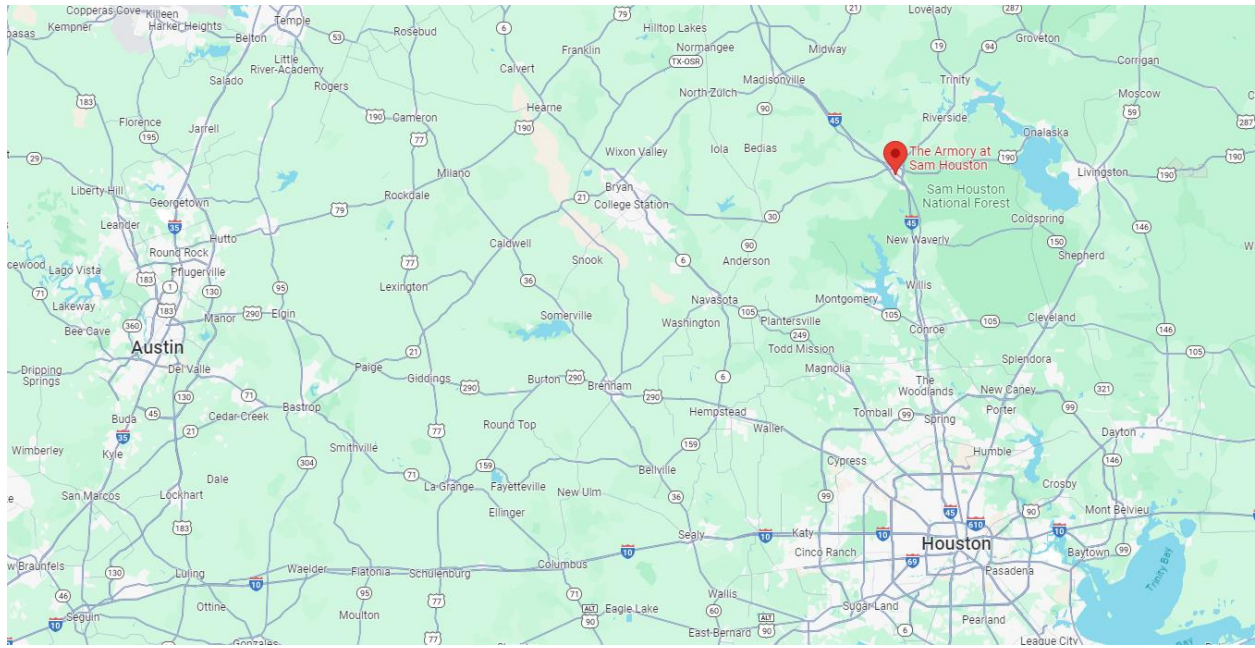
- Rooftop Amenity Deck;
- 10,000 Square-Foot Clubhouse;
- Dog Park;
- Large Putting Green;
- Soundproof Study Rooms;
- Community-Wide 3 Gb Wi-Fi;
- State-Of-The-Art Fitness Center;
- Top-Of-The-Line Tanning Beds;
- Yoga Room;
- Resort-Style Pool;
- Poolside Tanning Deck; and
- 7-Story, Covered Parking Garage.







## Regional Description and Property Location



## Information about Huntsville & Sam Houston State University

The Armory is located adjacent to SHSU, along Avenue J located in Huntsville, Texas, with direct access to the SHSU campus. SHSU is a member of the Texas State University System and according SHSU's website, there are 24,035 students enrolled at SHSU for the 2023-2024 academic year, with an acceptance rate of 79%. The university offers more than 20 online bachelor's and graduate degrees. The student-faculty ratio at SHSU is 24:1 and the most popular majors are Homeland Security, Law Enforcement, Business Management-related, Marketing, and Journalism.



According to the SHSU website, SHSU offers several student services, including nonremedial tutoring, a women's center, placement service, health service, and health insurance. Also according to the SHSU website, SHSU also offers campus safety and security services like 24-hour foot and vehicle patrols, late-night transport/escort service, and 24-hour emergency telephones. SHSU is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award bachelor's, master's, and doctoral degrees.

Huntsville is a city in Walker County, Texas, United States founded in 1835. Huntsville is the center of the Huntsville micropolitan area and is located in the East Texas Piney Woods on the Interstate 45 corridor between Houston and Dallas. Serving more than 24,000 undergraduate, graduate, and doctoral students according to the offering memorandum for the Property prepared by Newmark in 2023, SHSU's Carnegie classification places it in the top seven percent of U.S. higher education institutions in the region. The renowned music department at SHSU offers annual concerts and choirs, as well as performances for students and the community.

### **Tenancy**

The Property, as of the date of this Memorandum, is 95% occupied. For the first year of operation, the average monthly rents are projected to be \$677.76/bed. The average monthly rent per rentable square foot is \$1.81/SF. The above rental projections are consistent with current rents for new leases. Standard leases for the current 2023-2024 academic year were for a term of one and tenants pay the monthly rent plus basic utilities with an option to rent a parking space at an additional cost.

The above rental projections are not guaranteed and anything lesser rental rates may negatively affect returns to Investors.

The November 2023 rent collections (not including ancillary income) was approximately \$309,577. Ancillary income (e.g., for pet, parking, and additional miscellaneous charges) for November 2023 was approximately \$18,396. The total current arrears, as of the end of December 2023, was approximately \$2,001.96. In the Financial Forecast, rents are projected to grow at 3.00% per year.

