

Section 1: 10-K (FORM 10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-37865

Reven Housing REIT, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

84-1306078
(I.R.S. Employer Identification
Number)

875 Prospect Street, Suite 304
La Jolla, California 92037
(Address of principal executive offices)

(858) 459-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common Stock

Name of Each Exchange on Which Registered:
The Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company (as defined in Rule 12b-2 of the Act):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$13,533,874.

The number of shares of the registrant's common stock outstanding as of February 28, 2019 was 11,026,948.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2019 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days of the registrant's year ended December 31, 2018 are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

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FORWARD LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements can generally be identified by words such as “anticipates”, “expects”, “intends”, “will”, “could”, “believes”, “estimates”, “continue” and similar expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in, or implied by, the forward-looking statements. Factors that could materially affect our business, financial condition, liquidity, results of operations and prospects, as well as our ability to make distributions to our shareholders are discussed more fully in the sections “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this report, and include, but are not limited to:

- We have a limited operating history and therefore management cannot ensure the long-term successful operation of our business or the execution of our business plan.
 - We have a history of net operating losses, and we may never achieve profitability from operations.
 - Certain of our existing stockholders affiliated with Mr. Xiaofan Bai have substantial influence over our company, and their interests may not be aligned with the interests of our other stockholders and sales of their shares could cause the market price of our common stock to decrease.
 - We have limited experience operating as a REIT, and we cannot assure you that we will be successful operating as a REIT.
 - We are dependent on our executive officers and dedicated personnel, and the departure of any of our key personnel could materially and adversely affect us.
 - If we cannot obtain equity and debt financing, our growth may be limited.
 - Our underwriting criteria and evaluation of properties involves a number of assumptions that may prove inaccurate, which may cause us to overpay for our properties or incur significant costs to operate a property.
 - Operating our business on a larger scale could result in substantial increases in our expenses.
 - If rents in our markets do not increase sufficiently to keep pace with rising costs of operations, our cash available for distribution will decline.
 - Declining real estate values and impairment charges could adversely affect our earnings and financial condition.
 - Our Board of Directors may change our investment strategy, financing strategy or leverage policies, or any of our other major policies, without the consent of stockholders.
 - Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.
 - The availability and timing of our anticipated cash distributions are uncertain.
 - An active trading market for our common stock may never develop.
 - There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.
-

Market data used throughout this report is based on published third party reports or the good faith estimates of management, which estimates are presumably based upon their review of internal surveys, independent industry publications and other publicly available information. Although we believe that such sources are reliable, we do not guarantee the accuracy or completeness of this information, and we have not independently verified such information.

We caution readers not to place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and we urge readers to review and consider disclosures we make in this and other reports that discuss factors germane to our business. See in particular our reports on Forms 10-K, 10-Q, and 8-K subsequently filed from time to time with the Securities and Exchange Commission.

PART I

Item 1. Business

In this report, the terms “we,” “our,” “us” and “Company” refer to Reven Housing REIT, Inc., a Maryland corporation, together with its wholly-owned subsidiaries.

Overview

We are an internally managed Maryland corporation that engages in the acquisition, ownership and operation of portfolios of leased single-family homes in the United States. We operate our portfolio properties as single-family rentals, or SFRs, and we generate most of our revenue from rental income from the existing tenants of the SFRs we have acquired. We are currently evaluating whether to elect to be taxed as a real estate investment trust (“REIT”), commencing with the taxable year ended December 31, 2018. We have until the extended due date of our December 31, 2018 tax return to formally make this election. Accordingly, should we elect REIT status, we do not expect to be subject to federal income tax, provided that we continue to qualify as a REIT and distributions to the stockholders equal or exceed REIT taxable income. Should we not elect to be taxed as a REIT, we still would not be subject to federal income tax for periods ended December 31, 2018 and prior due to significant operating losses and net operating loss carry-forwards.

As of December 31, 2018, we have invested an aggregate of approximately \$78.4 million and own a total of 965 homes, of which 263 homes are in the Houston, Texas metropolitan area, 252 homes are in the Jacksonville, Florida metropolitan area, 143 homes are in the Memphis, Tennessee metropolitan area (with two of the Memphis homes located just across the border in Mississippi), 144 homes are in the Birmingham, Alabama metropolitan area, 116 homes are in the Oklahoma City, Oklahoma metropolitan area, and 47 homes are in the Atlanta, Georgia metropolitan area. Subsequent to year end through the date of this report, we purchased 24 additional homes in the Oklahoma City and Memphis metropolitan areas for approximately \$4,640,000.

We intend to expand our acquisitions to other select markets in the United States that fit our investment criteria as we continue to evaluate new investment opportunities in different markets. As of December 31, 2018, our portfolio properties were 92.5% occupied. Our portfolio properties have been acquired from available cash and with the proceeds from secured loan transactions pursuant to which we had an outstanding principal amount owed of \$51,362,000 as of December 31, 2018. Our loan transactions are secured by first priority liens and related rents on our homes. Subsequent to year end on February 11, 2019 we increased our borrowings secured by homes by \$10,523,000.

Our principal objective is to generate cash flow and distribute resulting profits to our stockholders in the form of distributions, while gaining home price appreciation, or HPA, at the same time through the ownership of our portfolio properties. With this objective in mind, we have developed our primary business strategy of acquiring portfolios of stabilized or leased SFRs. We believe the execution of this strategy will allow us to generate immediate and steady cash flow from the rental income from the SFRs that we acquire while potentially gaining significant HPA over time. HPA is a metric most of our competitors use to project total returns. We believe cash flow is a better metric to project returns because cash flow is realized currently while HPA is unrealized and deferred until the assets are sold. While our goal is to grow our company and generate available cash flow from the rental income of our SFRs that will allow us to pay all of our operating costs for the operation of our portfolio properties and distribute profits to our stockholders in the form of quarterly dividends, there can be no assurance we will be able to do so.

In October 2018, we declared our first distribution of \$0.01 per share on our common shares. The distribution was made on November 15, 2018 to shareholders of record as of October 25, 2018 and totaled \$109,467. Subsequent to December 31, 2018, on January 15, 2019, we declared a distribution of \$0.01 per share on our common shares. The distribution was made on February 15, 2019 to shareholders of record as of January 25, 2019 and totaled \$109,652.

Our History and Structure

In 2012, Chad M. Carpenter, our Chairman of the Board, President and Chief Executive Officer, recognized an opportunity to acquire portfolios of leased homes with positive cash flow and then distribute resulting profits to stockholders. To capitalize on this opportunity, Mr. Carpenter acquired a majority of the issued and outstanding shares of our common stock in July 2012 and founded Reven Housing REIT. Since then, we have been engaged in our current business of acquiring, owning and operating portfolios of leased single-family homes as rental properties.

Our company was originally incorporated on April 26, 1995. On April 1, 2014, we converted from a Colorado corporation to a Maryland corporation pursuant to applicable state conversion statutes to better position our company to qualify and operate as a REIT. In connection with our conversion to a Maryland corporation, we adopted our current charter and bylaws in accordance with the laws of the State of Maryland.

Reven Housing REIT, Inc. serves as a holding company for our various operating subsidiaries through which we conduct our acquisitions and hold our properties and applicable secured debt. These operating subsidiaries include Reven Housing REIT OP, L.P., a Delaware limited partnership that is our wholly-owned operating partnership; Reven Housing GP, LLC, a Delaware limited liability company that is our wholly-owned subsidiary and the sole general partner of our operating partnership; Reven Housing REIT TRS, LLC, a Delaware limited liability company that is the wholly-owned subsidiary of our operating partnership and that we intend will elect to be treated as a taxable REIT subsidiary; and its wholly-owned subsidiaries, which have been formed primarily for financing purposes.

Development of Our Business

Since January 1, 2018, we have undertaken the following material transactions and general development of our business:

Birmingham, Alabama - On February 16, 2018, we received additional loan proceeds of \$2,736,630 secured by deeds of trust encumbering certain of our homes located in Birmingham, AL. The proceeds from this note were used to purchase a portfolio of 27 single-family homes, located in the Birmingham, Alabama metropolitan area for approximately \$1,659,000 including closing and acquisition costs.

Portfolio Loan Refinancing- On September 28, 2018, we refinanced our single-family home portfolio by entering into a \$51,362,000 loan with Arbor Agency Lending, LLC, on behalf of the Federal Home Loan Mortgage Corporation (Freddie Mac). The loan is a seven-year, monthly interest-only payable loan accruing interest at 4.74% per annum, with principal due and payable at its maturity on October 1, 2025. The loan is secured by 824 of our homes and we also guaranteed approximately \$12.8 million of the loan balance. Proceeds of approximately \$33 million were utilized to pay off and replace our eight previously outstanding notes with regional banks. Additionally, as a result of the loan, we received approximately \$17 million of cash, net of transaction fees, prepayment fees, and loan payoffs which we are utilizing for acquisitions of single-family homes and operational cost.

Memphis, Tennessee – During December 2018, we closed on the acquisition of 23 single-family homes located in the Memphis, Tennessee metropolitan area for the purchase price of approximately \$1,546,000 including closing expenses and acquisition costs.

Oklahoma City, Oklahoma – During December 2018, we closed on the acquisition of 116 single-family homes located in the Oklahoma City, Oklahoma metropolitan area for the purchase price of approximately \$12,650,000 including closing expenses and acquisition costs.

Our Competitive Advantages

We believe that our competitive advantages include the following:

Our Business Strategy

Our business strategy of acquiring already improved, stabilized and currently leased portfolios of single-family homes and operating them as rental properties allows us to focus on generating positive cash flow and distributing the resulting profits to our stockholders. Our business strategy differentiates us from most of our competitors because they are buying empty homes individually as opposed to purchasing rented homes in bulk or are focused on generating home price appreciation. We believe our business strategy is efficient and cost effective because we do not need a large staff or to incur significant overhead costs in order to grow and execute our business plan.

Internal Management

As an internally-managed REIT, our executives are dedicated to our business allowing us to maintain greater control over the management and operation of our business than externally-managed REITs. Our management's interests are aligned with those of our stockholders and we are exposed to fewer conflicts of interest than those typically faced by externally-managed REITs. Additionally, as our portfolio grows, we believe that we will achieve greater operational efficiencies and realize superior economies of scale as compared to externally-managed companies.

Experienced Management Team

We believe the real estate and institutional investment experience of our management team will lead our company to achieve our growth goals. Our management team is led by our founder, Chad M. Carpenter, our Chairman, President and Chief Executive Officer. Mr. Carpenter, along with Thad L. Meyer, our Chief Financial Officer, Chief Operating Officer and Secretary, are both experienced institutional real estate veterans, each with more than 25 years of residential and commercial real estate experience in both public and private real estate companies. Along with Michael P. Soni, our Senior Advisor of Investments, who also serves as our asset manager, our seasoned management team has more than 55 years of collective commercial and residential real estate investment, leasing and operational experience and has been involved in over \$3.0 billion of real estate transactions. Members of our management team, including their experiences prior to joining our company, have inspected over 4,000 single-family residences and acquired approximately 800 single-family residences to rent or rehabilitate and sell in 14 states, including Alabama, Arizona, California, Florida, Georgia, Indiana, Michigan, Mississippi, New York, Ohio, Oklahoma, Pennsylvania, Tennessee and Texas. Our management team has established excellent relationships with brokers, sellers, institutional investors, policymakers, lenders, and aggregators of residential assets and has a proven track record in acquiring, managing and selling residential and commercial real estate.

Disciplined Acquisition Strategy

We have developed a disciplined, efficient, and cost-effective process to acquire assets that meet or exceed our conservative underwriting criteria, a thorough due diligence process and financial return requirements. We seek to continue acquiring portfolios of occupied single-family homes in bulk from investors who acquired, rehabilitated and rented them to qualified tenants and that have the potential for increased yield and appreciation. In addition, we believe we can achieve greater economies of scale by focusing our acquisitions in select markets and communities where there are established property management, general contractor and vendor relationships, and greater concentration of assets.

Extensive Sourcing Network

Our management team has cultivated and developed a wide network of industry relationships over the years, which we believe provides our company with a distinct competitive advantage to source a greater number of off-market transactions. Through this network, we have been able to source attractive portfolio acquisitions, and we believe they may provide us with additional attractive privately negotiated acquisition opportunities that in some cases may not be available to other market participants. We believe that this can result in more favorable pricing for acquisitions than if we were bidding on fully marketed deals. Our acquisitions team is in regular communication with sourcing contacts and sends out frequent and regular emails to update our underwriting criteria and to account for changes in current market and economic conditions. We provide agents and investors with specific acquisition criteria regarding the type of dwelling, location, condition of property, and price points so that they can concentrate their efforts exclusively on properties that meet our criteria. We maintain a database of potential sourcing contacts that is updated on a regular basis.

Our Business and Growth Strategies

Our objective is to be a leader in the single-family rental business as an institutional-quality operator on a national scale. Our focus is on cash flow and profitability while generating meaningful distributions from rental income and the potential for capital appreciation. We believe we can achieve this objective through the following strategies:

Disciplined Investment Strategy and Institutional Platform

We intend to grow by acquiring portfolios of single-family homes with cash flow in place in portfolios in select markets throughout the United States where economic forecasts are favorable for our business. Such forecasts include increasing rental rate growth and home price appreciation, increasing population migration and increasing job growth. Other factors that are as important are decreasing unemployment rates, decreasing cap rates and vacancies. We have strict investment criteria and detailed due diligence policies for each acquisition with formal investment committee meetings for review and approvals which creates an institutional culture and platform.

Create a Diversified Stabilized Portfolio

We currently own leased portfolios in the Atlanta, Georgia, Houston, Texas, Jacksonville, Florida, Memphis, Tennessee, Oklahoma City, Oklahoma and Birmingham, Alabama metropolitan areas and intend to expand into other select markets in the United States that fit our strict investment criteria. These targeted markets include selected cities in Arizona, California, Colorado, Illinois, Indiana, Kentucky, Nevada, North Carolina, South Carolina, Utah, Virginia, and West Virginia. We believe that our planned expansion into these markets will help us achieve a diversified portfolio.

Keep a Low Cost and Efficient Overhead Structure

Our business strategy and platform allow us to maintain a lean, qualified team, keeping overhead costs down while efficiently managing vendors on an outsourced basis through active oversight and reporting. Unlike many of our competitors, we do not require nor maintain a large staff for acquisitions because we acquire investments through purchases of portfolios, not individual homes. Similarly, because we target and acquire homes that are leased and are otherwise in rent-ready condition, we do not require nor maintain a large staff for asset management or significant resources for renovating the homes. Additionally, by outsourcing property management functions to qualified and locally based property managers, we can focus our capital, resources and efforts that would otherwise be used to build in-house property management on operations and growth.

Locally-Based Property Management

Property management is a critical part of our business, and we believe this important function is a low margin and local business given the disparate nature of our assets and the unique characteristics of each home and the markets in which they are located. We believe that keeping maintenance and other operating costs under strict control and supervision is paramount to generating acceptable rental yields and maximizing the price appreciation of our assets. As such, we outsource our property management functions to independent, qualified, locally based property management teams who are experienced and familiar with the local markets in which they operate. We in turn manage the outsourced property managers to operate within our policies, procedures and budgets. By outsourcing the property management function of our business, our executives can better utilize their efforts, time and resources to focus on acquisitions and asset management rather than building a low-margin in-house property management arm, which we believe will allow us to achieve higher returns for our stockholders. We believe this is an efficient strategy for us at this stage of our development and furthers our growth.

Reporting for Operations

We utilize currently available cloud-based management information systems that will enable comprehensive tracking, management and control of all required functions within a cost-efficient and scalable environment as recommended by our select outside property management professionals. We believe that these tools will facilitate effective and cost-efficient management of disparate assets, scale our platform, and sustain operating margins as we continue to grow. These systems will also enable management to comply with strict regulatory compliance and governance requirements and will empower field personnel to respond autonomously within established corporate and budgetary parameters.

Our Business Activities and Operations

As of December 31, 2018, we have invested an aggregate of approximately \$78.4 million and own a total of 965 homes, of which 263 homes are in the Houston, Texas metropolitan area, 252 homes are in the Jacksonville, Florida metropolitan area, 143 homes are in the Memphis, Tennessee metropolitan area (with two of the Memphis homes located just across the border in Mississippi), 144 homes are in the Birmingham, Alabama metropolitan area, 116 homes are in the Oklahoma City, Oklahoma metropolitan area, and 47 homes are in the Atlanta, Georgia metropolitan area. Subsequent to year end through the date of this report, we purchased 24 additional homes in the Oklahoma City and Memphis metropolitan areas for approximately \$4,640,000.

States in Which We Own Single-Family Homes (as of December 31, 2018)



NOTE: States shaded as "Owned" are states in which we own homes. We only own two homes in Mississippi.

The following table presents statistics of our single-family homes by Metropolitan Statistical Area, or MSA, and metro division as of December 31, 2018.

Total Portfolio of Single-Family Homes — Summary Statistics
(as of December 31, 2018)

Market	No. of Homes	Aggregate Investment	Average Investment per Home	Properties Leased	Properties Vacant	Portfolio Occupancy Rate	Average Age (years)	Average Size (sq. ft.)	Average Monthly Rent	Average Remaining Lease Term (Months)
Atlanta, Georgia	47	3,503,584	74,544	44	3	93.6%	31	1,453	919	2.66
Birmingham, Alabama	144	10,014,834	69,547	124	20	86.1%	58	1,302	848	5.04
Houston, Texas	263	22,581,573	85,861	250	13	95.1%	50	1,452	1,139	5.62
Jacksonville, Florida	252	18,303,089	72,631	234	18	92.9%	56	1,289	943	5.80
Memphis, Tennessee	143	11,370,903	79,517	138	5	96.5%	44	1,589	999	7.07
Oklahoma City, Oklahoma	116	12,649,800	109,050	103	13	88.8%	44	1,601	970	7.06
Totals	965	\$78,423,783	\$ 81,268	893	72	92.5%	50	1,425	\$ 993	5.8

Our Investment Process

Our investment strategy is to acquire portfolios of tenant-occupied houses with cash and/or limited partnership interests of our operating partnership, or OP units, from investors who have accumulated homes and who are now looking for an exit strategy. The evaluation and execution of our portfolio acquisitions are subject to the review and approval by our investment committee, which operates under the oversight of our Board of Directors and is currently comprised of Chad M. Carpenter, our Chairman and Chief Executive Officer, Xiaofan (Fred) Bai, a member of our Board of Directors, Xiaohang (Jake) Bai, a member of our Board of Directors, Thad L. Meyer, our Chief Financial Officer and Chief Operating Officer, and Michael P. Soni, our Senior Advisor of Investments. We have developed and integrated the following proprietary processes in the implementation of our investment strategy.

Balanced Value Approach for Investing

Our acquisition strategy is based upon extensive research and utilizes a proprietary acquisitions algorithm that focuses on acquiring a balance of portfolios of rented homes that have the potential for both increased yield and appreciation. We invest in markets that demonstrate strong and/or improving economic performance which will support the potential for rent increases and home appreciation. When approaching a market, we focus on factors such as the strength of rental demand, rates of job growth, population growth and unemployment. Within markets that meet our investment criteria, we seek to identify the neighborhoods that offer the most attractive mix of rental demand and rental rates, which are often characterized by good access to transportation networks and employment centers, good schools and low levels of crime. We believe this “balanced value” approach towards investing will help our investments achieve sustainable profitability at all times and through all cycles. This balanced value approach is intended to offer stockholders diversification, distributions, appreciation, liquidity and a lower risk investment.

- Types of houses. In terms of the structural or physical characteristics of the houses we acquire, we typically buy single-family residences with at least three bedrooms and at least two bathrooms. Houses are built with a combination of brick, stone, stucco, siding, and wood with updated windows and young to medium age roofs.
- Market selection process. To gather market research we use a third-party services to analyze conditions in our target residential U.S. markets, using such economic data as home values, employment growth, population growth, and thus access real estate market risk in these areas. We focus on markets that have the following characteristics:
 - o Projected real estate appreciation over the next three years
 - o Projected job growth

- o Lower current unemployment than the national average
- o Rising rents
- o Stable and/or growing population with a minimum population of 500,000
- o Stable and/or dropping vacancy rates
- Target markets. We invest in markets that we believe have more upside value through the potential for rent increases and appreciation of the homes due to the dislocation of perceived values of the real estate and current rental rates that allow us to achieve higher than average rental yields and thus will also support higher than average future value appreciation. We are currently targeting the following markets, which include new markets and existing markets for further expansion:

Phoenix, AZ	Atlanta, GA	Memphis, TN
Tucson, AZ	Chicago, IL	Nashville, TN
Central California	Indianapolis, IN	Dallas, TX
Birmingham, AL	Louisville, KY	Fort Worth-Arlington, TX
Denver, CO	Las Vegas, NV	Houston, TX
Fort Lauderdale, FL	Charlotte, NC	Irving, TX
Jacksonville, FL	Raleigh, NC	San Antonio, TX
Miami, FL	Virginia Beach, NC	Salt Lake City, UT
Orlando, FL	Oklahoma City, OK	Richmond, VA
Tampa, FL	Tulsa, OK	

Using 3-year aggregate home value forecast from third party providers, we sort markets (as listed above) based on projected growth. Those markets that have higher projected growth are perceived to be lower risk, and yield a lower cap rate per class, than those markets that have lower or no growth projection over the next three years.

- Zip code analysis. Our properties are intended to appeal to the following tenant profile:
 - o Middle-income blue-collar/gray-collar/semi-professional individuals and families
 - o Incomes ranging from \$25,000 to \$50,000 per year
 - o Aged 30 years and above
 - o Preference for families to reduce turnover and related expenses

Since we target only tenant-occupied properties, we focus on submarkets where we expect that the majority of tenants will fit this profile. In the event that they do not, we will replace them with our targeted tenant profile on lease renewal.

Our zip code analysis focuses on the following metrics:

- o Average household income
- o White collar jobs
- o Average household size
- o Total crime risk (including utilizing FBI statistics)
- o Weather risk

Sourcing and Evaluation of Assets for Acquisition

Our management executives and investment professionals maintain existing relationships and continually develop new relationships in our network of contacts providing us access to potential portfolios of properties that meet our investment criteria. We provide contacts in our sourcing network with our specific investment criteria regarding the type of dwelling and specific home characteristics, location, condition of property, and price points so that efforts are concentrated solely on the properties that are potentially viable for investment by us. We are in regular communication with portfolio sourcing contacts and send out frequent and regular emails updating investment criteria to adapt to changes due to market fluctuations or other factors affecting our acquisitions model. All contacts and communications with them are logged in a central database to ensure we have current and correct sourcing information as we continually build and maintain our sourcing network. We believe the vast majority of SFR portfolios are available on an off-market basis due to the fragmentation of the SFR income-producing asset market, lack of institutional and other large buyers, and the local vs. national nature of the assets.

- Sources of deal flow. We source potential SFR portfolios from a variety of sources in our network to optimize deal flow of our target assets, which sources include:
 - o Direct relationships with portfolio owners of SFR's.
 - o Residential brokers specializing in income-producing properties
 - o Roofstock — online database of SFR properties for sale.
 - o Existing SFR funds attempting to liquidate holdings and/or realize profits on flips
 - o Property Wholesalers — groups that acquire damaged homes and/or foreclosed homes in order to rehabilitate, rent, flip, and manage
 - o Fannie Mae/Freddie Mac for tenant-occupied portfolios available for bid
 - o SFR conferences
 - o Existing contacts
 - o Homebuilders
- Building a network. Our executives maintain existing relationships with a wide variety of relevant contacts that will allow access for many potential portfolios of properties. In addition, these agents, investors and other contacts are supplied with our specific investment criteria regarding type of dwelling and specific home characteristics, location, condition of property, and price points so that efforts are concentrated solely on the properties that are potentially viable for investment by us.
- Managing the network. We are in continuous communication with portfolio sourcing contacts and send out frequent and regular emails updating investment criteria when there are changes due to market fluctuations or other factors affecting our acquisitions model. All contacts are logged in our proprietary contact database to ensure we have correct contact information. Further, each contact receives their own email file and all communications are filed appropriately in order to keep records of all conversations.
- Initial informational requirement. All sourcing contacts in our network are requested to provide us with the following information for each house to ensure that we can quickly and productively qualify a portfolio for acquisition: market, address, zip code, type (SFR or town homes), rent, actual taxes, insurance, year built, square footage, # of bedrooms, # of bathrooms, asking price, lease expiry, Section 8/non-Section 8, and one exterior picture of the house. Based on the foregoing information we are able to verify whether the portfolio is in one of our target markets, assign housing classes based on year built, beds, baths, and pictures, sum actual tax and insurance expenses, and determine average rent for the portfolio. We can also determine from the above information the duration for current leases.

Once a portfolio has been identified as appropriate for acquisition based on our investment criteria it is subjected to a rigorous evaluation process. This process includes a multi-tiered investment committee process ranging from pre-committee to final committee meetings. This process will ensure that all members of the investment committee agree with the findings from the due diligence period and that the portfolio in question is an appropriate investment for the company and its stockholders. The due diligence process includes case scenario financial modeling and sensitivity analysis, zip-code and neighborhood analysis, physical inspections by qualified engineers, broker price opinion “BPO” analysis to verify valuations are consistent with the purchase price, title and legal review, and finally property manager vetting and qualification.

Acquisition and Underwriting

We have developed a disciplined, efficient, and cost-effective process to acquire assets that meet or exceed our conservative underwriting criteria, a thorough due diligence process and financial return requirements. We acquire properties via portfolio purchases or in bulk sourced from our network discussed above. Once we have qualified potential portfolios for purchase based on our acquisition criteria, we proceed with discussions with the seller in negotiating and executing a letter of intent setting forth the general terms for the purchase. Once we have the letter of intent executed from the seller, we prepare documentation for review by our investment committee, including members of our executive management, where the entire initial underwriting is reviewed for approval. If and when approved, then we commence negotiation of the purchase contract with the seller and commence due diligence. Our acquisitions team continuously audits our underwriting assumptions, establishes property-specific business plans and tours and inspects each property before closing.

- Professional BPO and valuation verification. During the preliminary underwriting phase we use Zillow and CMA analysis to arrive at valuations for market value. In addition, we utilize professional real estate firms to provide us with broker price opinions, or BPO, for valuations for each house. Each BPO is completed in a manner to ensure confidence in investment and pricing decisions. Two levels of technology-driven checks are used — data validation and a quality control rules engine — to identify duplicates and bring data together helping valuation professionals make accurate decisions. Each BPO is reviewed by staff analysts prior to delivery. This provides a final check against our valuation assumptions. We will only commence legal review of title and inspections if the valuation based on the BPOs are more than the total purchase price, otherwise we will endeavor to renegotiate the purchase price prior to incurring further due diligence costs.
- Physical inspection and quality control. Once the professional BPOs have been received, and our existing valuation assumptions are proven correct, we utilize third-party professional engineers to conduct physical inspections of each house. The engineers provide us with reports based on the results of their inspections. These reports primarily focus on the following elements: site and pavements; structure; building envelope; mechanical, electrical and plumbing, or MEP; life safety; and interior. The reports also provide commentary regarding the tenant and the neighborhood.
- Purchase and sale contract renegotiation. Once the inspection period has ended and all of the diligence has been reviewed, including title and legal review, if certain aspects of the contract require further attention, we then renegotiate those aspects of the contract. These items may include valuation problems that require a price deduction, unexpected deferred maintenance that must be deducted from the price, or dropping properties due to quality or other issues.
- Closing. Within 30 days of the end of the inspection period we will close on the transaction. All rents will be pro-rated, tenant leases converted, service contracts cancelled, and deposits and keys delivered.

Proactive Asset Management

Each time we acquire a portfolio of assets, we prepare portfolio specific budgets that provides clear instructions to, and parameters for, our asset management personnel. Michael P. Soni, our Senior Advisor of Investments, currently serves as our asset manager. We expect to hire additional asset managers and other asset management personnel as we continue to expand our operations. The asset management team’s primary responsibility is to execute and adhere to these budgets. Our asset managers utilize our property managers’ offices as required for meetings that limit the need for regional offices and related expenses. Our asset managers proactively manage the property managers to reduce expenses and implement customer retention plans to keep our tenants in place for longer periods to reduce turns, vacancy, releasing costs and increase stockholder returns. We hire third-party tax advisors to review and, if appropriate, appeal property tax bills every year to effectively manage our property tax expense.

The principal responsibilities of our asset management personnel include:

- Managing the budget for each asset and portfolios of assets. These budgets include occupancy goals, rent escalation objectives, asset improvements, leasing plans, return expectations, and recommendations as to which property management company to contract.
- Managing the property managers. Asset managers are responsible for training and managing the property managers. Asset managers hold weekly calls with the property managers to review leasing, collections, and repair expenditures. Asset managers meet with each property manager to deliver and review the portfolios' budgets to ensure that all parties who are involved in that portfolio understand our investment objectives and goals.
- Leasing. Asset managers monitor occupancy for each portfolio on a weekly basis. Asset managers are tasked to keep their respective portfolios leased at all times and ensure that tenants' leases are being renewed prior to expiration. Asset managers ensure that property managers maintain homes in rent-ready condition and begin the search for prospective tenants once tenants vacate a property. Leasing policies outline the leasing terms under which leases can be approved.
- Rent collection. Asset managers monitor accounts receivable for each portfolio. In the event that tenants miss rent deadlines, the asset managers follow up with the property managers to ensure that they have contacted the tenants to expedite the resolution of any issues.
- Reporting. Asset managers review property management reports for each portfolio on a monthly basis and prepare monthly asset management reports. Asset managers use property management reports to ensure that the property managers adhere to the portfolio's budget and provide recommendations that add value to the asset or portfolio. Asset managers monitor occupancy, rent collection, expenses, insurance, maintenance and other cap-ex closely and ensure that property managers take all necessary steps to keep budgets on track. Asset managers meet quarterly with senior management to review the performance of each portfolio.
- Disposition. Asset managers review and consider all purchase offers we receive on any asset in our portfolio and then in turn provide the terms of the offer and their evaluation to senior management. In evaluating whether to sell any such asset, we consider, among other things, tax considerations in respect of our qualification and compliance as a REIT, the capital appreciation of the asset, and the gain from the disposition. In the event proposed offers and dispositions are approved by us, our asset managers sell houses through a listing process with instructions that are approved by us.

Property Management

We generally outsource our property management function to the existing property managers that are in place when we acquire a portfolio of assets. All of our properties are managed by third-party property managers, with the same property manager managing all of the properties that are located within the same metropolitan area. In obtaining these services, we first determine that these property managers can provide the services we need and operate under our oversight and within the budget developed specifically for that portfolio. Our property managers provide services to us pursuant to management agreements that provide for one-year terms and are mutually terminable with 30 days' prior notice. For their services, we pay our property managers management fees ranging from 7 – 8% of gross rental receipts from the properties they manage plus leasing fees for renewing tenants and new tenants, as well as 50% of any late fees assessed on the tenants. Property managers assist us in executing the budgets we have developed for each portfolio they manage.

The principal responsibilities of our property managers include:

- Leasing. Property managers monitor occupancy for each portfolio on a daily basis. Property managers are tasked to keep their respective portfolios leased at all times and will ensure that tenants' leases are being renewed prior to expiration. Property managers will ensure that the homes they manage are maintained in rent-ready condition if vacated. Property managers serve as our local leasing agents if they are qualified and have a proven track record. Additionally, property managers are instructed to use their best efforts to encourage tenants to renew leases with annual rental increases. If the situation warrants, we will approve and provide certain incentives such as free rent or minor improvements in an effort to encourage tenants to enter into leases more quickly and to enter into leases with longer lease terms.

- Tenant retention. We regularly work with the property managers in implementing tenant retention programs. We believe that satisfied tenants will be more inclined to sign long-term leases and will provide a higher level of care for the property.
- Rent collection. Property managers monitor accounts receivable for each portfolio on a daily basis. Property managers are instructed to contact tenants and collect late charges quickly if tenants do not make their payments on time. Property managers are tasked to expedite the resolution of any issues and will be able to provide certain tenants with payment options upon approval from asset management. Property managers are instructed to evict tenants, if necessary, in a socially responsible and ethical process that is adapted and appropriate for each market.
- Regular home inspections. Property managers are required to ensure all homes are being well maintained by the tenants in order to avoid any serious and costly issues. Property managers document all interior inspections and submit photographs and focus on the property's structure, foundation, roof, plumbing, furnace, water heaters, air conditioners, mechanical systems and appliances.
- Reporting. Property managers prepare property management reports for each portfolio of assets that they manage to provide to the asset manager on a monthly basis. These reports focus on occupancy, rent collection, actual expenses incurred vs. budget, and cap-ex requirements/budgets.
- Managing the tenant and vendor relationships. Property managers manage the tenant and vendor relationships for our company. We strive to ensure that each property manager adheres to our professional values, ethics, conduct and decorum when interacting with tenants and vendors on our behalf. We are committed to responsibility and responsiveness in providing landlord services to our tenants and endeavor to create and maintain positive relationships with our tenants and service providers.
- Maintenance calls. Property managers field all maintenance calls. Property managers are empowered to hire vendors to address issues and are tasked to keep repair and/or maintenance costs within predefined and approved budgets. For items and actions that fall outside pre-approved expenditures, property managers are required to discuss with asset management to determine and take the appropriate action. Property managers are also required to respond to emergency calls.

Management Information Systems and Technology

We utilize currently available cloud-based management information systems that enable comprehensive tracking, management and control of all required functions within a cost-efficient and scalable environment as recommended by our select outside property management professionals. We believe that these tools facilitate effective and cost-efficient management of disparate assets, scale its platform, and sustain operating margins as we continue to grow. These systems enable management to comply with strict regulatory compliance and governance requirements and empower field personnel to respond autonomously within established corporate and budgetary parameters. Corporate email and business productivity tools are deployed under SaaS (software-as-a-service) licensing arrangements to eliminate hardware and maintenance costs while improving performance and reliability.

Competition

We face competition from many entities engaged in real estate investment activities, including individuals, other real estate investment companies, including newly formed REITs, and real estate limited partnerships. Our competitors may enjoy significant competitive advantages that result from, among other things, having substantially more available capital, a lower cost of capital and enhanced operating efficiencies. Further, the market for the rental of properties is highly competitive. We also face competition from new home builders, investors and speculators, as well as homeowners renting their properties.

Risk Management

We face various forms of risk in our business ranging from broad economic, housing market and interest rate risks, to more specific factors, such as credit risk related to our tenants, re-leasing of properties and competition for properties. We believe that the systems and processes developed by our experienced executive team since commencing our real estate investment operations will allow us to monitor, manage and ultimately navigate these risks.

Insurance

We maintain property and liability insurance coverage related to our SFR properties, and workers' compensation coverage for our employees. We believe the policy specifications and insured limits under our insurance program are appropriate and adequate for our business and properties given the relative risk of loss, the cost of the coverage and industry practice. However, our insurance coverage is subject to substantial deductibles and carve outs, and we will be self-insured up to the amount of such deductibles and carve outs.

Regulations

General

Our properties are subject to various covenants, laws and ordinances and certain of our properties are also subject to the rules of the various HOAs where such properties are located. We believe that we are in compliance with such covenants, laws, ordinances and rules, and we also require that our tenants agree to comply with such covenants, laws, ordinances and rules in their leases with us.