### **Estimated Sources and Uses for the Invested Capital**

The following are the projected sources and uses for the capitalization of the acquisition of the Property from Invested Capital.

#### **Sources**

|  |                     |
|--|---------------------|
| • Invested Capital                     | \$10,438,362        |
| • Mortgage Amount of Funded at Closing | <u>\$17,500,000</u> |
| <b>TOTAL</b>                           | <b>\$27,938,362</b> |

#### **Uses of Invested Capital**

Estimated Uses for Invested Capital at closing will consist of:

|                            |              |
|----------------------------|--------------|
| Purchase Price             | \$25,750,000 |
| TES Selling Commissions    | \$ 773,212   |
| Acquisition Legal Fees     | \$ 60,000    |
| Mortgage Lender Legal Fees | \$ 38,900    |
| Due Diligence Costs        | \$ 65,000    |
| Title and Survey Costs     | \$ 65,000    |

|                                     |                     |
|-------------------------------------|---------------------|
| TEI Acquisition Fee                 | \$ 511,250          |
| Mortgage Costs                      | \$ 175,000          |
| Capital Improvement Contingency Fee | \$ 500,000          |
| <b>Total Invested Capital</b>       | <b>\$27,938,362</b> |

The uses for Invested Capital consist of the following ineligible uses for 1031 like-kind exchange proceeds:

|   |                  |
|---|------------------|
| <u>Mortgage Costs including Lender Legal Fees</u> | <u>\$213,900</u> |
| <b>Total</b>                                      | <b>\$213,900</b> |

## TERMS OF THE MORTGAGE

Per the Financial Forecast, the Sponsor has assumed obtaining a 10-year acquisition loan to be obtained at Closing (the “**Acquisition Loan**”). The projected terms of the Acquisition Loan assumed for purposes of the Financial Forecast are as follows:

|                                 |   |
|---------------------------------|---|
| <b>Acquisition Loan Lender:</b> | Bank of Montreal  |
| <b>Loan Amount:</b>             | \$17,500,000  |
| <b>Loan to Value:</b>           | 68%   |
| <b>Loan Term:</b>               | Ten (10) Years  |
| <b>Interest Rate:</b>           | The Acquisition Loan is estimated to bear interest at an annual rate equal to 6.50% |
| <b>Payments:</b>                | Monthly payments of interest only   |

## Financial Forecast

### PROJECTED RETURNS AT THE PROPERTY LEVEL

The following are the projected property leveraged returns on Invested Capital:

| Leveraged Cash on Cash Returns after Debt Service Payments & Reserves | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|   | 8.25%  | 8.76%  | 9.35%  | 9.96%  | 10.58% | 11.23% | 11.89% | 12.57% | 13.28% | 14.00%  |

The Financial Forecast for the Property projects an average annual return over 10 years from net cash flow of 10.99%.

**The above leveraged returns are calculated after deduction for debt service payments for the projected Acquisition Loan.**

**As noted above returns are at the property level and do not reflect the fees to be paid to the Managers as set forth in the Fee Agreement (described below) and/or the distribution formula for cash available for distribution upon any subsequent roll up of the Co-Owners into one entity, as described below.**



Such projections do not include a hypothetical sale of the Property at the end of the ten (10) year forecast period.

The Financial Forecast is provided only for the purpose of illustrating how the Property might perform provided all of the assumptions are realized. There is no assurance that the assumptions utilized in the Financial Forecast is accurate and it is highly likely that the actual results will vary greatly (better or worse) from the projections set forth in the Financial Forecast.

**THERE IS NO GUARANTEE THAT THIS INVESTMENT WILL GENERATE THE ABOVE RETURNS OR RESULT IN THE PROJECTED RETURN ON THE INVESTED CAPITAL.**

### **Additional Reserve for Capital Improvements**

The Financial Forecast projections include an annual capital improvement reserve starting at \$90,360 (\$623.17/unit). Such reserve is increased at 3.00% per annum for each succeeding year during the ten (10) year forecast period. Such additional reserve for capital improvements is projected to be funded from the operating income of the Property.

### **Working Capital**

The Financial Forecast projection includes the Capital Improvement Contingency Fee of \$500,000 to be funded from Invested Capital.

### **Management of the Property**

The Property will be managed initially by Student Quarters Property Management LLC (“**Student Quarters**”), at an estimated fee equal to 3.00% of total revenue. In addition, Time Equities, Inc., an affiliate of the Managers, will provide asset management services at a fee of a 1.50% of total revenue.

### **Property Condition Report**

A Property Condition Assessment (“**PCA**”) for the building located at the Property was completed by TRC Environmental Corporation (“**TRC**”) on January 22, 2024. In the PCA report, TRC indicated that the Property is in overall good condition and no critical repairs were identified.