Fair Housing Act

The Fair Housing Act, or FHA, its state law counterparts and the regulations promulgated by HUD and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under the age of 18), handicap or, in some states, financial capability. We believe that our properties are in substantial compliance with the FHA and other regulations.

Environmental Matters

As a current or prior owner of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances, and we could be liable to third parties as a result of environmental contamination or noncompliance at our properties, even if we no longer own such properties. See "Risk Factors — Risks Related to the Real Estate Industry Generally — Contingent or unknown liabilities could adversely affect our financial condition."

REIT Qualification

We currently are evaluating whether to elect to be taxed as a REIT commencing with our taxable year ending December 31, 2018. We have until the extended due date of our December 31, 2018 tax return to formally make this election. Although we believe we currently qualify, we are evaluating when the election timing would be most beneficial for our shareholders. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the percentage of income that we earn from specified sources, the percentage of our assets that fall within specified categories, the diversity of our capital stock ownership, and the percentage of our earnings that we distribute. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we fail to qualify as a REIT. Even if we qualify as a REIT, we may be subject to certain federal, state and local taxes on our income or property.

Should we not elect to be taxed as a REIT, we will not be subject to federal income tax for the periods ended December 31, 2018 and prior due to significant operating losses and net operating loss carry-forwards.

Investment Company Act of 1940

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act.

Employees

As of December 31, 2018, we had three full-time employees. Additionally, Michael P. Soni, our Senior Advisor of Acquisitions and our asset manager, provides full-time services to us on a consultancy basis.

Available Information

Our website is located at www.revenhousingreit.com. The information on or accessible through our website is not part of this annual report on Form 10-K. A copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports and other information regarding our filings at www.sec.gov.

Item 1A. Risk Factors

We have a limited operating history and therefore we cannot ensure, either in the near- or long-term, that we will be able to generate cash flow or profit or execute our business plan. We commenced our current business operations in July 2012. As a result, our company has a limited operating history upon which you may evaluate our business and prospects and an investment in our common stock may entail significantly more risk than the securities of a company with a substantial operating history. Our business operations are subject to numerous risks, uncertainties, expenses and difficulties associated with early stage enterprises. You should consider an investment in our company in light of these risks, uncertainties, expenses and difficulties. Such risks include:

- the absence of a lengthy operating history;
- insufficient capital to fully realize our operating plan;
- our ability to anticipate and adapt to a developing market;
- a competitive environment characterized by well-capitalized competitors;
- our ability to identify, attract and retain qualified personnel;
- our reliance on key management personnel;
- our ability to qualify and thereafter continually operate as a REIT;
- our ability to operate as a NASDAQ-listed public company; and
- our ability to identify and complete future acquisitions of single-family homes that meet our acquisition criteria.

Because we are subject to these risks, evaluating our business may be difficult. We may be unable to successfully overcome these risks, which could harm our business and prospects. Our business strategy may be unsuccessful and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully address these risks, there may be an adverse effect on our business, results of operations, financial condition and cash flows.

We have a history of net operating losses, and we may never achieve profitability from operations or generate sufficient cash flows to make or sustain distributions to our shareholders. We have a history of net operating losses. For the years ended December 31, 2018 and 2017, we had a net loss of \$3,154,573 and \$1,833,303, respectively. We may never achieve profitability from operations. Even if we do achieve profitability, we cannot assure you that we will be able to sustain or increase profitability on a quarterly or annual basis in the future. There can be no assurance that future operations will be profitable or that we will be able to make or sustain distributions to our shareholders from cash from operations. Revenues and profits, if any, will depend upon various factors, including whether we will be able to successfully implement our acquisition strategy. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us. In addition, an inability to achieve profitability could have a detrimental effect on the long-term capital appreciation of our common stock.

We are an early entrant in an emerging industry, and the long-term viability of our business strategy on an institutional scale is unproven. Large-scale institutional investment in single-family residential homes as investment properties for rent is a relatively recent phenomenon that has emerged out of the mortgage and housing crisis that began in late 2007. Previously, single-family homes were generally not viewed as a viable asset for investment on a large scale by institutional investors. Consequently, the long-term viability of single-family residential investment strategies at an institutional scale has not yet been proven. As an early entrant in this emerging industry, we are subject to the risk that single-family rental homes may not prove to be a viable long-term business strategy for a permanent capital vehicle at an institutional scale. If it turns out that our strategy is not a viable long-term business strategy at an institutional scale, we may not be able to generate meaningful cash flows, which would materially and adversely affect the viability of our business and stock price.

We have limited experience operating as a REIT, and we cannot assure you that we will be successful operating as a REIT. We have limited operating history as a REIT. Our Board of Directors and executive officers will have overall responsibility for the management of our company. While certain of our officers and directors have extensive experience in real estate marketing, development, management, and finance, they had not previously engaged in operating a business in accordance with the requirements of the Code for achieving and maintaining qualification as a REIT prior to joining us. We cannot assure you that the past experience of our Board of Directors and executive officers will be sufficient to successfully operate our company as a REIT. Our failure to qualify and maintain REIT status would have an adverse effect on the cash available for distribution to our stockholders, as well as our business, results of operations, financial condition and cash flows.

We have many competitors and may not be able to adequately compete in the SFR market. Institutional investors have begun acquiring single-family homes on a large scale. Traditionally, foreclosed properties and loans secured by properties in pre-foreclosure were sold individually to private home buyers and small-scale investors. The sale of these assets in portfolios and the entry into this market of large, well-capitalized institutional investors are relatively recent trends, which we expect to intensify in the near future. Other REITs and investment funds have recently deployed, or are expected to deploy in the near future, significant amounts of capital in the single-family housing sector and may have investment objectives that overlap with ours. In acquiring our target assets, we will compete with a variety of well-capitalized real estate investors, including pension funds, individual home buyers, banks, insurance companies, public and private real estate investors, such as REITs, real estate limited partnerships and other entities engaged in real estate investment activities. We also face competition from new home builders, investors and speculators, as well as homeowners renting their properties. Most of our competitors are larger and have greater financial, technical, leasing, marketing and other resources than we do. Some competitors may enjoy significant competitive advantages that result from, among other things, having substantially more available capital, having a lower cost of capital and enhanced operating efficiencies.

Our long-term growth will depend significantly upon future acquisitions of single-family homes that meet our acquisition criteria. The acquisition of single-family homes (which is the central element of our growth strategy) entails various risks, including the risks that we may overvalue a home or portfolio of homes, our homes may not perform as we expect, our tenants may default and our cost estimates for restoring an acquired home may prove inaccurate, and we may be unable to quickly and efficiently renew leases of our acquired homes upon their expiration. If any of these should occur, it may have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, we cannot assure you of the continued availability of acquisition opportunities in our markets at attractive pricing levels. If such opportunities are not available, our revenue and growth potential may be adversely affected.

Our single-family homes may be unable to compete successfully for tenants. Our single-family homes compete for tenants with other single-family homes and multi-family housing options, such as apartments and condominiums. Some of our competitors may offer more attractive properties or lower rents than we do, and they may attract the high-quality tenants to whom we seek to lease our properties. Additionally, some competing housing options may qualify for governmental subsidies that may make such options more affordable and therefore more attractive than our properties. Competition for tenants could reduce our occupancy and rental rates and adversely affect our business, results of operations, financial condition and cash flows and our ability to pay distributions to our stockholders.

We intend to rapidly expand our scale of operations and make acquisitions even if the rental and housing markets are not as favorable as they had been in 2012 when we first began our real estate operations, which could adversely impact anticipated yields. Our long-term growth depends on the availability of acquisition opportunities in our current markets and other markets at attractive pricing levels. In many markets housing prices have already begun returning to more normalized levels from the low prices we saw in recent years due to the downturn in the housing market, and we expect that in the future housing prices will continue to rise or stabilize at its current levels, and therefore future acquisitions may be more costly and result in lower yields. There are many factors that may result in future acquisitions becoming more expensive and possibly less attractive than recent past and present opportunities, including:

- improvements in the overall economy and job market;
- a resumption of consumer lending activity and greater availability of consumer credit;
- improvements in the pricing and terms of mortgage-backed securities;
- increasing competition for single-family assets from private investors, entities with similar investment objectives to ours and owner-occupants; and
- tax or other government incentives that encourage homeownership.

We will continue acquiring properties as long as we believe such properties offer an attractive total return opportunity. Accordingly, future acquisitions may have lower yield characteristics than recent past and present opportunities, and if such future acquisitions are funded through equity issuances, the yield and cash available for distribution per share will be reduced and the market price of our common stock may decline.

Our limited asset class and geographic diversification increases the risk of loss. Our portfolio is not fully diversified into a wide variety of properties or holdings. All of our real estate assets are of a single asset class (namely SFRs) and are currently located in the following markets: the Atlanta, Georgia, metropolitan area; the Houston, Texas, metropolitan area; the Jacksonville, Florida, metropolitan area; the Memphis, Tennessee, metropolitan area; the Oklahoma City, Oklahoma, metropolitan area, and the Birmingham, Alabama, metropolitan area. Accordingly, any adverse effects on the SFR sector specifically or the real estate industry in general or limited to such geographic markets, may have a disproportionate negative effect on our company and the value of our common stock. Additionally, we do not have geographic or product diversification or concentration as an investment objective. As a result, we could have (i) exposure to a limited number of regional and even local markets; and/or (ii) a limited number of real estate-related investments. The aggregate yields generated by our company may be negatively affected by adverse regional or local economic conditions in these geographic markets.

We are dependent on our executive officers and dedicated personnel, and the departure of any of our key personnel could materially and adversely affect us. We rely on a small number of persons to carry out our business and investment strategies. Any member of our senior management may cease to provide services to us at any time. The loss of the services of any of our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results. As we expand, we will continue to need to attract and retain qualified additional senior management but may not be able to do so on acceptable terms or at all.

Our success depends, in part, upon our ability to hire and retain highly skilled managerial, investment and operational personnel, and the past performance of our senior management may not be indicative of future results. The implementation of our business plan may require that we employ additional qualified personnel. Competition for highly skilled managerial, investment, financial and operational personnel is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such skilled personnel. If we are unable to hire and retain qualified personnel as required, our growth and operating results could be adversely affected.

Our dependence upon local, third-party service providers may harm our financial results or reputation if the third parties fail to perform. We use local, third-party vendors and service providers to provide certain services for our properties. For example, we regularly rely on third-party property management companies, home improvement professionals and leasing agents to provide services to many of our properties. Selecting, managing and supervising these third-party service providers require significant resources and expertise. We do not have exclusive or long-term contractual relationships with any of these third-party providers, and we can provide no assurance that we will have uninterrupted or unlimited access to their services. If we do not select, manage and supervise appropriate third parties to provide these services, our reputation and financial results may suffer. Notwithstanding our efforts to implement and enforce strong policies and practices regarding service providers, we may not successfully detect and prevent fraud, incompetence or theft by our third-party service providers. In addition, any removal or termination of third-party service providers would require us to seek new vendors or providers, which would create delays and adversely affect our operations. Poor performance by third-party service providers will reflect poorly on us and could significantly damage our reputation among desirable tenants. In the event of fraud or misconduct by a third party, we could also be exposed to material liability and be held responsible for damages, fines and/or penalties.

Short-term leases of residential property may expose us to the effects of declining market rents. We anticipate that a majority of our leases to tenant-occupants will be for a term of one year. As these leases permit the tenants to leave at the end of the lease term without penalty, we anticipate our rental revenues may be affected by declines in market rents more quickly than if our leases were for longer terms. Short-term leases may result in high turnover, which involves costs such as restoring the properties, marketing costs and lower occupancy levels. Because we have a limited operating history, our tenant turnover rate and related cost estimates may be less accurate than if we had more operating data upon which to base these estimates.

We depend on the accuracy and completeness of information from third parties, and inaccuracies in such information could adversely affect profitability. In connection with making and managing our investments, we rely heavily upon information supplied by third parties, including the information contained in tenant applications, property appraisals or other indicators of property value, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected prior to making an investment or execution of a lease, the value of the investment may be significantly less than expected. Whether a misrepresentation is made by seller of a property, the rental applicant, another third party or one of our own employees, we generally bear the risk of loss associated with the misrepresentation. Although we may have rights against persons and entities who made or knew or should have known about the misrepresentation, it will likely be difficult to recover any monetary losses that we have suffered as a result of their actions.

We may be unable to secure funds for future tenant or other capital improvements, which could limit our ability to attract or replace tenants. When tenants do not renew their leases or otherwise vacate their space, we often are required to expend funds for property restoration and leasing commissions in order to re-lease the property. If we have not established sufficient reserves for such expenditures, we will have to obtain financing from other sources. We may also have future financing needs for other capital improvements to restore our properties. If we need to secure financing for capital improvements in the future but are unable to secure such financing or are unable to secure financing on terms we feel are acceptable, we may be unable to make capital improvements or we may be required to defer such improvements. If this happens, it may cause our properties to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property or existing tenants not renewing their leases. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, and our properties' ability to generate revenue may be significantly impaired.

Our revenue and expenses are not directly correlated, and, because a large percentage of our costs and expenses are fixed and some variable expenses may not decrease over time, we may not be able to adapt our cost structure to offset any declines in our revenue. Many of the expenses associated with our business, such as acquisition costs, restoration and maintenance costs, homeowner's association, or HOA, fees, personal and real property taxes, insurance, compensation and other general expenses are fixed and would not necessarily decrease proportionally with any decrease in revenue. Our assets also require a significant amount of ongoing capital expenditure. Our expenses, including capital expenditures, will be affected by, among other things, any inflationary increases, and cost increases may exceed the rate of inflation in any given period. Certain expenses incurred on a per-unit basis are recurring in nature, such as HOA fees, taxes, insurance and restoration and maintenance costs, which may not decrease on a per-unit basis as our portfolio grows through additional property acquisitions. By contrast, our revenue is affected by many factors beyond our control, such as the availability and price of alternative rental housing and economic conditions in our markets. As a result, we may not be able to fully, or partially, offset any increase in our expenses with a corresponding increase in our revenues. In addition, state and local regulations may require us to maintain our properties, even if the cost of maintenance is greater than the value of the property or any potential benefit we may receive from renting the property.

If we cannot obtain financing, our growth may be limited. To qualify as a REIT, we will be required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. As a result, our ability to retain earnings to fund acquisitions or other capital expenditures will be limited. As of December 31, 2018, our assets were purchased with available cash and the proceeds from loan transactions to which we owe an aggregate of \$51,362,000 as of December 31, 2018. Our loan transactions are secured by first priority liens and related rents on our homes. Over time, we may determine that it is appropriate to increase our use of leverage as a component of our financing strategy in an effort to increase our return potential. We can provide no assurance that we will be able to obtain future debt financing on favorable terms or at all.

Recent events in the financial markets have had an adverse impact on the credit markets, and, as a result, credit has become significantly more expensive and difficult to obtain, if available at all. Some lenders are imposing more stringent credit terms and there has been and may continue to be a general reduction in the amount of credit available. Many banks are either unable or unwilling to provide new asset-based lending. Tightening credit markets may have an adverse effect on our ability to obtain financing on favorable terms, thereby increasing financing costs and/or requiring us to accept financing with increasing restrictions. If adverse conditions in the credit markets — in particular with respect to single-family home finance — materially deteriorate, our business could be materially and adversely affected. Our long-term ability to grow through additional investments will be limited if we cannot obtain additional financing. Market conditions may make it difficult to obtain financing, and we cannot assure you that we will be able to obtain debt or equity financing or that we will be able to obtain it on favorable terms.

We anticipate being involved in a variety of litigation. Although we have not been subject to any litigation to date, we anticipate being involved in a range of court proceedings in the ordinary course of business as we continue to operate our business. These actions may include eviction proceedings and other landlord-tenant disputes, challenges to title and ownership rights (including actions brought by prior owners alleging wrongful foreclosure by their lender or loan servicer) and issues with local housing officials arising from the condition or maintenance of a property. While we intend to vigorously defend any non-meritorious action or challenge, no assurance can be given that we will not incur significant expense relating to these matters or that they will not require significant management attention and adversely affect us.

Our underwriting criteria and evaluation of properties involves a number of assumptions that may prove inaccurate, which may cause us to overpay for our properties or incur significant costs to operate a property. In determining whether a particular property or portfolio of properties meets our investment criteria, we make a number of assumptions, including assumptions related to estimated time of possession, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and tenant default rates. These assumptions may prove inaccurate, causing us to pay too much for properties we acquire, overvalue our properties or our properties not to perform as we expect, and adjustments to the assumptions we make in evaluating potential purchases may result in fewer properties qualifying under our investment criteria. Improvements in the market prices for single-family homes in our target markets or decreases in the available inventory could also reduce the supply of properties that meet our investment criteria. Reductions in the supply of properties that meet our investment criteria may adversely affect our operating results and ability to implement our business plan.

Certain of our older properties may contain lead-based paint, which we may be required to remove or could expose us to liability, either of which would adversely affect our operating results. The existence of lead paint is especially a concern in residential units and can cause health problems, particularly for children. A structure built prior to 1978 may contain lead-based paint and may present a potential exposure to lead; however, structures built after 1978 are not likely to contain lead-based paint. Federal and state laws impose certain disclosure requirements and restrict and regulate renovation activities on housing built before 1978. Violation of these restrictions could result in fines or criminal liability, and we could be subject to liability arising from lawsuits alleging personal injury or related claims. Although we attempt to comply with all such regulations, we have not conducted tests on our properties to determine the presence of lead-based paint and we cannot guarantee that we will not incur any material liabilities as a result of the presence of lead paint in our properties.

Operating our business on a larger scale could result in substantial increases in our expenses. One of our goals is to implement our single-family rental business nationally. Our business model assumes that we can successfully use our platform to acquire and manage single-family homes on a larger scale than we have done to date without a negative disproportional increase in our expenses. As our business grows in size and complexity, we can provide no assurance that our management platform will ultimately prove to be “scalable,” we will be able to achieve economies of scale or we will be able to manage additional properties in our current markets, successfully enter new markets or grow our business without incurring significant additional expenses.