The PCA report summarizes cost estimates for Priority 90-Day Repair Costs and/or Priority Repairs, and replacement reserve costs as follows:

|                                       | <b>Terms<br/>(Yrs)</b> | <b>Uninflated<br/>Costs</b> | <b>Inflated<br/>Costs</b> | <b>Uninflated<br/>\$/Unit/Year</b> | <b>Inflated<br/>\$/Unit/Year</b> |
|---------------------------------------|------------------------|-----------------------------|---------------------------|------------------------------------|----------------------------------|
| Critical Repair Costs Estimate        | 0                      | \$0                         | N/A                       | N/A                                | N/A                              |
| Priority 90 Day Repair Costs Estimate | 0                      | \$75,400                    | N/A                       | N/A                                | N/A                              |
| Priority Repair Costs Estimate        | 1                      | \$67,800                    | N/A                       | N/A                                | N/A                              |
| Replacement Reserve Costs Estimate    | 1-12                   | \$449,727                   | \$564,842                 | \$258                              | \$325                            |

The schedule above sets forth a twelve (12) year Replacement reserve Costs Estimate on an inflated basis of \$325.00 per unit, per year. The Financial Forecast assumes a \$623.17 (uninflated) per unit per year Capital Reserve.

The \$75,400 Priority 90 Day Repair Costs Estimate and \$67,800 Priority Repair Costs Estimate (totaling \$143,200) can be funded from the \$500,000 Capital Reserve.

Plans and specifications have not yet been completed for the work identified in the PCA report and the ultimate work required is speculative and has not been completely bid out, the actual construction costs for such repairs and/or improvements may be higher or lower than projected. Also, certain work that is not planned for completion in the immediate or short term or as projected in the PCA report, may, in fact, be required to be completed sooner or later than projected. Work that is necessary in addition to, sooner or at a higher cost than what is projected could greatly reduce projected returns or even cause a loss of Invested Capital.

The full and complete PCA report is available upon request from the Sponsor.

### **Environmental Condition**

A Phase 1 Environmental Site Assessment (“**Phase-1**”) was prepared for the Property by TRC for the Property on January 18, 2024. This Phase-1 did not identify evidence of any environmental conditions. In the Phase-1 report, TRC recommended that no further investigation is required to be undertaken and that a Mold Operations and Maintenance Plan is recommended.

A copy of the Executive Summary from TRC’s Phase-1 report is attached hereto as Exhibit 1 and a full copy of the report is available upon request to the Sponsor.

### **SOME RISK FACTORS TO BE CONSIDERED**

This involves certain risks and is suitable only for persons of substantial financial means who have no need for liquidity in such investment and who are able to afford the risk of the investment. Reference in this special Risk Section to the terms: (i) “**Company**” or “**Co-Owner**” shall mean the Company in which an Investor will become a Member or the sole Member as to those Investors who want to use their investment to undertake a 1031 or 1033 like kind exchange; (ii) “**Member**” or “**Members**” shall mean the Member(s) in a Company or Co-Owner; (iii) “**Membership Interests**” shall mean the Membership Interests to be acquired by an Investor in a Co-Owner, which may include a sole membership interest for those Investors looking to use the Property to complete a 1031 or 1033 like kind exchange; (iv) “**Rollup Entity**” shall mean the limited liability company to which the Armory TIC is ultimately rolled up into as the owner of the Property; and (v) any reference to the Armory TIC or the Company shall mean the Rollup Entity after the roll up of the Armory TIC into the Rollup Entity. Prospective Investors should carefully consider the following additional risk factors:

- 1) **Variances from the Financial Forecast.** The Financial Forecast presents, to the best of the Managers’ knowledge and belief, the Managers’ estimate of the expected operating results of the Property for the 10-year forecast periods. It is based upon the Managers’ assumptions reflecting conditions they expect to exist and the course of action they expect to take during the forecast period. The Financial Forecast is based upon assumptions as to future events and conditions which the Managers believes to be reasonable but which are inherently uncertain and unpredictable. The assumptions may prove to be incomplete or incorrect and unanticipated events and circumstances may occur. Because of these uncertainties and the other risks outlined in this Memorandum, the actual results of the Property can be expected to be different than those projected and the differences may be material and adverse. Potential Investors should consider the projections in light of the underlying assumptions to reach their own conclusions as to the reasonableness of those assumptions and to evaluate the projections on the basis of that analysis. Neither the Managers, nor any of the Co-Owners, their attorneys or accountants make any representation or warranty as to the

accuracy or completeness of the projections in the Financial Forecast or their underlying assumptions.

- 2) **Projected Cash Flow.** Any projected cash flow or forward-looking statements included in this Private Investment Memorandum and all other materials or documents supplied by the Managers should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Memorandum. The assumptions and facts upon which such projections are based are subject to variations that may arise as future events actually occur. The anticipated cash flows and returns described herein are based upon assumptions made by the Managers regarding future events. There is no assurance that actual events will correspond with these assumptions. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Property's actual results may differ significantly from the results anticipated or discussed in the forward-looking statements. Prospective Investors are advised to consult with their tax, financial and business advisors concerning the validity and reasonableness of any assumptions. Neither the Managers nor any other person or entity makes any representation or warranty as to the future profitability of the Co-Owners.
- 3) **Risk as to Reserves for Improvements.** The Financial Forecast includes an annual reserve for capital improvements, starting at \$90,360 for the first year of operation, based on \$623.17 per unit and grown thereafter based on 3% annual increases. There is no guaranty as to the adequacy of such reserve to be funded, on an annual basis, from operating income.
- 4) **Risks Regarding Not Funding a Capital Call.** Members of the Company or Tenant-in-Common Owner(s) may be requested to fund capital calls in the event the operating income is unavailable or insufficient to adequately cover capital requirements of the TIC, on a pro rata basis, based on their respective ownership interests in the Property. In the event a member of the Company fails to contribute a Capital Call, such non-contributing member is subject to the dilution of their membership percentage interest equal to 150% of the amount such non-contributing member failed to contribute. In the event a Tenant-in-Common Owner fails to fund a Capital Call, please see page 17 of this Private Investment Memorandum in the Section titled Tenants in Common Agreement, subsection Additional Funds.
- 5) **Risk as to Occupancy Levels.** The Managers and the managing agent will strive to maintain the current occupancy level for the Property, as set forth in the Financial Forecast. In the Financial Forecast it was assumed that the average physical occupancy level, during the 10-year forecast period, will be 94% and the average economic occupancy level, during the 10 year forecast period, will be 91% after deduction for general vacancy allowance and bad debt expenses as estimated in the Financial Forecast. There is no guaranty as to the actual and/or economic occupancy levels that can be achieved for the Property. Lower occupancy levels could cause the net cash flow to drop and this could reduce the return paid to Investors on their Invested Capital.
- 6) **Leasing Risks.** There are many leasing risks to consider in operating the Property which could adversely affect the performance of the Property. Some of these leasing risks, include but are not limited to, tenants may not renew their leases as anticipated, which may necessitate a reduction in rent, it may take longer to release space or to lease vacant space than projected and the Co-Owners may have to give more tenant concessions to attract or retain tenants than estimated, including those for free rent periods. All of these leasing risks could ultimately affect the cash available for distribution to Investors.

Given the seasonal nature of the leasing of student housing on a year-to-year basis and its further dependence on SHSU enrollment, units may be vacant, which will reduce income and require the

payment of additional leasing commissions and tenant incentives, including tenant improvement costs, which are not currently set forth in the Financial Forecast. Such reduction in income and additional costs could affect or reduce distributions to Investors.

- 7) **Risks of Competition.** The Property will be operating in a competitive market. In the event that any of the tenants vacate their respective spaces on or prior to the expiration of their respective leases, the Co-Owners will be competing for tenants on the basis of location, access, rental rates, size and layouts of space, amenities offered by the Property, the quality of the surrounding area and a variety of other factors. The success of the Co-Owners will depend to a large degree upon its ability to compete with other similar properties, which in turn depends upon its ability to be competitive as to the foregoing factors. The failure of the Co-Owners or the Managers to establish and maintain a favorable market position could have a material adverse effect on its profitability.
- 8) **Risks of Ownership.** The profitability of the Property is subject to general economic conditions, the management abilities of the managing agent, competition, desirability of the location of the Property, the structural and operating conditions of the Property, the physical appearance of the Property, and other factors. To remain competitive, continuing expenditures must be made to modernize, refurbish and maintain existing facilities. This increases the need for capital funds (whether from reserves, current cash flow or debt financing) and thereby increases the sensitivity of the investment to the cost and availability of such funds, while decreasing operating revenues to the extent that apartments at the Property remains vacant. The Financial Forecast includes payment of the Working Capital Contingency Fee of \$500,000, to be funded from Invested Capital. There is no guaranty that such amount will be adequate to cover such expenditures. In addition, inflationary pressures could increase operating expenses above expected levels, thereby decreasing profitability to the extent rents cannot be raised by corresponding amounts.
- 9) **Risk as to Covid-19.** To the extent the COVID-19 pandemic persists and continues and/or another Pandemic occurs, such could adversely impact the lease up of the Property and/or the ability to retain existing tenants. This could require further increases in free rent periods, additional tenant improvements or allowances, rent reductions or deferrals, all beyond those contained in the Financial Forecast and/or could adversely affect rent collections.

It is difficult to predict the future impact of COVID-19 on the economic conditions and the operation of the Property. As a result, there can be no assurance that the Property will achieve anticipated or maintain cash flow levels. The Managers will attempt to account for the current weakness of the economy created by COVID-19 and the possibility of future pandemics, but there is no guaranty as to the success or accuracy of such investment strategy. Now that the Property is at 95% occupancy level, as of the date of this Memorandum, the seller is not offering any free rent for new or renewal leases. The Financial Forecast includes an aggregate deduction of 9.00% from projected base rental income for bad debt expenses, concessions or free rent and a general vacancy allowance. Right now although the COVID-19 Pandemic has officially ended according to the U.S Federal Government, it is almost impossible to accurately predict the long-term economic impact that it will have on the Property.

- 10) **Risk as to Competition from SHSU for Student Housing.** Currently, approximately 21% of the students at SHSU live on campus. To the knowledge of the Co-Owners, there are currently no plans in existence to build more student housing on campus. There is currently nothing on SHSU's website to indicate any potential projects to add more student housing. However, if SHSU decides to change the requirement for on campus housing and require more students to live on campus and/or decides to build more on-campus housing and/or other parties until more student housing



units or multi-family developments in the vicinity, this could have a negative effect on the ability of the Co-Owners to rent up the apartments at the Property and/or this could cause the Co-Owners, in order to be more competitive, to lower rents or provide more rental incentives. Any of the foregoing could reduce projected returns to Investors and/or cause a loss of Invested Capital.