Debt service obligations could adversely affect our operating results, may require us to sell properties and could adversely affect our ability to make or sustain distributions to our stockholders and the market price of our common stock. We have entered into loan agreements to which we owe an aggregate of \$51,362,000 as of December 31, 2018. The proceeds of which we used to purchase additional homes. Our loan transactions are secured by first priority liens and related rents on our homes. We may finance future activities with additional indebtedness and we may be more likely to do so as our business grows. We may borrow for a number of reasons, such as financing acquisitions, capital expenditures or distributions necessary to qualify as a REIT. Our governing documents contain no limitations on the amount of debt that we may incur. As a result, we may incur substantial debt at our parent company and or at our subsidiary levels in the future.

Incurring debt could subject us to many risks, including the risks that:

- our cash flows from operations will be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse economic and industry conditions;
- we will be subject to restrictive covenants that require us to satisfy and remain in compliance with certain financial requirements or that impose limitations on the type or extent of activities we conduct;
- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing cash available for distribution to our stockholders, funds available for operations and capital expenditures, future business opportunities or other purposes; and
- the terms of any refinancing may not be as favorable as the terms of the debt being refinanced.

If we do not have sufficient funds to repay any debt we incur when it matures, we may need to refinance the debt or raise additional equity. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancing, increases in interest expense could adversely affect our cash flows and, consequently, cash available for distribution to our stockholders. To the extent we are required to raise additional equity to satisfy such debt, existing stockholders would see their interests diluted. If we are unable to refinance our debt or raise additional equity on acceptable terms, we may be forced to dispose of substantial numbers of properties on disadvantageous terms, potentially resulting in losses or the incurrence of special taxes that apply to dispositions by REITs of properties that are considered to be inventory or dealer property. To the extent we cannot meet any existing or future debt service obligations, we will risk losing some or all of our properties that may be pledged to secure our obligations to foreclosure. Any unsecured debt agreements we enter into may contain specific cross-default provisions with respect to specified other indebtedness, giving the unsecured lenders the right to declare a default if we are in default under other loans in some circumstances.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. In the ordinary course of our business, we acquire and store sensitive data, including intellectual property, our proprietary business information and personally identifiable information of our prospective and current tenants, our employees and third-party service providers on our networks and website. The secure processing and maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, which could adversely affect our results of operations and competitive position.

Risks Related to the Single-Family Rental Housing Market

If rents in our markets do not increase sufficiently to keep pace with rising costs of operations, our cash available for distribution will be adversely impacted. The success of our business model will substantially depend on conditions in the single-family rental market in our geographic markets. Our asset acquisitions are premised on assumptions about, among other things, occupancy and rent levels, and if those assumptions prove to be inaccurate our cash flows will be lower than expected. When we first began executing our business plan, rental rates and occupancy levels benefited from macroeconomic trends affecting the U.S. economy and residential real estate markets in particular, including:

- a tightening of credit that has made it more difficult to finance a home purchase, combined with efforts by consumers generally to reduce their exposure to credit;
- weak economic and employment conditions that have increased foreclosure rates and made it more difficult for families to remain in homes that were purchased prior to the economic downturn;
- declining real estate values that have challenged the traditional notion that homeownership is a stable investment; and
- the unprecedented level of vacant housing comprising the real estate owned, or REO, by banks, government-sponsored enterprises, or GSEs, and other mortgage lenders or guarantors, and inventory held for sale by banks, GSEs, and other mortgage lenders or guarantors.

In recent periods, however, we have seen a reversal of these trends in the residential rental market. Eventually, the continued strengthening of the U.S. economy and job growth, coupled with government programs designed to keep homeowners in their homes and/or other factors, may contribute to trends that favor homeownership rather than renting. A softening of the rental market in our markets would reduce our rental revenue, which could adversely impact our cash available for distribution.

Acquiring properties during periods when the single-family home sector is experiencing substantial inflows of capital and intense competition may result in inflated purchase prices and increase the likelihood that our properties will not appreciate in value and may, instead, decrease in value. The allocation of substantial amounts of capital for investment in the single-family home sector and significant competition for income producing real estate may inflate the purchase prices for such assets. To the extent we purchased or in the future purchase real estate in such an environment, it is possible that the value of our properties may not appreciate and may, instead, decrease in value, perhaps significantly, below the amount we paid for such properties. In addition to macroeconomic and local economic factors, technical factors, such as a decrease in the amount of capital allocated to the single-family home sector and the number of investors participating in the sector, could cause the value of our properties to decline.

We may engage in expedited transactions that increase the risk of loss. Our underwriting guidelines require a thorough analysis of many factors, including, among others, the underlying property's financial performance and condition, geographic market assessment and future prospects of the property within the market. Investment analyses and decisions by us may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to us at the time of making an investment decision may be limited, and we may not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. If we make the decision to purchase a property prior to the full completion of one or more of these analyses, we may fail to identify certain risks that we would otherwise have identified and suffer significant losses as a result. Therefore, no assurance can be given that we will have knowledge of all circumstances that may adversely affect an investment. Additionally, we expect to rely upon independent consultants in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to our right of recourse against them in the event errors or omissions do occur.

Properties acquired as part of portfolios or in bulk may subject us to a variety of risks. All of our properties have been, and we expect that a substantial portion of any future property acquisitions will be, purchased as portfolios in bulk from owners of portfolios of single-family homes. To the extent the management and leasing of such properties have not been consistent with our property management and leasing standards, we may be subject to a variety of risks, including risks relating to the condition of the properties, the credit quality and employment stability of the tenants and compliance with applicable laws, among others. In addition, financial and other information provided to us regarding such portfolios during our due diligence may not be accurate, and we may not discover such inaccuracies until it is too late to seek remedies against such sellers. To the extent we timely pursue such remedies, we may not be able to successfully prevail against the seller in an action seeking damages for such inaccuracies.

We may be unable to keep or attract tenants. We may not be able to retain current, or attract new, tenants for the properties we may acquire. We may make substantial concessions in terms of rent and lease incentives, and construct tenant improvements, to attract new tenants or keep existing tenants. The operating results and financial viability of any property could be substantially and materially affected by any inability to retain and attract tenants. Additionally, there is the risk that tenants may break their leases before those leases expire. Any of such properties may not be able to retain or increase its current occupancy at projected rents. If that occurs, our operations and our ability to make distributions to stockholders may be adversely affected.

Lease terminations or tenant defaults could reduce our income and limit our ability to make distributions. The success of our investments will materially depend on the financial stability of our tenants. The inability of tenants to meet their rental obligations would lower our net income. A default by a significant number of tenants on their lease payments would cause us to lose the revenue associated with such leases and require us to find an alternative source of revenue to meet operating expenses. We may fail to, or may not be able to, discover factors that would indicate a heightened level of uncertainty with respect to tenant defaults when performing due diligence on prospective investments. Tenant defaults increase the risk that we, and our stockholders, could suffer a loss.

If a tenant defaults or goes bankrupt, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting the property. If a defaulting tenant does not cooperate in vacating the property, we would have to engage in time-consuming and costly prosecution and enforcement of eviction proceedings, during which time there would be no rental revenues from such unit and no likely recovery of damages from the defaulting tenant. These events could limit our ability to make distributions to stockholders and decrease the value of our common stock.

If and when residents of our portfolio properties decide not to renew their leases upon expiration, we may be unable to relet such residents' properties. Even if the residents do renew or we can relet the properties, the terms of renewal or reletting may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the properties, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected.

A number of our properties are part of HOAs, and we and our tenants are subject to the rules and regulations of such HOAs, which may be arbitrary or restrictive. Violations of such rules may subject us to additional fees, penalties and litigation with such HOAs which would be costly. As of December 31, 2018, approximately 18% of our properties are located within HOAs, which are private entities that regulate the activities of owners and occupants of, and levy assessments on, properties in a residential subdivision. We pay all HOA fees and assessments directly. The majority of the HOA fees due on our properties are billed annually. The fees are paid when due by our property managers and are included in our property and operating expenses. HOAs in which we own properties may have or may enact onerous or arbitrary rules that restrict our ability to restore, market or lease our properties or require us to restore or maintain such properties at standards or costs that are in excess of our planned budgets. Such rules may include requirements for landscaping, limitations on signage promoting a property for lease or sale or the requirement that specific construction materials be used in restorations. Some HOAs also impose limits on the number of property owners who may rent their homes, which, if met or exceeded, would cause us to incur additional costs to sell the property and opportunity costs of lost rental revenue. Furthermore, many HOAs impose restrictions on the conduct of occupants of homes and the use of common areas, and we may have tenants who violate HOA rules and for which we may be liable as the property owner. Additionally, the boards of directors of the HOAs in which we own property may not make important disclosures about the properties or may block our access to HOA records, initiate litigation, restrict our ability to sell our properties, impose assessments or arbitrarily change the HOA rules. We may be unaware of or unable to review or comply with HOA rules before purchasing a property, and any such excessively restrictive or arbitrary regulations may cause us to sell such property at a loss, prevent us from renting such property or otherwise reduce our cash flow from such property, which would have an adverse effect on our returns on these properties.

We are subject to tenant relief laws and may be subject to rent control laws, which could negatively impact our rental revenue. As an owner of rental properties, we expect that we will regularly be seeking to evict tenants who are not paying their rent or are otherwise in material violation of the terms of their lease. Eviction activities will result in additional legal costs and require the time and attention of our management. The eviction process is typically subject to numerous legal requirements and mandatory “cure” policies, which may increase our costs and delay our ability to gain possession of and stabilize a property. Additionally, state and local landlord-tenant laws may impose legal duties on us to assist tenants in relocating to new housing, or restrict our ability to recover certain costs or charge tenants for damage tenants cause to our property. Because such laws vary by state and locality, we will need to be familiar with and take appropriate steps to comply with applicable landlord-tenant laws in the jurisdictions in which we operate, and we will need to incur supervisory and legal expenses to ensure such compliance. To the extent that we do not comply with state or local laws, we may be subjected to civil litigation filed by individuals, a class of plaintiffs or by state or local law enforcement. We may be required to pay our adversaries’ litigation fees and expenses if judgment is entered against us in such litigation or if we settle such litigation.

Furthermore, rent control laws may affect our rental revenue. Especially in times of recession and economic slowdown, rent control initiatives can receive significant political support. If rent control becomes applicable to certain of our properties, the effects on both our rental revenue and the value of such properties could be material and adverse.

Class action, tenants’ rights and consumer rights litigation may result in increased expenses and harm our results. There are numerous tenants’ rights and consumer rights organizations that operate in our markets, and, as we grow in scale, we may attract attention from some of these organizations and become a target of legal demands or litigation. With the increased market for single-family rentals arising from former homeowners who may have lost their properties, some of these organizations may shift their litigation, lobbying, fundraising and grass roots organizing activities to focus on landlord-tenant issues, including issues relating to the Fair Housing Act, or FHA, and its state law counterparts. While we intend to conduct our business lawfully and in compliance with applicable landlord-tenant and consumer laws, such organizations might work in conjunction with trial and pro bono lawyers in one state or multiple states to attempt to bring claims against us on a class action basis for damages or injunctive relief. We cannot anticipate what form such legal actions might take if initiated or what remedies they may seek. Additionally, these organizations may lobby local county and municipal attorneys or state attorneys general to pursue enforcement or litigation against us or may lobby state and local legislatures to pass new laws and regulations to constrain our business operations. If they are successful in any such endeavors, they could limit our business operations and may impose on us significant litigation expenses, including settlements to avoid continued litigation or judgments for damages or injunctions.

Poor tenant selection and defaults by our tenants may negatively affect our financial performance and reputation. Our success will depend, in large part, upon our ability to attract and retain qualified tenants for our properties. This will depend, in turn, upon our ability to screen applicants, identify good tenants and avoid tenants who may default. We will inevitably make mistakes in our selection of tenants, and we may rent to tenants whose default on our leases or failure to comply with the terms of the lease or HOA regulations negatively affect our financial performance, reputation and the quality and value of our properties. For example, tenants may default on payment of rent, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, make use of our properties for illegal purposes, damage or make unauthorized structural changes to our properties which may not be fully covered by security deposits, refuse to leave the property when the lease is terminated, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with HOA regulations, sub-let to less desirable individuals in violation of our leases or permit unauthorized persons to live with them. In addition, defaulting tenants will often be effectively judgment-proof. The process of evicting a defaulting tenant from a family residence can be adversarial, protracted and costly. Furthermore, some tenants facing eviction may damage or destroy the property. Damage to our properties may significantly delay re-leasing after eviction, necessitate expensive repairs or impair the rental revenue or value of the property, resulting in a lower than expected rate of return. In addition, we will incur turnover costs associated with re-leasing the properties, such as marketing expense and brokerage commissions, and will not collect revenue while the property is vacant. Although we will attempt to work with tenants to prevent such damage or destruction, there can be no assurance that we will be successful in all or most cases. Such tenants will not only cause us not to achieve our financial objectives for the properties in which they live, but may subject us to liability, and may damage our reputation with our other tenants and in the communities where we do business.

Declining real estate values and impairment charges could adversely affect our earnings and financial condition. We intend to review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances, such as adverse market conditions, indicate that their carrying amount may not be recoverable. If our evaluation indicates that we may be unable to recover the carrying value of a material portion of our real estate investments, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the properties. These losses would have a direct impact on our net income, because recording an impairment loss results in an immediate negative adjustment to net income. They would also be reflected as a decrease in assets on our balance sheet. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A deteriorating real estate market may cause us to reevaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our financial condition, results of operations, cash available for distribution and market price of our common stock.

Risks Related to the Real Estate Industry Generally

There are significant risks involved with any investment in real estate. The performance of our investments, and the performance of our company and our ability to make distributions, is subject to those risks typically associated with investments in real estate. Any change in operating expenses and tax rates could adversely affect operating results or render the sale, financing, or refinancing of a portfolio of properties difficult or unattractive. Certain expenditures associated with the properties will be fixed (principally real estate taxes and maintenance costs) and will be payable even if the properties do not generate sufficient income, which could have a negative impact on us. No assurance can be given that certain assumptions as to future costs of operating any of our properties will be accurate, since such matters will depend on events and factors beyond our control. These factors include, among others:

- changes in national, regional, or local economic conditions, including economic slowdowns or recessions and national and international political and socioeconomic circumstances, which could negatively impact our ability to lease vacancies or to sell properties on favorable terms and the ability of any tenant to pay rent;
- changes in local market conditions or characteristics, including construction of new residential housing properties that compete with a particular property;
- changes in interest rates and in the availability, costs, and terms of borrowings, including recent unprecedented volatility and disruption in the credit markets, which may make the sale, financing, or refinancing of a portfolio of properties difficult and/or costly;
- changes in federal, state, or local regulations and controls affecting rents, prices of goods, fuel and energy consumption, environmental restrictions, real estate taxes, and other factors affecting real property;
- federal, state, and local regulatory requirements, including state and local fire and life-safety requirements, zoning and permitted use laws;
- continued validity and enforceability of leases;
- the vacancy rate and the length of any vacancy for a property;

- the financial condition of tenants;
- the ongoing need for capital improvements and our ability to control the costs, plans, specifications, and timing in connection with such improvements;
- changes in operating costs such as utilities;
- costs of remediation and liabilities associated with environmental conditions;
- the perceptions of prospective tenants and residents of the safety, convenience, and attractiveness of the properties and surrounding areas;
- acts of nature, such as earthquakes, tornadoes, and floods; and
- utility and other easements in favor of third parties may exist on and encumber a particular property.

A worsening of current financial market conditions or events negatively impacting the U.S. banking system could adversely affect our operations and our ability to make distributions.

Uninsured or underinsured losses relating to real property may adversely affect our returns. We attempt to ensure that all of the properties we acquire are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, hurricanes, fires, earthquakes, acts of war, acts of terrorism or riots, that may not always be insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of the properties we acquire incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or restore a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property. Any such losses could adversely affect us and the market price of our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future.

Due diligence on properties may not reveal all conditions that may adversely affect the value of our investments. We perform due diligence on each investment prior to its acquisition. Regardless of the thoroughness of the due diligence process, not all circumstances affecting the value of an investment can be ascertained through the due diligence process. If the due diligence materials provided to us are inaccurate, if we do not sufficiently investigate or follow up on matters brought to our attention as part of the due diligence process, or if the due diligence process fails to detect material facts that impact the value determination, we may acquire an investment that results in significant losses to us or may overpay for an investment, which would cause our financial results to suffer.

Contingent or unknown liabilities could adversely affect our financial condition. Our acquisition activities are subject to many risks. We may acquire properties that are subject to unknown or contingent liabilities, including liabilities for or with respect to liens attached to properties, unpaid real estate taxes, utilities or HOA charges for which a prior owner remains liable, clean-up or remediation of environmental conditions or code violations, claims of vendors or other persons dealing with the acquired properties and tax liabilities, among other things. In each case, our acquisition may be without any, or with only limited, recourse with respect to unknown or contingent liabilities or conditions. As a result, if any such liability were to arise relating to our properties, or if any adverse condition exists with respect to our properties that is in excess of our insurance coverage, we might have to pay substantial sums to settle or cure it, which could adversely affect us. The properties we acquire may also be subject to covenants, conditions or restrictions that restrict the use or ownership of such properties, including prohibitions on leasing or requirements to obtain the approval of HOAs prior to leasing. We may not discover such restrictions during the acquisition process and such restrictions may adversely affect our ability to operate such properties as we intend.

In addition, purchases of single-family homes acquired as part of a portfolio or in bulk purchases typically involve few or no representations or warranties with respect to the properties and may allow us limited or no recourse against the sellers of such properties. Such properties also often have unpaid tax, utility and HOA liabilities for which we may be obligated but fail to anticipate.