- 11) **Risk as to Economic Conditions.** Period of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in real estate values, which could adversely affect the operation, financial position, cash flow and/or ability to satisfy debt obligations and to make distributions to the Investors.
- 12) **Uninsured Losses.** The Managers will try to maintain adequate insurance coverage against liability for personal injury and property damage. However, there can be no assurance that insurance will be sufficient to cover any such liabilities. Furthermore, insurance against certain risks, such as earthquakes, floods and/or terrorism, 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 Property. In addition, 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, the Co-Owners may lose all or part of their investment. The Co-Owners may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited but Investors will not be personally liable.
- 13) **Risk as to Management of the Property.** Prior to the roll up of the tenant in common purchasers, the Investors who become the sole member of a Sole Member Co-Owner, shall have certain approval rights as to the management and operation of the Property as outlined in this Memorandum (for example, approval rights as the sale and/or financing for the Property, approval rights as to any lease other than a Preapproved Lease and approval rights as to the replacement of the managing agent and/or asset manager for the Property. Notwithstanding the above, any Investor who becomes a member for a multi-member company, who is not purchasing their investment to implement a 1031 or 1033 like-kind exchange, do not have the same approval rights as a sole member of a Sole Member Co-Owner, who is purchasing their investment to implement a 1031 or 1033 like-kind exchange. Such additional approval rights are granted to a 1031 or 1033 Investor prior to the roll up of tenant in common purchasers since they may be required to insure that such Investor's purchase would qualify as an interest in the real property as opposed to a purchase of a partnership or membership interest. If the Property is rolled up into the Rollup Entity, the sole member of a Sole Member Co-Owner will no longer have such approval rights. After the roll up of tenant in common purchasers, the Managers shall have board discretion over the operation and management of the Property and the Members of the Rollup Entity, who were previously a sole member of a Sole Member Co-Owner, will no longer be able to participate in the conduct and/or business operations of such Rollup Entity and/or the Property in the same manner as that member did prior to the Rollup.
- 14) **Risks as to Conflicts of Interest.** There are various conflicts of interest that may occur between the Managers and/or Time Equities, Inc. ("TEI") as the asset manager for the Property and the Co-Owners and their respective companies and/or Members comprising the Co-Owners. These conflicts of interest include, but are not limited to, the following:

- a. **Competition with Other Entities for Management Services**

The Managers and/or TEI may encounter conflicts of interest in allocating management time, services and functions between the tenant in common purchasers and various other

existing and future entities that own and operate real estate, as well as other business ventures, in which they are involved. Because of their management responsibilities for other properties, TEI, as the asset manager for the Property and the Managers, will devote only so much of its time to the Property, as in its judgment is reasonably required.

**b. No Limit on Managers' and/or TEI's Other Activities**

The Managers, TEI, and their respective Affiliates may engage in other business ventures, real estate or otherwise, and the members of companies comprising the tenant in common purchasers shall not be entitled, as of right, to participate in such other business ventures. The Managers and their affiliates intend to form other real estate ventures in the future, some of which may have the same investment objectives as the tenant in common purchasers. Accordingly, there may be conflicts of interest on the part of the Managers and their affiliates (including TEI) between the tenant in common purchasers and other entities and real estate investments or properties which they are involved.

**c. Partnership Representative**

Pursuant to the operating agreement for each Co-Owner or the Rollup Entity, the Managers will be the “**partnership representative**” and as a result may make various determinations which would be binding on all of the Investors. It is possible that issues could arise on tax matters where the decision of the Managers may have a different effect or consequence on the Managers and the Investors. Because the impact of such determinations on the Managers and their Affiliates may be substantially different in circumstances from the impact on the Investors, the Managers may be subject to a conflict of interest in acting as the partnership representative.

**d. Lack of Separate Representation**

Certain of the attorneys involved in the acquisition and/or financing of the Property and preparation of this Memorandum, are also employees of TEI. This could result in a conflict of interest if there is a dispute between the Managers and an Investor and/or if decisions as to legal matters may have different consequences or effect on the Managers and the Investors.

**e. Affiliation of the Managers and the Placement Agent**

The Placement Agent (Time Equities Securities LLC) is owned by TEI and as a result it may be expected that the Placement Agent may face conflicts of interest in undertaking due diligence that would normally be exercised by the placement agent if it were independent of the Co-Owners and the Managers.

**f. Financing and/or Sale of the Property**

A conflict of interest could occur in connection with any financing for the Property where certain members may desire that more of the net proceeds from such financing be distributed to reduce the amount of Invested Capital and the Managers may, alternatively, desire to retain more net proceeds for reserves to cover future or anticipated leasing costs, capital improvements and/or other non-budgeted operating expenses.

After the roll up of the Property, the Managers are entitled to receive a certain portion of net proceeds from the sale of the Property as will be provided in the operating agreement

for the Rollup Entity. A conflict of interest could arise because it may be beneficial for the Managers to sell the Property at a time when it may be in the best interest of the Investors to hold onto the Property or alternatively, because it may be beneficial for the Managers to delay a sale of the Property, when a sale would be more advantageous to the Investors. For example, the Managers might not wish to receive taxable income in a particular year for reasons unrelated to the Rollup Entity. The Managers may have an interest in retaining, instead of selling, the Property in order to continue the distributions and any other fees payable to the Managers and/or their Affiliates. Accordingly, the Managers may be subject to various conflicts of interest with respect to the potential sale of the Property that may have different consequences or effect on the Managers and the Members of the Rollup Entity.

A conflict of interest could arise between the members that wish to sell the Property and the Members that do not desire to sell the Property or if the Managers have a contrary desire as to the sale of the Property from those maintained by a member. In any event, once the Property is rolled up, the decision as to whether or not to sell the Property and the terms to be accepted for any such sale of the Property shall be at the sole discretion of the Managers.

A conflict of interest also could arise if the Property is sold after the roll up of the tenant in common purchasers, where the Managers may desire to undertake a 1031 like-kind exchange and invest net sale proceeds in the acquisition of a replacement Property and certain of the members alternatively may not want to use the net proceeds from the sale of the Property to implement a 1031 like-kind exchange or do not want to use such net sales proceeds for the replacement property selected by the Managers.

**g. Conflicts as to Obligations under Loan Documents (including those between a Guarantor and the Members of each Co-Owner**

There may be occasions where some of the members may wish the Managers (as a guarantor or otherwise) to take certain actions that might be in the best interests of the tenant in common purchasers but that might expose a Manager to personal liability as a result of the actions that might be taken. As an example, the members might desire that the tenant in common purchasers violate a condition of a loan agreement that would be advantageous to the tenant in common purchasers but would result in a Manager, as guarantor under the terms of the loan documents, to be personally liable for some or all of the obligations of the tenant in common purchasers. Due to the fact that such actions, while potentially favorable to the members or the tenant in common purchasers, might be personally detrimental to a Manager, the following provisions shall be included in the operating agreement for each company comprising the tenant in common purchasers and/or the Rollup Entity and pertain to any actions that might be taken in connection with the ownership and operation of the Property by the tenant in common purchasers or the Rollup Entity and the administration of the loans and/or other obligations of tenant in common purchasers or the Rollup Entity:

- i. The Managers and/or any guarantor of any loans shall not be obligated to take any action which would result in a Manager or guarantor becoming personally liable for any liabilities of the tenant in common purchasers or the Rollup Entity arising under any loan documents, notwithstanding that the failure to take any such action might result in the total or partial loss of the tenant in common purchasers' or the Rollup Entity's interest in some or all of its assets; or

- ii. The Managers and/or any guarantor of any such loans may take any action which would result in any such guarantor avoiding becoming personally liable for any liabilities of the tenant in common purchasers or the Rollup [Entity arising under any such loan documents, notwithstanding that the taking of any such action might result in the total or partial loss of the tenant in common purchasers' or the Rollup Entity's interest in some or all of its assets. Such actions may include transferring the Property to a lender in lieu of foreclosure.

#### **h. Resolutions of Conflicts of Interest**

The Managers have not developed, and do not expect to develop, any formal process for resolving conflicts of interest. However, the Managers are required to exercise good faith and integrity in handling the affairs of the tenant in common purchasers and the Rollup Entity, which duty will govern their actions in all such matters. While the foregoing conflicts of interest could materially and adversely affect the tenant in common purchasers or the Rollup Entity, except as otherwise provided in this special risk as to conflicts of interest, the Managers in their sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of its business judgment in an attempt to fulfill their fiduciary obligations. There can be no assurance that any such attempt will prevent the adverse consequences that may result from the numerous conflicts of interest.

- 15) **Environmental Liabilities Are Possible and Can Be Costly.** Federal law imposes liability on a landowner for the presence on a property of improperly disposed or released hazardous substances and wastes. This liability is without regard to fault for or knowledge of the presence or release of such substances and may be imposed jointly and severally upon all succeeding landowners from the date of the first improper disposal or release. Neither the Co-Owners nor the Managers can guaranty that hazardous substances and/or wastes will not be discovered on the Property during the tenant in common purchasers' or the Rollup Entity's ownership or after sale to a third party. If such hazardous substances or wastes are discovered on the Property, the tenant in common purchasers may be required to remove those hazardous substances and clean up the Property, and the tenant in common purchasers, may incur full recourse liability for the entire cost of any such removal and cleanup. Neither the tenant in common purchasers, the Rollup Entity nor the Managers can guaranty that the cost of any such removal and cleanup would not exceed the value of the Property or that the tenant in common purchasers could recoup any such costs from a third party. The tenant in common purchasers or the Rollup Entity may also be liable to tenants and other users of the Property and to owners, tenants or users of neighboring properties, and it may find it difficult or impossible to sell the Property prior to the completion of such remediation or clean up. Obtaining financing for any such Property prior to the completion of such clean-up or remediation may be more difficult or costly. The Financial Forecasts for the Property do not contain any expenses for any such environmental cleanup of hazardous substances and wastes. To the extent this would be required, such additional costs could affect or reduce distributions to Investors.
- 16) **Toxic Mold.** Litigation and concern about indoor exposure to certain types of toxic molds has 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 an increased risk of lawsuits by affected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. Because of attempts to



exclude damage caused by toxic mold growth from certain liability provisions in insurance policies, there is no guarantee that insurance coverage for toxic mold will be available now or in the future.