Costs of complying with governmental laws and regulations may reduce our income and cash available for distributions. Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to, among other things, environmental protection, human health and safety and access by persons with disabilities. We could be subject to liability in the form of fines or damages for noncompliance with these laws and regulations, even if we did not cause the event(s) resulting in liability.

Environmental Laws Generally. Environmental 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. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the acts causing the contamination were legal, regardless of whether the contamination was present prior to a purchaser's acquisition of a property, and whether an owner knew of such contamination. The conditions of investments at the time we acquire them, operations in the vicinity of our investments, such as the presence of underground tanks, or activities of unrelated third parties may affect the value or performance of our investments.

Hazardous Substances. The presence of hazardous substances on owned real estate owned by us, or the failure to properly remediate these substances, may hinder our ability to sell, rent or pledge investments as collateral for future borrowings. Any material expenditures, fines, or damages that we must pay will reduce our ability to make distributions to stockholders and may reduce the value of an investment in our common stock.

Other Regulations. We may be required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements, and these expenditures could adversely affect our performance and ability to make distributions to stockholders.

We may obtain only limited warranties when we purchase a property and would have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property. The seller of a property often sells such property in its "as is" condition on a "where is" basis and "with all faults" without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase and sale agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental revenue from that property.

We may have difficulty selling real estate investments, and our ability to distribute all or a portion of the net proceeds from such sales to our stockholders may be limited. Real estate investments are relatively illiquid, and, as a result, we may have a limited ability to sell our properties should the need arise. When we sell our properties, we may not realize gains on such sales. We may elect not to distribute any proceeds from the sales of properties to our stockholders; for example, we may use such proceeds to:

- purchase additional properties;
- repay debt, if any;
- create working capital reserves;
- complete repairs, maintenance or other capital improvements or expenditures to our remaining properties; or
- for general corporate purposes.

Our ability to sell our properties may also be limited by our need to avoid the 100% prohibited transactions tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that we avoid such characterization, we may be required to hold our properties for a minimum period of time and comply with certain other requirements in the Code or dispose of our properties through our TRS, which will be subject to federal and state income taxation as a corporation.

Increases in property taxes could adversely affect the value of a property or our ability to hold the property long enough to realize the desired return on its investment. Property taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. As the owner of real estate properties, we will be responsible for payment of the taxes to the applicable government authorities. If real property taxes increase, we may or may not be able to raise rents to offset such increased taxes. Because such changes in property taxes are difficult to predict when a property is acquired, the financial results projected at the time of our investment may be realized during the period of our ownership and, therefore, cash flows and property values could be materially and negatively affected in a manner that we cannot foresee. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the property and the property may be subject to a tax sale.

Our properties may be or become subject to condemnation or eminent domain proceedings. A governmental authority could bring an eminent domain or inverse condemnation action against a property. Such an action could have a material adverse effect on the financial viability and marketability of that property, and, as a result, the results of our operations and our ability to make distributions to stockholders.

Risks Related to Our Organization and Structure

Provisions of our charter may limit the ability of a third party to acquire control of us by authorizing our Board of Directors to issue additional securities. Our Board of Directors may, without stockholder approval, approve an amendment to our charter to increase or decrease the aggregate number of our shares or the number of shares of any class or series that we have the authority to issue, and classify or reclassify any unissued shares of our common or preferred stock, and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board of Directors may authorize the issuance of additional shares or establish a series of common or preferred stock that may have the effect of delaying or preventing a change in control of our company, including transactions at a premium over the market price of our shares, even if stockholders believe that a change in control is in their interest. These provisions, along with the restrictions on ownership and transfer contained in our charter and certain provisions of Maryland law described below, could discourage unsolicited acquisition proposals or make it more difficult for a third party to gain control of us, which could adversely affect the market price of our securities.

Provisions of Maryland law may limit the ability of a third party to acquire control of us by requiring our Board of Directors or stockholders to approve proposals to acquire our company or effect a change in control. Certain provisions of the Maryland General Corporation Law, or the MGCL, applicable to Maryland corporations may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of their shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person (other than us or any subsidiary) who beneficially owns 10% or more of the voting power of our outstanding voting stock after the date on which we first had 100 or more beneficial owners of our stock, or an affiliate or associate of us who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding stock after the date on which we first had 100 or more beneficial owners of our stock) or an affiliate of any interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and, thereafter, any such business combination between us and an interested stockholder generally must be recommended by our Board of Directors and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of our outstanding voting stock and (2) two-thirds of the votes entitled to be cast by holders of our outstanding voting stock 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, our 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; and

- “control shares” provisions that provide that holders of our “control shares” (defined as shares of stock which, if aggregated with all other such shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of three ranges) acquired in a “control share acquisition” have no voting rights except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer or (3) an employee of us who is also a director of the corporation.

By resolution of our Board of Directors, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our Board of Directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our Board of Directors may by resolution elect to opt in to the business combination provisions of the MGCL, and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL at any time in the future, whether before or after an acquisition of control shares.

Certain provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could be in the best interests of our stockholders. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our Board of Directors.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interests. Under Maryland law, generally, a director will not be liable if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty that is established by a final judgment and is material to the cause of action.

Our charter authorizes us to obligate ourselves to, and our bylaws require us to, indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each director and officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party to, or witness in, by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies.

Our charter contains provisions that make removal of our directors difficult, and the employment agreements we have with some of our executives contain severance provisions that make termination of their employment under certain circumstances expensive for us, which could make it difficult for our stockholders to effect changes to our Board of Directors and our management. Our charter provides that a director may be removed only for cause (as defined in our charter) and then only by the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors. Our charter also provides that vacancies on our Board of Directors may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements prevent stockholders from removing directors except for cause and with a substantial affirmative vote and from replacing directors with their own nominees and may prevent a change in control of our company that is in the best interests of our stockholders.

We have entered into employment agreements with each of our executive officers containing severance provisions that could make it difficult and costly for us to terminate their employment.

Our Board of Directors may change our investment strategy, financing strategy or leverage policies, or any of our other major policies, without the consent of stockholders. Our Board of Directors determines our major strategies and policies, including policies and guidelines relating to our acquisitions and divestitures, asset allocation, leverage, financing, growth, operations, indebtedness and distributions to stockholders. Our Board of Directors may amend or revise these and other policies and guidelines from time to time without the vote or consent of our stockholders, which could result in our acquiring properties that are different from, and possibly riskier than, the types of single-family residential real estate and related investments described in this report. Accordingly, our stockholders will have limited control over changes in our policies, and those changes could adversely affect our business, results of operations, financial condition and cash flows and our ability to make distributions to our stockholders.

We may structure acquisitions of property in exchange for OP units on terms that could limit our liquidity or our flexibility. We may acquire properties by issuing OP units in exchange for a property owner contributing property to the operating partnership. If we enter into such transactions, in order to induce the contributors of such properties to accept OP units, rather than cash, in exchange for their properties, it may be necessary for us to provide them additional incentives. For instance, our operating partnership's limited partnership agreement provides that any holder of units may exchange limited partnership units for cash equal to the value of an equivalent number of shares of our common stock or, at our option, for shares of our common stock on a one-for-one basis. We may, however, enter into additional contractual arrangements with contributors of property under which we would agree to repurchase a contributor's units for shares of our common stock or cash, at the option of the contributor, at set times. If the contributor required us to repurchase units for cash pursuant to such a provision, it would limit our liquidity and thus our ability to use cash to make other investments, satisfy other obligations or make distributions to stockholders. Moreover, if we were required to repurchase units for cash at a time when we did not have sufficient cash to fund the repurchase, we might be required to sell one or more properties to raise funds to satisfy this obligation. Furthermore, we might agree that if distributions the contributor received as a limited partner in our operating partnership did not provide the contributor with a defined return, then upon redemption of the contributor's units we would pay the contributor an additional amount necessary to achieve that return. Such a provision could further negatively impact our liquidity and flexibility. Finally, in order to allow a contributor of a property to defer taxable gain on the contribution of property to our operating partnership, we might agree not to sell a contributed property for a defined period of time or until the contributor exchanged the contributor's units for cash or shares. Such an agreement would prevent us from selling those properties, even if market conditions made such a sale favorable to us.

If our operating partnership fails to qualify as a partnership for federal income tax purposes, we could fail to qualify as a REIT and suffer other adverse consequences. Our operating partnership will initially be wholly-owned, directly and indirectly, by us, and will be classified for U.S. federal income tax purposes as a disregarded entity. Once our operating partnership has more than one other member apart from us and our wholly-owned subsidiaries, we believe that it will then be treated as a partnership and not an association or a publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes. As a disregarded entity or partnership, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of the partners will be allocated its share of our operating partnership's income. No assurance can be provided, however, that the IRS will not challenge our operating partnership's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, would not qualify as a REIT. In that case, our income would be subject to corporate income tax without any tax deduction for dividends that we pay. Also, the failure of the operating partnership to qualify as a partnership would cause it to become subject to U.S. federal corporate income tax, which would reduce significantly the amount of its cash available for distribution to its partners, including us.

Risks Related to Qualification and Operation as a REIT

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions. We intend to be treated as a REIT for U.S. federal income tax purposes. However, there can be no assurance that we will be successful in obtaining and maintaining REIT status. Our ability to qualify as a REIT will depend on our satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex provisions of the Code, for which there may be only limited judicial or administrative interpretations. Qualification and maintenance of REIT status involves the determination of various factual matters and circumstances not entirely within our control, including requirements related to the nature of our gross assets, gross income, the composition of our shareholders and the distribution of our income. No assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a REIT or the U.S. federal income tax consequences of that qualification.

If we were to fail to qualify as a REIT for any taxable year, we would be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer be deductible in computing our taxable income and we would no longer be required to make distributions. To the extent that distributions had been made in anticipation of our qualifying as a REIT, we might be required to borrow funds or liquidate some investments in order to pay the applicable corporate income tax. In addition, although we intend to elect for qualification as a REIT, it is possible that future economic, market, legal, tax, or other considerations may cause our Board of Directors to determine that it is no longer in our best interest to be qualified as a REIT and recommend that we do not proceed with our proposed REIT election or otherwise revoke our REIT election.

To qualify as a REIT, we must meet annual distribution requirements, which could result in us distributing amounts that may otherwise be used for our operations. To obtain the favorable tax treatment accorded to REITs, we normally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for distributions paid and by excluding net capital gains. We will be subject to U.S. federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions of properties and it is possible that we might be required to borrow funds or sell assets to fund these distributions. It is possible that we might not always be able to continue to make distributions sufficient to meet the annual distribution requirements required to maintain our REIT status, avoid corporate tax on undistributed income and/or avoid the 4% excise tax.

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

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

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

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

The prohibited transactions tax may limit our ability to dispose of our properties. A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transactions tax in an amount equal to 100% of net gain upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we will be able to comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through a taxable REIT subsidiary (our TRS), which would be subject to federal and state income taxation as a corporation. For example, if we decide to acquire properties opportunistically to restore in anticipation of immediate resale, we will need to conduct that activity through our TRS to avoid the 100% prohibited transactions tax. No assurance can be given, however, that the U.S. Internal Revenue Service (the IRS) will respect a transaction by which any such properties are contributed to our TRS, and, even if the contribution transaction is respected, our TRS may incur a significant tax liability as a result of any such sales.

We may pay taxable dividends of our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock. We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as taxable dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and common stock.

If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may be viewed as economically equivalent to a dividend reduction and put downward pressure on the market price of our common stock. We do not currently intend to pay taxable dividends in the form of our common stock and cash, although we may choose to do so in the future.

Our ownership of our TRS is subject to limitations, and our transactions with our TRS could cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms. In general, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more taxable REIT subsidiaries. In addition, the Code limits the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on REITs for certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's-length basis. We intend to monitor the value of our respective investments in our TRS for the purpose of ensuring compliance with the REIT asset requirements and to structure our transactions with our TRS on terms that we believe are arm's length to avoid incurring the 100% excise tax described above.

There can be no assurance, however, that we will be able to comply with the REIT asset requirements or avoid application of the 100% excise tax.

You may be restricted from acquiring or transferring certain amounts of our common stock. The stock ownership restrictions of the Code for REITs and the 9.8% stock ownership limits in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to qualify as a REIT for each taxable year after our initial election year, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Those attribution rules provide, among other things, for the look-through of any of our common shares held by entities to the natural persons who own those entities. For example, for purposes of calculating ownership under Code's attribution rules, our largest shareholder, King Apex Group Holdings IV Limited, is not considered to be an owner of our shares. Instead, those natural persons who own King Apex Group Holdings IV Limited are counted as our shareholders, with our common shares held by the Fund attributed to each of those natural persons based on their ownership of the Fund. In addition, shares are attributed among certain family members, and shares underlying certain stock options are attributed to the option holder.

Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year after our initial election year. To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock. If we fail to qualify as a REIT, we would be subject to U.S. federal income tax on our taxable income, if any, at corporate rates for such year and all subsequent tax years until such time as we qualify as a REIT.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board of Directors, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate outstanding shares of all classes and series of our capital stock. Our Board of Directors expects to grant an exception to the King Apex Group holders of our common shares from this restriction, subject to such terms and conditions as our Board of Directors may determine. Our Board of Directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of 9.8% of the value of our outstanding shares would result in our failing to qualify as a REIT. These restrictions on ownership and transfer will not apply, however, if our Board of Directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer necessary in order for us to qualify as a REIT.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities. To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with the REIT requirements may force us to liquidate otherwise attractive investments. To qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investments (other than governmental securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, 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 20% of the value of our assets can be represented by securities of one or more taxable REIT subsidiaries, and no more than 25% of our assets may consist of debt instruments issued by publicly offered REITs which are not secured by qualified mortgages on real property. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to “qualified dividend income” payable to U.S. stockholders that are taxed at individual rates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Liquidation of assets may jeopardize our REIT status. To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to satisfy our obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our status as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Qualifying as a REIT involves highly technical and complex provisions of the Code. Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our proposed REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own a non-controlling equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Foreign investors may be subject to FIRPTA on the sale of common stock if we are unable to qualify as a domestically controlled REIT. A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to a tax known as the Foreign Investment in Real Property Tax Act (“FIRPTA”) on the gain recognized on the disposition. FIRPTA can also apply if a REIT makes a distribution to a foreign stockholder which is attributable to gain recognized by the REIT upon a sale or disposition of a U.S. real property interest. FIRPTA does not apply, however, to the disposition of stock in a REIT if the REIT is a domestically controlled REIT. A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We are not currently domestically-controlled, and may never become domestically-controlled, and so there can be no assurance that foreign investors will be able to rely on this exemption under FIRPTA. Another FIRPTA exemption is potentially available in the case of gain realized by a foreign investor on a sale of our common stock, or on a distribution by us that is attributable gain recognized by us upon a sale or disposition of a U.S. real property interest, if our common stock is traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than five percent of the value of our outstanding common stock. Although we believe that our stock is currently considered under the applicable Treasury regulations to be regularly traded on an established securities market, there can be no assurance that it will continue to be so treated in the future.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective, and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the federal income tax laws, regulations or administrative interpretations.

Risks Related to Ownership of Our Common Stock

The availability and timing of our anticipated cash distributions are uncertain. We are generally required to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year in order for us to qualify as a REIT under the Code, which requirement we currently intend to satisfy through quarterly cash distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. However, due to our net losses to date and our limited operating history, we currently do not have the ability to fund distributions from cash flow from operations and we cannot assure you that our cash position will allow us to make or continue to make distributions to you. Distributions to date have been made from cash on hand deemed to be in excess of our current requirements.

Our Board of Directors will determine the amount and timing of any distributions. In making such determinations, our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditures, general operational requirements and restrictions under applicable law. We bear all expenses incurred by our operations, and the funds generated by our operations, after deducting these expenses, are currently estimated to not be sufficient to allow for distributions to our stockholders from operations. We cannot assure you that sufficient cash will be available to make future distributions to you. With a limited operating history, we may be unable to make, maintain or increase distributions in the future.

There are many factors that can affect the availability and timing of cash distributions to stockholders, including the risk factors described in this report. Because we may receive rents and income from our properties at various times during our fiscal year, distributions paid may not reflect our income earned in that particular distribution period. The amount of cash available for distribution will be affected by many factors, including without limitation, the amount of time it takes for us to deploy the net proceeds from our recently completed public offering into our target assets, the amount of income we will earn from those investments, the amount of our operating expenses and many other variables. Actual cash available for distribution may vary substantially from our expectations.

Certain of our existing stockholders affiliated with Mr. Xiaofan Bai have substantial influence over our company, and their interests may not be aligned with the interests of our other stockholders and sales of their shares could cause the market price of our common stock to decrease. As of December 31, 2018, Mr. Xiaofan Bai, a member of our Board of Directors, and three of our stockholders affiliated with Mr. Bai collectively own approximately 54% of our outstanding voting securities. These three stockholders are private equity funds managed and controlled by Mr. Bai. As a result of this ownership interest, Mr. Bai has significant influence over our company and our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, any amendments to our articles of incorporation and bylaws, and other significant corporate actions requiring stockholder approval. This concentration of ownership may also have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares. The interests of Mr. Bai and his affiliates may not always be aligned with the interests of our other stockholders. Furthermore, any sales of substantial amounts of shares of our common stock in the public market by Mr. Bai or the other stockholders affiliated with Mr. Bai, or the perception that such sales might occur, could result in significant downward pressure on the market price of our common stock. In addition, Mr. Xiaofan Bai and Mr. Xiaohang Bai, who is also a member of our Board of Directors, are cousins.

An active trading market for our common stock may never develop. Prior the filing of this report, trading in our common stock on the Nasdaq Capital Market has been limited and sporadic. An active trading market for our common stock may never develop or be sustained, which may affect your ability to sell your common stock and could depress the market price of your common stock. As a result, no assurances can be given that you will be able to readily sell your common stock at a price equal to or above the price you paid.