- 17) **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. Facilities initially occupied after January 26, 1992 must comply with the ADA. When a building is being renovated, the area renovated, and the path of travel accessing the renovated area, must comply with the ADA. Further, owners of buildings occupied prior to January 26, 1992 must expend *reasonable* sums, and must make *reasonable efforts*, to make practicable or readily achievable modifications to remove barriers, unless the modification would create an undue burden. This means that so long as owners are financially able, they have an ongoing duty to make their property accessible. The definitions of “**reasonable**”, “**reasonable efforts**”, “**practicable**” or “**readily achievable**” are site-dependent and vary based on the owner’s financial status. The ADA requirements could require removal of access barriers at significant cost and could result in the imposition of fines by the federal government or an award of damages to private litigants. Attorneys’ fees may be awarded to a plaintiff claiming ADA violations. State and federal laws in this area are constantly evolving and could evolve to place a greater cost or burden on the tenant in common purchasers or the Rollup Entity. While the Managers will attempt to obtain information with respect to compliance with the ADA, there can be no assurance that ADA violations do not or will not exist at the Property. If other violations do exist, there can be no assurance that there will be funds to pay for any necessary repairs.
- 18) **Limited Assignability.** Each subscriber will be required to represent that the purchase of their membership interests in a Co-Owner will be for investment purposes only and not with a view towards the resale or distribution thereof. Membership Interests may not be assigned without the consent of the Managers, and without compliance with the right of first refusal to be contained in the operating agreement for each Co-Owner. Furthermore, an Investor may not pledge, or grant a security interest in their membership interests. Under the Operating Agreement, an assignment of membership interests shall not be permitted if that assignment (i) would cause a Co-Owner to terminate for Federal income tax purposes; (ii) would violate certain restrictions on assignment now or hereafter imposed under the Operating Agreement to preserve the status of a Co-Owner as a partnership for Federal income tax purposes, or (iii) would violate Federal or state securities laws. No assignee may be admitted as a substituted member without the consent of the Managers. In addition, a Member shall have no right to withdraw any part of their capital contributions to a Co-Owner. There are likely to be substantial adverse Federal income tax consequences in connection with the assignment of membership interests, and holders of the membership interests are advised to consult with their tax advisors prior to any such assignment. Also, in certain states, assignees of membership interests may be required to meet certain suitability requirements.
- 19) **Liability of Members/Risk as to Return of Distributions.** In general, members of a Co-Owner may be liable for the return of a distribution to the extent that the member knew at the time of the distribution that after such distribution, the remaining assets of such Co-Owner would be insufficient to pay their then outstanding liabilities (exclusive of liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of a limited liability company). Otherwise, members are generally not liable for the debts and obligations of a Co-Owner beyond the amount of the capital contributions they have made or are required to make under the operating agreement.
- 20) **Limitation of Liability/Indemnification of the Managers.** The Managers and its attorneys, agents and employees may not be liable to a Co-Owner or its members for errors of judgment or other acts or omissions not constituting fraud, gross negligence or willful misconduct as a result of certain indemnification provisions in the operating agreement. A successful claim for such

indemnification would deplete the tenant in common purchasers or the Rollup Entity's assets by the amount paid.

- 21) **Offering Not Registered With the US Securities and Exchange Commission ("SEC") or State Securities Authorities.** This offering will not be registered with the SEC under the Securities Act of 1933 as amended (the "**Securities Act**") or the securities agency of any state and is being offered in reliance upon an exemption from the registration provisions of the Securities Act and state securities laws applicable only to offers and sales to investors meeting the suitability requirements set forth herein.
- 22) **Private Offering – Lack of Agency Review.** Because this offering is a nonpublic offering and, as such, is not registered under federal or state securities laws, Investors will not have the benefit of a review of the offering or this Memorandum by the SEC or any state securities commission. The terms and conditions of the offering may not comply with the guidelines and regulations established for real estate programs that are required to be registered and qualified with the SEC or any state securities commission.
- 23) **Private Offering Exemption – Compliance with Requirements.** The membership interests are being offered to, and will be sold to, Investors in reliance upon a private offering exemption from registration provided in the Securities Act. If a Co-Owner should fail to comply with the requirements of such exemption, the Members would have the right to rescind their purchase of their membership interests if they so desired. It is possible that one or more members seeking rescission would succeed. This might also occur under applicable state securities or "**blue sky**" laws and regulations in states where the membership interests will be offered without registration or qualification pursuant to a private offering or other exemption. If a number of members were successful in seeking rescission, the applicable company and the Managers would face severe financial demands that would adversely affect remaining members as a whole and, thus, the investment in the membership interests by the remaining members.
- 24) **Private Offering Exemption – Limited Information.** Because the offering of the membership interests is a nonpublic offering, certain information that would be required if the Offering were not so limited has not been included in this Memorandum, including, but not limited to, financial statements and prior performance tables. Thus, Investors will not have this information available to review when deciding whether to invest in membership interests.
- 25) **General Tax Risks.** There are substantial risks associated with the federal income tax aspects of an investment in a tenant in common purchaser. In addition to continuing IRS reexamination of the tax treatment of partnerships, the income tax consequences of an investment in a tenant in common purchaser are complex, and recent tax legislation has made substantial revisions to the Code. Many of these changes, including changes in the taxation of limited liability companies and their members, affect the tax benefits generally associated with an investment in a limited liability company. Because the tax aspects of this offering are complex, and certain of the tax consequences may differ depending on individual tax circumstances, each Investor is urged to consult with and rely on his or her own tax advisor concerning this offering's tax aspect and his or her individual situation. **No representation or warranty of any kind is made with respect to the IRS's acceptance of the treatment of any item by the Company or by an Investor.**
- 26) **Changes in Tax Laws.** The discussions of the federal income tax aspects of this offering are based on current law, including the Internal Revenue Code of 1986, as amended, the regulations issued thereunder, certain administrative interpretations thereof and court decisions. Consequently, future events (including those arising from expiration of current tax laws, legislative and administrative proposals that could occur and/or are or in the future may be under consideration) that modify or

otherwise affect those provisions may result in treatment for federal income tax purposes of the Company and the Members that are materially and adversely different from that described in this Private Investment Memorandum, both for taxable years arising before and after such events. Neither the Co-Owners nor the Managers can guaranty that future legislation and administrative interpretations will not be retroactive in effect.