There can be no assurance that we will ever provide liquidity to our investors through a sale of our company. Potential investors are cautioned that no assurances can be given that any form of merger, combination, or sale of our company or any of our real estate assets will take place, or that any merger, combination, or sale, even if consummated, would provide liquidity or a profit for our investors. You should not invest in our company with the expectation that we will be able to sell our company or any of our assets in order to provide liquidity or a profit for our investors.

If a market for our stock develops, the trading and price of our common stock may be volatile and could decline substantially. The stock markets, including the NASDAQ Capital Market, have experienced significant price and volume fluctuations. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this “Risk Factors” section, and others such as:

- our operating performance and the performance of other similar companies;
- actual or anticipated changes in our business strategy prospects;
- actual or anticipated valuations in our quarterly operating results or dividends;
- changes in our earnings estimates;
- publication of research reports about the real estate industry;
- the passage of legislation or other regulatory developments that adversely affect us or the assets in which we seek to invest;
- the use of significant leverage to finance our assets;
- changes in market valuations of similar companies;
- actions by our stockholders;
- the realization of any other risk factor in this report; and
- general economic conditions.

If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price you paid for them. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly.

Reports published by analysts, including projections in those reports that exceed our actual results, could adversely affect our common stock price and trading volume. Securities research analysts may establish and publish their own periodic projections for our business. These projections may vary widely and may not accurately predict the results we actually achieve. Our stock price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our stock price or trading volume could decline. If no analysts commence coverage of us, the trading price for our stock and the trading volume could be adversely affected.

Future sales of our common stock or other securities convertible into our common stock could cause the market price of our common stock to decline and could result in the dilution of your shares. Our Board of Directors is authorized, without your approval, to cause us to issue additional shares of our common stock (including equity or debt securities convertible into common stock) or to raise capital through the issuance of preferred stock, options, warrants and other rights, on terms and for consideration as our Board of Directors in its sole discretion may determine. Sales of substantial amounts of our common stock could cause the market price of our common stock to decrease significantly. To the extent the proceeds of any future equity offering are invested in residential assets that have less favorable yield characteristics than our then-existing portfolio, our stockholders will suffer dilution in their yield and distributable cash per share. We cannot predict the effect, if any, of future sales of our common stock, or the availability of our common stock for future sales, on the market price of our common stock. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect the market price of our common stock.

Future offerings of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock. In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to pay a dividend or other distribution to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and purchasers of our common stock in this offering bear the risk of our future offerings reducing the market price of our common stock and diluting their ownership interest in our company.

An increase in market interest rates may have an adverse effect on the market price of our common stock and our ability to make or sustain distributions to our stockholders. One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our ability to make or sustain distributions and the rate of our distributions, if any, as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate on shares of our common stock or seek alternative investments paying higher distributions or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of shares of our common stock. For instance, if interest rates rise without an increase in our distribution rate, the market price of shares of our common stock could decrease because potential investors may require a higher distribution yield on shares of our common stock as market rates on our interest-bearing instruments such as bonds rise. In addition, to the extent we have variable rate debt, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting our cash flow and our ability to service our indebtedness and make distributions to our stockholders.

ERISA imposes additional obligations on us. In considering an investment in our common stock, trustees, custodians, investment managers, and fiduciaries of retirement and other plans subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or the prohibited transaction provisions of Section 4975 of the Code (including IRAs), should consider among other things: (i) whether an investment in the common stock is in accordance with plan documents and satisfies the diversification requirements of Section 404(a) of ERISA, if applicable; (ii) whether an investment in the common stock will result in unrelated business taxable income to the plan; (iii) whether the investment is prudent under Section 404(a) of ERISA, if applicable; and (iv) whether we or any of our affiliates is a fiduciary or party in interest to the plan. Fiduciaries and other persons responsible for the investment of certain governmental and church plans that are subject to any provision of federal, state, or local law that is substantially similar to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 4975 of the Code that are considering the purchase of the common stock should consider the applicability of the provisions of such similar law and whether the common stock would be an appropriate investment under such similar law. The responsible fiduciary must take into account all of the facts and circumstances of the plan and of the investment when determining if a particular investment satisfies its fiduciary responsibility under ERISA. Other investors must consider the potential impact that benefit plan investments could have on our operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The following table presents statistics of our single-family homes by Metropolitan Statistical Area, or MSA, and metro division as of December 31, 2018.

Total Portfolio of Single-Family Homes — Summary Statistics
(as of December 31, 2018)

Market	No. of Homes	Aggregate Investment	Average Investment per Home	Properties Leased	Properties Vacant	Portfolio Occupancy Rate	Average Age (years)	Average Size (sq. ft.)	Average Monthly Rent	Average Remaining Lease Term (Months)
Atlanta, Georgia	47	3,503,584	74,544	44	3	93.6%	31	1,453	919	2.66
Birmingham, Alabama	144	10,014,834	69,547	124	20	86.1%	58	1,302	848	5.04
Houston, Texas	263	22,581,573	85,861	250	13	95.1%	50	1,452	1,139	5.62
Jacksonville, Florida	252	18,303,089	72,631	234	18	92.9%	56	1,289	943	5.80
Memphis, Tennessee	143	11,370,903	79,517	138	5	96.5%	44	1,589	999	7.07
Oklahoma City, Oklahoma	116	12,649,800	109,050	103	13	88.8%	44	1,601	970	7.06
Totals	965	\$78,423,783	\$ 81,268	893	72	92.5%	50	1,425	\$ 993	5.8

Company Executive Offices

We maintain our executive offices in 3,200 square feet of leased office space located at 875 Prospect Street, Suite 304, La Jolla, California. The lease term is 64 months, expiring May 1, 2021. Monthly rent was \$6,790 at December 31, 2018, subject to annual step increases of approximately 3% commencing each February 1st during the term.

Item 3. Legal Proceedings

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject, except for routine litigation incurred in the normal course of business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities

Market Information

Since August 30, 2016, our common stock has been traded on the Nasdaq Capital Market under the symbol "RVEN." Previously, our common stock was quoted on the OTCQB quotation platform under the symbol "RVEN." We consider our common stock to be "thinly traded" and any reported sale prices may not be a true market-based valuation of the common stock. The following table shows the reported high and low sale prices per share for our common stock based on information provided by the Nasdaq Capital Market and OTCQB for the periods indicated.

Fiscal Year Ended December 31, 2018	High	Low
Fourth Quarter	\$ 4.35	\$ 2.67
Third Quarter	\$ 4.50	\$ 3.60
Second Quarter	\$ 4.62	\$ 2.32
First Quarter	\$ 4.90	\$ 2.65

Fiscal Year Ended December 31, 2017	High	Low
Fourth Quarter	\$ 4.97	\$ 3.04
Third Quarter	\$ 6.75	\$ 4.21
Second Quarter	\$ 5.98	\$ 4.90
First Quarter	\$ 6.04	\$ 5.46

Holders of Record

As of February 28, 2019, there were approximately 343 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Distributions

In October 2018, our board of directors declared our first distribution of \$0.01 per share on our common shares. The distribution was made on November 15, 2018 to shareholders of record as of October 25, 2018 and totaled \$109,467. Subsequent to December 31, 2018, on January 15, 2019, our board of directors declared a distribution of \$0.01 per share on the Company's common shares. The distribution was made on February 15, 2019 to shareholders of record as of January 25, 2019 and totaled \$109,652. These distributions are treated for tax purposes as returns of capital.

We plan to elect to be taxed as a REIT for federal income tax purposes commencing with our 2018 fiscal year. As a REIT, under federal income tax law, we will be required to distribute annually at least 90% of our REIT taxable income, however future distributions will be determined by and at the sole discretion of our board of directors and will be based on a variety of factors, which may include among others: our actual and projected results of operations; our liquidity, cash flows and financial conditions; revenue from our properties; our operating expenses; economic conditions; debt service requirements; limitations under our financing arrangements; applicable law; and our capital requirements.

Issuer Purchases of Equity Securities

In March 2018, our board of directors authorized the repurchase of up to \$500,000 of our outstanding common stock from time to time in the open market. The program expired on December 31, 2018. All repurchased shares were constructively retired and returned to an authorized and unissued status. We repurchased 3,413 shares under the program for a cost of \$13,653 during the year ended December 31, 2018. All repurchases of shares occurred during the quarter ended December 31, 2018. In March 2018, our board of directors authorized the repurchase of up to \$500,000 of our outstanding common stock from time to time in the open market. The program expired on December 31, 2018. All repurchased shares were constructively retired and returned to an authorized and unissued status. We repurchased 3,413 shares under the program for a cost of \$13,653 during the year ended December 31, 2018. All repurchases of shares occurred during the quarter ended December 31, 2018. The repurchases were made in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The following table provides information concerning the repurchase of our common shares for each of the three months in the fiscal quarter ended December 31, 2018:

Issuer Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1, 2018 to October 31, 2018	2,283	\$ 4.17	2,283	\$ 497,717
November 1, 2018 to November 30, 2018	530	\$ 3.89	530	\$ 495,654
December 1, 2018 to December 31, 2018	600	\$ 3.45	600	\$ 493,587
Total	3,413	\$ 4.00	3,413	\$ 0-Expired at 12-31-18

Equity Compensation Plan Information

We have adopted the Reven Housing REIT, Inc. 2012 Incentive Compensation Plan providing for the grant of non-qualified stock options and incentive stock options to purchase shares of our common stock and for the grant of restricted stock, stock appreciation rights and restricted stock units. We have reserved 1,650,000 shares of our common stock under the 2012 Plan. All of our officers, directors, employees and consultants are eligible to participate under the 2012 Plan.

As of the date of this report, we have not granted any options under our 2012 Plan nor have we granted any non-plan options. We have granted 617,151 shares of our common stock in stock awards under the 2012 Plan. As of the date of this report, 1,032,849 shares of our common stock initially reserved for issuance under our 2012 Plan remain available for future issuance to employees, directors, consultants, and other service providers. The following table sets forth certain information as of December 31, 2018 about our 2012 Plan and the non-plan options.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options(1)	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))
Equity compensation plans approved by security holders	—	\$ N/A	1,032,849
Equity compensation plans not approved by security holders	—	\$ N/A	—
Total	—	\$ N/A	1,032,849

(1) Does not reflect the 617,151 shares of stock granted pursuant to our 2012 Plan.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with the "Business" section of this report and our consolidated financial statements and related notes that are included elsewhere in this report. This discussion contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Cautionary Note Regarding Forward-Looking Statements," and in other parts of this report.

Overview

We are an internally managed Maryland corporation that engages in the acquisition, ownership and operation of portfolios of leased single-family homes in the United States. We operate our portfolio properties as single-family rentals, or SFRs, and we generate most of our revenue from rental income from the existing tenants of the SFRs we have acquired. We are currently evaluating whether to elect to be taxed as a real estate investment trust ("REIT"), commencing with the taxable year ended December 31, 2018. We have until the extended due date of our December 31, 2018 tax return to formerly make this election. Accordingly, should we elect REIT status, we do not expect to be subject to federal income tax, provided that we continue to qualify as a REIT and distributions to the stockholders equal or exceed REIT taxable income. Should we not elect to be taxed as a REIT, we still would not be subject to federal income tax for periods ended December 31, 2018 and prior due to significant operating losses and net operating loss carry-forwards.

As of December 31, 2018, we have invested an aggregate of approximately \$78.4 million and own a total of 965 homes, of which 263 homes are in the Houston, Texas metropolitan area, 252 homes are in the Jacksonville, Florida metropolitan area, 143 homes are in the Memphis, Tennessee metropolitan area (with two of the Memphis homes located just across the border in Mississippi), 144 homes are in the Birmingham, Alabama metropolitan area, 116 homes are in the Oklahoma City, Oklahoma metropolitan area, and 47 homes are in the Atlanta, Georgia metropolitan area. Subsequent to year end through the date of this report, we purchased 24 additional homes in the Oklahoma City and Memphis metropolitan areas for approximately \$4,640,000.

We intend to expand our acquisitions to other select markets in the United States that fit our investment criteria as we continue to evaluate new investment opportunities in different markets. As of December 31, 2018, our portfolio properties were 92.5% occupied. Our portfolio properties have been acquired from available cash and with the proceeds from secured loan transactions pursuant to which we had an outstanding principal amount owed of \$51,362,000 as of December 31, 2018. Our loan transactions are secured by first priority liens and related rents on our homes. Subsequent to year end on February 11, 2019 we increased our borrowings secured by homes by \$10,523,000. Approximately \$2.9 million of these proceeds was used to purchase 12 additional homes in Oklahoma City, Oklahoma mentioned above, and the remaining approximately \$7.6 million is available for future acquisitions and working capital.

Our principal objective is to generate cash flow and distribute resulting profits to our stockholders in the form of distributions, while gaining home price appreciation, or HPA, at the same time through the ownership of our portfolio properties. With this objective in mind, we have developed our primary business strategy of acquiring portfolios of stabilized or leased SFRs. We believe the execution of this strategy will allow us to generate immediate and steady cash flow from the rental income from the SFRs that we acquire while potentially gaining significant HPA over time. While our goal is to grow our company and generate available cash flow from the rental income of our SFRs that will allow us to pay all of our operating costs for the operation of our portfolio properties and distribute profits to our stockholders in the form of quarterly dividends, there can be no assurance we will be able to do so.

In October 2018, we declared our first distribution of \$0.01 per share on our common shares. The distribution was made on November 15, 2018 to shareholders of record as of October 25, 2018 and totaled \$109,467. Subsequent to December 31, 2018, on January 15, 2019, we declared a distribution of \$0.01 per share on our common shares. The distribution was made on February 15, 2019 to shareholders of record as of January 25, 2019 and totaled \$109,652.

We plan to continue to acquire and manage single-family homes with a focus on long term earnings growth and appreciation in asset value. Our ability to identify and acquire single-family properties that meet our investment criteria will be affected by home prices in our markets, the inventory of properties available through our acquisition channels, competition for our target assets, our capital available for investment, and the cost of that capital. We believe the housing market environment in our markets remains attractive for single-family property acquisitions and rentals. Pricing for housing in certain markets remains attractive and demand for housing is growing. At the same time, we continue to face relatively steady competition for new properties and residents from local operators and institutional managers. Housing prices across our markets have appreciated over the past year. Despite these gains, we believe housing in certain of our markets continues to provide attractive acquisition opportunities and remains inexpensive relative to replacement cost and affordability metrics.

We anticipate continued strong rental demand for single-family homes. While new building activity has begun to increase, it remains below historical averages and we believe substantial under-investment in residential housing over the past years will create upward pressure on home prices and rents as demand exceeds supply.

Property Portfolio

The following tables represent our investment in the homes as of December 31, 2018:

Total Portfolio of Single-Family Homes — Summary Statistics
(as of December 31, 2018)

Market	No. of Homes	Aggregate Investment	Average Investment per Home	Properties Leased	Properties Vacant	Portfolio Occupancy Rate	Average Age (years)	Average Size (sq. ft.)	Average Monthly Rent	Average Remaining Lease Term (Months)
Atlanta, Georgia	47	3,503,584	74,544	44	3	93.6%	31	1,453	919	2.66
Birmingham, Alabama	144	10,014,834	69,547	124	20	86.1%	58	1,302	848	5.04
Houston, Texas	263	22,581,573	85,861	250	13	95.1%	50	1,452	1,139	5.62
Jacksonville, Florida	252	18,303,089	72,631	234	18	92.9%	56	1,289	943	5.80
Memphis, Tennessee	143	11,370,903	79,517	138	5	96.5%	44	1,589	999	7.07
Oklahoma City, Oklahoma	116	12,649,800	109,050	103	13	88.8%	44	1,601	970	7.06
Totals	965	\$78,423,783	\$ 81,268	893	72	92.5%	50	1,425	\$ 993	5.8

Results of Operations

The following table sets forth a comparison of the results of operations for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Revenue:				
Rental income	\$ 8,914,440	\$ 7,817,709	\$ 1,096,731	14.0%
Expenses:				
Property operating and maintenance	2,805,619	2,242,219	563,400	25.1%
Real estate taxes	1,375,962	1,312,188	63,774	4.9%
Depreciation and amortization	2,195,992	1,990,486	205,506	10.3%
General and administration	2,313,840	2,239,682	74,158	3.3%
Noncash share-based compensation	288,095	174,375	113,720	65.2%
Total expenses	8,979,508	7,958,950	1,020,558	12.8%
Operating loss	(65,068)	(141,241)	76,173	-53.9%
Other income (expenses):				
Casualty gain (loss), net	95,644	(462,179)	557,823	-
Gain on sale of residential property, net	-	75,796	(75,796)	-
Loss on early extinguishment of debt	(642,845)	-	(642,845)	-
Previously deferred stock issuance costs	(674,145)	-	(674,145)	-
Other	76,660	20,315	56,345	-
Interest expense	(1,944,819)	(1,325,994)	(618,825)	-46.7%
Total other income (expenses), net	(3,089,505)	(1,692,062)	(1,397,443)	-82.6%
Net loss	\$ (3,154,573)	\$ (1,833,303)	\$ (1,321,270)	-72.1%

For the year ended December 31, 2018, we had total rental income of \$8,914,440 compared to total rental income of \$7,817,709 for the year ended December 31, 2017. The increase in total rental and other income is due primarily to the increase in rental homes owned for the 2018 time period as compared to 2017. As of December 31, 2018, we owned 965 homes, at December 31, 2017 we owned 799 homes. We purchased 139 of the 166 additional homes in December 2018.

As of December 31, 2018, 893, or 92.5%, of our 965 homes were occupied. During the year ended December 31, 2018, we had 223 home leases turnover, which represented an annual turn rate of approximately 26.8% based on our total quarterly turnover for the year. As of December 31, 2017, 729, or 91.2%, of our 799 homes were occupied. During the year ended December 31, 2017, we had 204 home leases turnover, which represented an annual turn rate of approximately 27.5% based on our total quarterly turnover for the year.

For the year ended December 31, 2018, we had property operating and maintenance expenses of \$2,805,619 compared to \$2,242,219 for the year ended December 31, 2017. Real estate taxes for the year ended December 31, 2018 were \$1,375,962 compared to \$1,312,188 for the year ended December 31, 2017. The increase in property operating and maintenance expenses is due to higher repairs and insurance costs in the current period. The increase in real estate taxes from 2017 to 2018 is due primarily to a corresponding increase in our inventory of single family homes and real estate tax assessments that were relatively modest when compared to earlier years.

Depreciation and amortization increased to \$2,195,992 during the year ended December 31, 2018 compared to \$1,990,486 during the year ended December 31, 2017, reflecting the corresponding increase in the number of single family homes owned.

General and administrative expenses for the year ended December 31, 2018 increased marginally to \$2,313,840 compared to \$2,239,682 for the prior year period. Noncash share-based compensation for the year ended December 31, 2018 was \$288,095 compared to \$174,375 for the year ended December 31, 2017 reflecting an increase in director fees and employee bonuses paid in stock as opposed to cash in the current year.

The above results in total expenses of \$8,979,508 for the year ended December 31, 2018 resulting in an operating loss for the year ended December 31, 2018 of \$65,068, compared to total expenses of \$7,958,950 for the year ended December 31, 2017 and a corresponding operating loss of \$141,241 for the year ended December 31, 2017.

We had a net casualty gain of \$95,644 during the year ended December 31, 2018, compared to net casualty loss of \$462,179 due primarily to Hurricane Harvey and Irma during the year ended December 31, 2017. We sold two residential properties during the year ended December 31, 2017 for a gain of \$75,796. There were no corresponding sales during the year ended December 31, 2018. On September 28, 2018, we refinanced our loan portfolio with a new loan and paid off our prior debt. This resulted in a loss on early extinguishment of debt of \$642,845 consisting of the write-off of unamortized loan fees of \$424,642 and the payment of prepayment charges of \$218,203. During the year ended December 31, 2018 we expensed \$674,145 of previously deferred stock issuance costs relating to a postponed capital raise; there was not a corresponding charge during the year ended December 31, 2017. Other income, consisting primarily of interest income, was \$76,660 for the year ended December 31, 2018 as compared to other income of \$20,315 for the year ended December 31, 2017. Interest expense on our notes payable were \$1,944,819 for the year ended December 31, 2018 compared to \$1,325,994 for the year ended December 31, 2017. The increase is primarily due to new loans and higher note payable balances for the year ended December 31, 2018 when compared to the year ended December 31, 2017. This resulted in net other expense of \$3,089,505 for the year ended December 31, 2018 compared to a net other expense of \$1,692,062 for the year ended December 31, 2017.

Net loss for the year ended December 31, 2018 was \$3,154,573. The net loss for the year ended December 31, 2017 was \$1,833,303. The weighted average number of shares outstanding for the year ended December 31, 2018 increased to 10,814,660 from 10,734,025 for the year ended December 31, 2017, resulting in a net loss per share of \$0.29 for the year ended December 31, 2018 and a net loss per share of \$0.17 for the year ended December 31, 2017. The loss on early extinguishment of debt caused the loss per share to increase \$0.06 per share in 2018. Additionally, the expensing of \$674,144 of previously deferred stock issuance costs during the period ended September 30, 2018 caused the net loss per share to increase an additional \$0.06 per share. The net casualty loss in the year ended December 31, 2017 caused the net loss per share to increase \$0.04 in that period.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, fund and maintain our assets and operations, make interest payments and fund other general business needs. Our liquidity, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control. Our near-term liquidity requirements consist primarily of acquiring properties, funding our operations, and making interest payments.

Our liquidity and capital resources as of December 31, 2018 consisted primarily of cash and cash equivalents of \$8,252,460. We believe our current liquidity and the expected cash flows from operations will be sufficient to fund the present level of our operations through the 12 months following the date of this report. However, our future acquisition activity will depend primarily on our ability to raise funds from the further issuance of shares of our common stock or units of our operating partnership combined with new loan transactions secured by our current and future home inventories. In order to purchase additional single-family homes, we intend to opportunistically utilize the capital markets to raise additional capital, including through the issuance of debt and equity securities, but there can be no assurance that we will be able to access adequate liquidity sources on favorable terms, or at all.

Credit Facilities

On September 28, 2018, we refinanced our entire single-family home portfolio by entering into a \$51,362,000 loan with Arbor Agency Lending, LLC, on behalf of the Federal Home Loan Mortgage Corporation (Freddie Mac). The loan is a seven-year, monthly interest-only payable loan accruing interest at 4.74% per annum, with principal due and payable at its maturity on October 1, 2025. The loan is secured by 824 of our currently owned single-family homes and we also guaranteed approximately \$12.8 million of the loan balance. Proceeds of approximately \$33 million were utilized to pay off and replace our eight previously outstanding notes. We received approximately \$17 million of proceeds from the refinancing, net of transaction fees, prepayment fees, and loan payoffs, which has been and is being primarily used for the future acquisitions of single-family homes and for working capital purposes

A summary of our notes payable as of December 31, 2018 and December 31, 2017 is as follows:

Note	2018	2017	Interest Rate (Fixed)	Maturity Date
Reven Housing Fund 1, LLC	\$ 51,362,000	\$ -	4.74%	October, 2025
Reven Housing Texas, LLC	-	7,312,030	4.50%	April, 2020
Reven Housing Texas 2, LLC	-	4,890,978	4.50%	January, 2022
Reven Housing Tennessee, LLC	-	3,830,791	4.50%	April, 2020
Reven Housing Florida, LLC	-	3,442,987	4.50%	April, 2020
Reven Housing Florida 2, LLC	-	4,805,389	4.50%	April, 2020
Reven Housing Georgia, LLC	-	1,780,765	4.50%	July, 2020
Reven Housing Tennessee, LLC	-	1,148,726	4.50%	September, 2020
Reven Housing Alabama, LLC	-	3,793,920	4.25%	January, 2023
	51,362,000	31,005,586		
Less deferred loan fees, net	(1,229,853)	(512,462)		
Notes payable, net	<u>\$ 50,132,147</u>	<u>\$ 30,493,124</u>		

Subsequent to year end, on February 11, 2019, we entered into a loan agreement with Arbor Agency Lending, LLC, an approved seller/servicer for Federal Home Loan Mortgage Corporation (Freddie Mac), which provides for a loan to us in the original principal amount of \$10,523,000. The loan is a seven-year, interest-only payable loan with principal due and payable at its seven-year maturity, and accruing interest at a fixed rate of 4.72% per annum. The loan is secured by 143 of our single family homes. Proceeds of approximately \$2.9 million were utilized to purchase 12 homes in Oklahoma City, Oklahoma. Additionally, as a result of the loan, the Company received approximately \$7.4 million of loan proceeds, net of transaction fees and the purchase of homes noted above, which we intend to use for future acquisitions of single family homes.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2018 and 2017.

	2018	2017	\$ Change
Net cash provided by operating activities	\$ 534,111	\$ 532,542	\$ 1,569
Net cash used in investing activities	(16,800,702)	(14,468,980)	(2,331,722)
Net cash provided by financing activities	19,255,855	10,333,783	8,922,072
Change in cash	\$ 2,989,264	\$ (3,602,655)	\$ 6,591,919

Operating Activities

We had net cash provided by operating activities of \$534,111 for the year ended December 31, 2018. This resulted from a net loss of \$3,154,573, adding back depreciation and amortization of \$2,195,992, noncash share-based compensation of \$288,095, amortization of deferred loan fees of \$198,531, loss on early extinguishment of debt of \$642,845, cancelled offering costs of \$674,145, and then decreasing the amount by net casualty gains of \$95,644 and the net change in operating assets and liabilities of \$215,280.

We had net cash provided by operating activities of \$532,542 for the year ended December 31, 2017. This resulted from a net loss of \$1,833,303, adding back depreciation and amortization of \$1,990,486, noncash share-based compensation of \$174,375, amortization of deferred loan fees of \$151,668, casualty losses of \$462,179 and then deducting gain on sale of residential properties of \$75,796, and then decreasing the amount by the net change in operating assets and liabilities of \$337,067.

Investing Activities

During the year ended December 31, 2018, we invested \$15,877,504 in new homes, \$2,150,127 in capital improvements for our homes (of which approximately \$987,000 were for hurricane renovation costs), and \$304,013 in lease origination costs. We received \$1,530,942 of insurance proceeds for property damages for a total of \$16,800,702 of net cash used in investing activities.

During the year ended December 31, 2017, we invested \$12,950,856 in new homes, \$2,418,380 in capital improvements and hurricane restoration costs for our homes, and \$254,771 in lease origination costs. We received \$205,027 of proceeds on the disposition of residential properties and \$950,000 of insurance proceeds for property damages for a total of \$14,468,980 of cash used in investing activities.

Financing Activities

During the year ended December 31, 2018, we had net cash provided by financing activities of \$19,255,855 derived from \$54,098,630 of proceeds from notes payable, \$702,176 of proceeds from issuance of shares, less \$33,742,217 of notes payable principal payments, \$1,558,766 of loan fees, \$109,467 of distributions on common stock, \$13,653 of repurchases of common stock, and the payment of \$120,848 of deferred offering costs.

During the year ended December 31, 2017, we had net cash provided by financing activities of \$10,333,783 derived from \$11,762,553 of proceeds from notes payable, less \$570,992 of notes payable principal payments, less \$304,482 of loan fees, less payments of deferred stock issuance costs of \$553,296

Our future acquisition activity relies primarily on our ability to raise funds from the further issuance of common shares combined with new loan transactions secured by our current and future home inventories. We remain focused on acquiring new capital. We believe our current cash balance combined with our estimated future net rental revenue is sufficient to fund our operating activities through the 12 months following the date of this report.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies are defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Our critical and significant accounting policies are described in Item 8. Consolidated Financial Statements and Supplementary Data, Note 2. Basis of Presentation and Significant Accounting Policies.

Off Balance Sheet Arrangements

None.

Net Operating Income

We define net operating income (or NOI) as total revenue less property operating and maintenance and real estate taxes. NOI is a non-GAAP measurement that excludes acquisition costs, depreciation and amortization, general and administration, legal and accounting, and interest expenses.

We consider NOI to be a meaningful financial measure when considered with the financial statements determined in accordance with GAAP. We believe NOI is helpful to investors in understanding the amount of income after operating expenses which is generated in a given period.

The following is a reconciliation of our NOI to net loss as determined in accordance with GAAP for the years ended December 31, 2018 and 2017.

	Year ended December 31,	
	2018	2017
Net loss	\$ (3,154,573)	\$ (1,833,303)
Depreciation and amortization	2,195,992	1,990,486
General and administration	2,313,840	2,239,682
Noncash share-based compensation	288,095	174,375
Other expenses, net	3,089,505	1,692,062
Net operating income	<u>\$ 4,732,859</u>	<u>\$ 4,263,302</u>
Net operating income as a percentage of total revenue	53.1%	54.5%

We had net operating income from rentals of \$4,732,859 for the year ending December 31, 2018 compared to net operating income from rentals of \$4,263,302 in the corresponding prior year. The increase in net operating income is due primarily to the increase in rental homes owned during the current 2018 period offset by an increase in repairs and insurance costs. This results in a net operating income margin of approximately 53.1% in 2018 compared to a net operating income margin of 54.5% in 2017.

NOI should not be considered an alternative to net loss or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. Nor is NOI necessarily indicative of cash available to fund future cash needs or distributions to shareholders. In addition, although we use NOI for comparability in assessing our performance against other REITs, not all REITs compute the same non-GAAP measure of NOI. Accordingly, our basis for computing this non-GAAP measure may not be comparable with that of other REITs. This is due in part to the differences in property operating and maintenance expenses incurred by, and real estate taxes applicable to, different companies and the significant effect these items have on NOI.

Funds From Operations and Core Funds From Operations

Funds From Operations (or FFO) is a non-GAAP financial measure that we believe, when considered with the financial statements determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets. The National Association of Real Estate Investment Trusts (or NAREIT) defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of, and impairment losses recognized with respect to, depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis to determine FFO.

Core Funds From Operations (or Core FFO) is a non-GAAP financial measure that we use as a supplemental measure of our performance. We believe that Core FFO is further helpful to investors as it provides a more consistent measurement of our performance across reporting periods by removing the impact of certain items that are not comparable from period to period. We adjust FFO for expensed acquisition fees and costs, share-based compensation, non-cash interest expense related to amortization of deferred financing costs, casualty gains and losses, and certain other non-comparable costs to arrive at Core FFO.

FFO and Core FFO should not be considered alternatives to net income (loss) or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. These non-GAAP measures are not necessarily indicative of cash available to fund future cash needs. In addition, although we use these non-GAAP measures for comparability in assessing our performance against other REITs, not all REITs compute the same non-GAAP measures. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other REITs. This is due in part to the differences in capitalization policies used by different companies and the significant effect these capitalization policies have on FFO and Core FFO. Real estate costs which are accounted for as capital improvements are added to the carrying value of the property and depreciated over time, whereas real estate costs that are expenses are accounted for as a current period expense. This affects FFO and Core FFO because costs that are accounted for as expenses reduce FFO and Core FFO. Conversely, real estate costs associated with assets that are capitalized and then subsequently depreciated are added back to net income to calculate FFO and Core FFO.

The following table sets forth a reconciliation of our net loss as determined in accordance with GAAP and our calculations of FFO and Core FFO for the years ended December 31, 2018 and 2017:

	Year ended December 31,	
	2018	2017
Net loss	\$ (3,154,573)	\$ (1,833,303)
Depreciation and amortization	2,195,992	1,990,486
Less gain on sale of residential property	-	(75,796)
Funds (used in) provided by operations	<u>\$ (958,581)</u>	<u>\$ 81,387</u>
Noncash amortization of deferred loan fees	198,531	151,668
Deduct casualty gain, add back casualty loss net	(95,644)	462,179
Noncash share-based compensation	288,095	174,375
Loss on early extinguishment of debt	642,845	-
Previously deferred stock issuance costs	<u>674,145</u>	<u>-</u>
Core funds from operations	<u><u>\$ 749,391</u></u>	<u><u>\$ 869,609</u></u>

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Consolidated Financial Statements and Supplementary Data

Index To Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Reven Housing REIT, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Reven Housing REIT, Inc. (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Squar Milner LLP

We have served as the Company’s auditor since 2015.

Irvine, California
March 21, 2019

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
ASSETS		
Investments in single-family residential properties:		
Land	\$ 13,642,461	\$ 10,996,361
Buildings and improvements	64,781,322	49,399,791
	78,423,783	60,396,152
Accumulated depreciation	(6,591,066)	(4,542,707)
Investments in single-family residential properties, net	71,832,717	55,853,445
Cash	8,252,460	6,442,322
Restricted cash	1,179,126	-
Rent and other receivables	730,345	645,441
Lease origination costs, net	473,739	317,359
Deferred stock issuance costs	-	553,296
Other assets, net	633,135	1,774,978
	\$ 83,101,522	\$ 65,586,841
Total Assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 1,572,713	\$ 1,453,142
Resident security deposits	825,233	697,379
Notes payable, net	50,132,147	30,493,124
	52,530,093	32,643,645
Total Liabilities		
Commitments and contingencies (Note 10)		
Stockholders' Equity		
Preferred stock, \$.001 par value; 25,000,000 shares authorized; No shares issued or outstanding	-	-
Common stock, \$.001 par value; 100,000,000 shares authorized; 10,951,579 and 10,734,025 shares issued and outstanding at December 31, 2018 and 2017, respectively	10,952	10,734
Additional paid-in capital	42,569,520	41,677,465
Accumulated deficit	(12,009,043)	(8,745,003)
	30,571,429	32,943,196
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity	\$ 83,101,522	\$ 65,586,841

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue:		
Rental income	\$ 8,914,440	\$ 7,817,709
Expenses:		
Property operating and maintenance	2,805,619	2,242,219
Real estate taxes	1,375,962	1,312,188
Depreciation and amortization	2,195,992	1,990,486
General and administration	2,313,840	2,239,682
Noncash share-based compensation	288,095	174,375
Total expenses	<u>8,979,508</u>	<u>7,958,950</u>
Operating loss	<u>(65,068)</u>	<u>(141,241)</u>
Other (expenses) income:		
Casualty gain (loss), net	95,644	(462,179)
Gain on sale of residential property, net	-	75,796
Loss on early extinguishment of debt	(642,845)	-
Previously deferred stock issuance costs	(674,145)	-
Other	76,660	20,315
Interest expense	(1,944,819)	(1,325,994)
Total other (expenses), net	<u>(3,089,505)</u>	<u>(1,692,062)</u>
Net loss	<u>\$ (3,154,573)</u>	<u>\$ (1,833,303)</u>
Net loss per share		
(Basic and fully diluted)	<u>\$ (0.29)</u>	<u>\$ (0.17)</u>
Weighted average number of common shares outstanding	<u>10,814,660</u>	<u>10,734,025</u>

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2018 and 2017

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2017	10,734,025	\$ 10,734	\$ 41,677,465	\$ (6,911,700)	\$34,776,499
Net loss	-	-	-	(1,833,303)	(1,833,303)
Balance at December 31, 2017	10,734,025	10,734	41,677,465	(8,745,003)	32,943,196
Stock issued under share-based compensation plans	45,423	45	203,705	-	203,750
Repurchases of common stock	(3,413)	(3)	(13,650)	-	(13,653)
Proceeds from issuances of shares on exercise of warrants	175,544	176	702,000	-	702,176
Distributions on common stock	-	-	-	(109,467)	(109,467)
Net loss	-	-	-	(3,154,573)	(3,154,573)
Balance at December 31, 2018	<u>10,951,579</u>	<u>\$ 10,952</u>	<u>\$ 42,569,520</u>	<u>\$ (12,009,043)</u>	<u>\$30,571,429</u>