- 27) **Risks regarding the Distribution of the IRS Schedule K-1 Tax Form.** Following a future rollup, although the Managers will make every effort to complete and distribute to Investors their individual K-1 tax forms in a timely manner, there is no guarantee that in each tax year these forms can or will be completed in time for the investors to file their taxes on or prior to the general April 15 tax deadline. In the event that such K-1s are not completed in a timely manner prior to the April 15<sup>th</sup> tax deadline, it is possible that Investors may have to file an extension to complete their tax returns.

**THE ABOVE POTENTIAL RISKS ARE NOT INTENDED TO BE AN EXHAUSTIVE LIST OF POTENTIAL AREAS OF RISK AND INVESTORS ARE URGED TO CONSIDER SUCH RISKS BEFORE MAKING A DECISION TO INVEST IN THE PROPERTY.**

**GENERAL METHODOLOGY USED FOR FINANCIAL FORECASTS OF OPERATION OF  
THE ARMORY  
LOCATED AT 2257 SAM HOUSTON AVENUE IN HUNTSVILLE, TX**

The Financial Forecasts are provided only for the purpose of illustrating how the Property might perform provided that all assumptions are realized. The projections and calculation of returns to investors contained herein do not constitute any representation, warranty or guaranty as to the performance of the Property. The assumptions are as follows:

**Forecast Periods:** Operations are projected for a ten (10) year period, commencing in April 1, 2024. The annual periods in the forecasts are from April through March.

**Acquisition:** The Property is anticipated to be purchased for a total project cost of \$27,902,000. The purchase price is \$25,750,000. The closing date is expected to be on or about April 2, 2024.

**Loan Assumptions:** The Financial Forecast includes an Acquisition Loan in the estimated amount of \$17,500,000 for a term of ten years. The Acquisition Loan is assumed to have a fixed interest rate of 6.50% for the entire term and provide for interest only payments. The estimated loan to value ratio is approximately 70%.

**Income:** The Property is currently 95% occupied. The property is projected in the 1<sup>st</sup> year of operation to generate a net cash flow, after reserves and debt service, of approximately \$827,321.

The current average monthly rents are projected to be \$677.76 per bedroom. Thereafter, rental rates are increased at 3% per annum.

**Real Estate Taxes:** Real Estate Taxes for the first year of operation are projected to be \$464,791. Real estate taxes in year 2 will grow by 4.50% based on a reassessment and from that point forward, starting in year 3, they are growing by 3.00%

**Occupancy:** The Financial Forecast assumes that the Property achieves a 10-year average physical occupancy of 94%. It is assumed the average economic occupancy level will be 91%. There is no guaranty as to the ability to maintain occupancy levels as stated herein.

**Reduction to Base  
Rental Income to  
Create Effective  
Gross Income:**

The Financial Forecast includes the following deductions for year 1 from projected base rental income to create the effective gross income utilized to determine net cash flow:

| <b>Deduction</b>                  | <b>Percentage Deduction from Base Rental Income</b> |
|-----------------------------------|---|
| General Vacancy                   | 6.00%   |
| Bad Debt Expenses                 | 1.00%   |
| Model/Employee Units/ Concessions | 2.00%   |
| <b>TOTAL</b>                      | <b>9.00%</b>  |



**Growth Factors for  
Rents & Expenses  
other than Real Estate**

**Taxes:**

In the Financial Forecast rents and expenses after the first year of operation are both grown at 3.00% per annum. Please note in year 2, the real estate taxes will grow by 4.50%

**Management Fees:**

The Property will be managed by Student Quarters, at an estimated fee equal to 3.00% of total revenue. In addition, Time Equities, Inc., an affiliate of the Managers, will provide asset management services at a fee of 1.50% of total annual revenue.

**Working Capital and  
Capital Improvement  
Contingency:**

The Sponsor has agreed to fund the costs of any required working capital and capital improvements needed during the first three (3) years after Closing in an amount up to \$500,000 (the “**Capital Reserve**”). After the third (3<sup>rd</sup>) anniversary of the Closing, the Sponsor will pay to the Co-Owners any remaining Capital Reserve that has not been previously spent up to \$500,000. The Sponsor may co-mingle the Capital Reserve with other funds of Sponsor. While there are no specifically contemplated uses as of the date hereof, such Capital Reserve may be used to fund unbudgeted operating expenses, and/or capital improvements.

**Capital Improvements:**

The Capital Reserve will be used in the Manager’s sole discretion toward the above and/or miscellaneous capital improvements in order to enhance the value of the asset. Examples of these improvements could include, but are not limited to, additional package lockers, upgraded common area hallway lighting and aesthetics, water conservation equipment and various common area upgrades