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Net loss	\$ (3,154,573)	\$ (1,833,303)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,195,992	1,990,486
Noncash share-based compensation	288,095	174,375
Amortization of deferred loan fees	198,531	151,668
Casualty (gain) loss, net	(95,644)	462,179
Gain on sale of residential properties, net	-	(75,796)
Loss on early extinguishment of debt	642,845	-
Previously deferred stock issuance costs	674,145	-
Changes in operating assets and liabilities:		
Rent and other receivables	(84,904)	(399,063)
Other assets	(293,456)	(78,217)
Accounts payable and accrued liabilities	35,226	(4,468)
Resident security deposits	127,854	144,681
Net cash provided by operating activities	<u>534,111</u>	<u>532,542</u>
Cash Flows From Investing Activities:		
Acquisitions of single-family residential properties	(15,877,504)	(12,950,856)
Capital improvements to single-family residential properties	(2,150,127)	(2,418,380)
Proceeds from disposition of single-family residential property	-	205,027
Insurance proceeds received for property damages	1,530,942	950,000
Lease origination costs	(304,013)	(254,771)
Net cash used in investing activities	<u>(16,800,702)</u>	<u>(14,468,980)</u>
Cash Flows From Financing Activities:		
Proceeds from notes payable	54,098,630	11,762,553
Proceeds from issuance of shares on exercise of warrants	702,176	-
Payments of notes payable	(33,742,217)	(570,992)
Payment of loan fees	(1,558,766)	(304,482)
Distributions on common stock	(109,467)	-
Repurchases of common stock	(13,653)	-
Payments of stock issuance costs	(120,848)	(553,296)
Net cash provided by financing activities	<u>19,255,855</u>	<u>10,333,783</u>
Net Increase (Decrease) In Cash and Restricted Cash	2,989,264	(3,602,655)
Cash and Restricted Cash at the Beginning of the Year	<u>6,442,322</u>	<u>10,044,977</u>
Cash and Restricted Cash at the End of the Year	<u>\$ 9,431,586</u>	<u>\$ 6,442,322</u>
Supplemental Disclosure:		
Cash paid for interest	\$ 1,629,035	\$ 1,148,404

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. ORGANIZATION AND OPERATION

Reven Housing REIT, Inc. is a Maryland corporation (Reven Housing REIT, Inc., which along with its wholly-owned subsidiaries, are also referred to herein collectively as the “Company”) which acquires portfolios of occupied and rented single-family residential properties located in the United States with the objective of receiving income from rental property activity and future profits from the sale of rental property at appreciated values.

As of December 31, 2018, the Company owned 965 single-family homes in the Houston, Jacksonville, Memphis, Birmingham, Oklahoma City, and Atlanta metropolitan areas.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”), and the rules and regulations of the Securities Exchange Commission (“SEC”).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Reven Housing REIT, Inc, Reven Housing REIT OP, LP, a Delaware limited partnership which is its 100% owned operating partnership, and its wholly-owned subsidiaries, which have been formed primarily for financing purposes. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and reported amounts of revenues and expenses for the periods presented. Accordingly, actual results could differ from those estimates.

Financial Instruments

The carrying value of the Company’s financial instruments, as reported in the accompanying consolidated balance sheets, approximates fair value due to their short term nature. The Company’s short term financial instruments consist of cash, restricted cash, rents and other receivables, escrow deposits, accounts payable and accrued liabilities, and resident security deposits.

The carrying value of the Company’s notes payable, as reported in the accompanying consolidated balance sheets, approximates fair value due to their floating market interest rate and because their security and payment terms are similar to other debt instruments currently being issued.

Investments in Single-Family Residential Properties

The Company accounts for its investments in single-family residential properties as asset acquisitions and records these acquisitions at their purchase price. The purchase price is allocated between land, building, improvements and existing leases based upon their relative fair values at the date of acquisition. The purchase price for purposes of this allocation is inclusive of acquisition costs which typically include legal fees, title fees, property inspection and valuation fees, as well as other closing costs.

Building improvements and buildings are depreciated over estimated useful lives of approximately 10 to 27.5 years, respectively, using the straight-line method. Lease origination costs are amortized over the average remaining term of the in-place leases which is generally less than one year. Maintenance and repair costs are charged to expenses as incurred.

The Company assesses its investments in single-family residential properties for impairment whenever events or changes in business circumstances indicate that carrying amounts of the assets may not be fully recoverable. When such events occur, management determines whether there has been impairment by comparing the asset’s carrying value with its fair value. Should impairment exist, the asset is written down to its estimated fair value. The Company did not recognize any impairment losses for the years ended December 31, 2018 and 2017 except for losses on certain properties located in Houston and Jacksonville that were impacted by hurricanes in the third quarter of 2017 (see Note 3).

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

Cash

The Company maintains its cash at quality financial institutions. The combined account balances at one or more institutions typically exceed the federal insurance coverage and thus there is a concentration of credit risk related to amounts on deposit in excess of available federal insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions' non-performance.

Restricted Cash

Pursuant to the terms of the note payable referred to in Note 5, the Company is required to establish, maintain, and fund monthly specified reserve accounts. These reserve accounts include property tax reserves, insurance reserves, and capital expenditure reserves.

Rents and Other Receivables

Rents and other receivables represent the amount of rent receivables, security deposits and net rental funds which are held by the property managers on behalf of the Company, net of any allowance for amounts deemed uncollectible.

Deferred Loan Fees

Costs incurred in the placement of the Company's notes payable are deferred and amortized using the effective interest method over the term of the loans as a component of interest expense on the consolidated statements of operations. These deferred loan fees are offset against the notes payable in the accompanying consolidated balance sheets.

Deferred Stock Issuance Costs

Deferred stock issuance costs represent amounts paid for legal, consulting, and other offering expenses in conjunction with the future raising of additional capital to be completed within one year. These costs are netted against additional paid-in capital as a cost of the stock issuance upon closing of the respective stock placement. During the year ended December 31, 2018, the Company expensed \$674,145 of previously deferred stock issuance costs, due to a capital raise which was postponed indefinitely.

Security Deposits

Security deposits represent amounts deposited by tenants at the inception of the lease. As of December 31, 2018 and 2017, the Company had \$825,233 and \$697,379, respectively, in resident security deposits. Security deposits are refundable, net of any outstanding charges and fees, upon expiration of the underlying lease.

Revenue Recognition

Residential properties are leased to tenants under short term rental agreements of generally one year and revenue is recognized over the lease term on a straight-line basis.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is currently evaluating whether to elect to be taxed as a real estate investment trust (“REIT”), as defined in the Internal Revenue Code, commencing with the taxable year ended December 31, 2018. The Company has until the extended due date of its December 31, 2018 tax return to formally make this election. Accordingly, should the Company elect REIT status, it does not expect to be subject to federal income tax, provided that it continues to qualify as a REIT and distributions to the stockholders equal or exceed REIT taxable income. Should the Company not elect to be taxed as a REIT, the Company will not be subject to federal income tax for periods ended December 31, 2018 and prior due to significant operating losses and net operating loss carry-forwards.

Qualification and taxation as a REIT depends upon the Company’s ability to meet the various qualification tests imposed under the Internal Revenue Code related to the percentage of income that are earned from specified sources, the percentage of assets that fall within specified categories, the diversity of capital stock ownership, and the percentage of earnings that are distributed. Accordingly, no assurance can be given that the Company will be organized or be able to operate in a manner to qualify or remain qualified as a REIT. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal and state income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates, and the Company may be ineligible to qualify as a REIT for four subsequent tax years. Even if the Company qualifies as a REIT, it may be subject to certain state or local income taxes.

Incentive Compensation Plan

During 2012, the Company established the 2012 Incentive Compensation Plan, which was subsequently amended and restated in December 2013 (“2012 Plan”). The 2012 Plan allows for the grant of options and other awards representing up to 1,650,000 shares of the Company’s common stock. Such awards may be granted to officers, directors, employees, consultants and other persons who provide services to the Company or any related entity. Under the 2012 Plan, options may be granted at an exercise price greater than or equal to the market value at the date of the grant, for owners of 10% or more of the voting shares, at an exercise price of not less than 110% of the market value. Awards are exercisable over a period of time as determined by a committee designated by the Board of Directors, but in no event, longer than ten years.

A total of 541,782 shares have been issued under the 2012 plan as of December 31, 2018. During January 2019, an additional 75,369 shares were issued to officers, directors and employees as part of their accrued compensation for the year ended December 31, 2018.

During the years ended December 31, 2018 and 2017, the Company recognized \$288,095 and \$174,375, respectively, of compensation expense under the 2012 Plan.

Net Loss Per Share

Net loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding. Warrants, stock options, and common stock issuable upon the conversion of the Company's preferred stock (if any) are not included in the computation if the effect would be anti-dilutive and would increase earnings or decrease loss per share.

Segment Reporting

The Company has determined that it has one reportable segment with activities related to leasing and operating single-family homes as rental properties. The Company's properties are geographically dispersed, and management evaluates operating performance at the market level and while each market and its properties are unique, the aggregate market portfolios have similar economic interests and operating performance.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Geographic Concentration

The Company holds concentrations of single-family residential properties in the following metropolitan areas in excess of 10% of our total portfolio as of December 31, 2018 and 2017, and as such the Company is more vulnerable to any adverse macroeconomic developments in such areas:

Metropolitan Area	2018	2017
Houston, TX	27%	33%
Jacksonville, FL	26%	32%
Memphis, TN	15%	15%
Birmingham, AL	15%	15%
Oklahoma City, OK	12%	0%

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The standard can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2014-09, ASU 2015-14 and ASU 2016-08 are herein collectively referred to as the "New Revenue Recognition Standards". The New Revenue Recognition Standards are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted but not before annual periods beginning after December 15, 2016. The Company has adopted the New Revenue Recognition Standards effective as of January 1, 2018, and has applied the modified retrospective method. The Company has evaluated its revenue streams and, as they are primarily related to leasing activities which are scoped out of the New Revenue Recognition Standards, has determined that the adoption of such standards does not have a material impact on the consolidated financial statements and thus there is no cumulative adjustment upon adoption. The Company evaluated its real estate sales contracts through December 31, 2018 and 2017 and determined they qualified as sales to noncustomers. The gain on the sale of real estate for the property sold through December 31, 2017 was recognized on the full accrual method based on the existing accounting standards and was determined to be a completed contract as of December 31, 2017; therefore, the adoption of the new revenue recognition standards did not have an impact on the Company's real estate sale contracts.

In February 2016, the FASB issued ASU 2016-02, *Leases*, a new lease standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Under ASU 2016-02, lessor accounting will be substantially similar to the current model but aligned with certain changes to the lessee model and ASU 2014-09. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The Company's rental revenue is primarily generated from short-term operating leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is expected to impact the Company's consolidated financial statements as the Company has an operating office lease arrangement for which it is the lessee. The new standard will be effective for the Company beginning on January 1, 2019, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, requiring application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3. INVESTMENTS IN SINGLE-FAMILY RESIDENTIAL PROPERTIES

The following table summarizes the Company's investments in single-family residential properties. The homes are generally leased to individual tenants under leases with terms of one year or less.

	<u>Number of Homes</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Investments in Single-Family Residential Properties, Gross</u>	<u>Accumulated Depreciation</u>	<u>Investments in Single-Family Residential Properties, Net</u>
Total at January 1, 2017	624	\$ 8,579,550	\$ 39,419,038	\$ 47,998,588	\$ (2,853,049)	\$ 45,145,539
Purchases, improvements, disposition during 2017:						
Acquisitions	181	2,499,190	10,451,666	12,950,856	(1,723,679)	11,227,177
Improvements	-	-	2,418,380	2,418,380	-	2,418,380
Sales	(2)	(23,553)	(118,559)	(142,112)	12,881	(129,231)
Loss due to hurricane/casualties	(4)	(58,826)	(2,770,734)	(2,829,560)	21,140	(2,808,420)
Total at December 31, 2017	799	\$10,996,361	\$ 49,399,791	\$ 60,396,152	\$ (4,542,707)	\$ 55,853,445
Purchases and improvements during 2018:						
Acquisitions	166	2,646,100	13,231,404	15,877,504	(2,048,359)	13,829,145
Improvements	-	-	2,150,127	2,150,127	-	2,150,127
Total at December 31, 2018	965	\$13,642,461	\$ 64,781,322	\$ 78,423,783	\$ (6,591,066)	\$ 71,832,717

Recent Acquisitions

For the year ended December 31, 2018, the Company included \$236,476 of rental income, \$93,778 of property operating, maintenance and real estate taxes, \$48,190 of depreciation, and net operating income of \$94,508 in its consolidated statements of operations related to the Company's acquisitions of additional properties during 2018.

For the year ended December 31, 2017, the Company included \$998,743 of rental income, \$350,496 of property operating, maintenance and real estate taxes, \$257,492 of depreciation, and net operating income of \$390,755 in its consolidated statements of operations related to the Company's acquisitions of additional properties during 2017.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
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NOTE 3. INVESTMENTS IN SINGLE-FAMILY RESIDENTIAL PROPERTIES (continued)

Unaudited Pro Forma Financial Information

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the years ended December 31, 2018 and 2017 prepared as if all of the Company's acquisitions of properties in 2018 and 2017 had occurred on January 1, 2017. This pro forma information does not purport to represent what the actual results of operations of the Company would have been had these acquisitions occurred on this date, nor does it purport to predict the results of operations for future periods.

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 10,424,236	\$ 10,202,638
Property operating and maintenance	\$ 3,246,789	\$ 2,968,878
Real estate taxes	\$ 1,558,230	\$ 1,584,488
Depreciation and amortization	\$ 2,634,202	\$ 2,626,394
Interest expense	\$ 2,616,750	\$ 2,616,750
Net loss	\$ (2,735,511)	\$ (2,373,997)
Net loss per share, basic and fully diluted	\$ (0.25)	\$ (0.22)
Weighted average number of common shares outstanding, basic and fully diluted	10,814,660	10,734,025

The unaudited pro forma information for the years ended December 31, 2018 and 2017 has been adjusted to include the additional interest expense relating to the Company's 2018 borrowings as if the debt was incurred on January 1, 2017.

Hurricane Harvey and Hurricane Irma

During the quarter ended September 30, 2017, a significant number of the Company's properties located in Houston and Jacksonville incurred storm related damages from Hurricane Harvey and Hurricane Irma. The Company determined that four of its homes were damaged beyond repair. The Company estimated the extent of its asset impairments, damages and repairs to the properties to be approximately \$2.8 million and reduced its carrying value of its homes by that amount during the year ended December 31, 2017. The Company was reimbursed approximately \$2.3 million for these damages in accordance with the Company's insurance policies. The remaining repair costs of approximately \$500,000 was paid by the Company from its available cash balances and was due to applicable deductible costs and uninsured costs. This amount was included in casualty losses, net in the consolidated statement of operations for the year ended December 31, 2017 and was combined with the results from other casualty gains and losses not directly caused by the storm.

During the years ended December 31, 2017 and 2018, approximately \$1,500,000 and \$987,000, respectively, of repairs were made to these damaged homes and were included in the improvements amounts above. These amounts were funded primarily by insurance proceeds received in both years. The Company completed the repairs to its damaged homes in both Houston and Jacksonville during the year ended December 31, 2018.

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2018 and 2017, accounts payable and accrued liabilities consisted of the following:

	2018	2017
Accounts payable	\$ 76,523	\$ 162,221
Real estate taxes payable	781,182	781,898
Accrued compensation, board fees and other	505,365	416,633
Interest payable	209,643	92,390
	<u>\$ 1,572,713</u>	<u>\$ 1,453,142</u>

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
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NOTE 5. NOTES PAYABLE

On September 28, 2018, the Company, through a wholly-owned subsidiary, refinanced its single-family home portfolio by entering into a \$51,362,000 loan with Arbor Agency Lending, LLC, on behalf of the Federal Home Loan Mortgage Corporation (Freddie Mac). The loan is a seven-year, monthly interest-only payable loan accruing interest at 4.74% per annum, with principal due and payable at its maturity on October 1, 2025. The loan is secured by 824 of the Company's currently owned single-family homes and the Company has also guaranteed approximately \$12.8 million of the loan balance. Proceeds of approximately \$33 million were utilized to pay off and replace the Company's eight previously outstanding notes. Additionally, as a result of the loan, the Company received approximately \$17 million of cash, net of transaction fees, prepayment fees, and loan payoffs which Reven is utilizing for acquisitions of single-family homes.

Early Extinguishment of Debt

As a result of the early payoff of the Company's previous loans on September 28, 2018 mentioned above, the Company incurred \$642,845 of loss on early extinguishment of debt primarily consisting of unamortized financing costs and prepayment fees.

A summary of the Company's notes payable as of December 31, 2018 and December 31, 2017 is as follows:

<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>Interest Rate (Fixed)</u>	<u>Maturity Date</u>
Reven Housing Fund 1, LLC	\$ 51,362,000	\$ -	4.74%	October, 2025
Reven Housing Texas, LLC	-	7,312,030	4.50%	April, 2020
Reven Housing Texas 2, LLC	-	4,890,978	4.50%	January, 2022
Reven Housing Tennessee, LLC	-	3,830,791	4.50%	April, 2020
Reven Housing Florida, LLC	-	3,442,987	4.50%	April, 2020
Reven Housing Florida 2, LLC	-	4,805,389	4.50%	April, 2020
Reven Housing Georgia, LLC	-	1,780,765	4.50%	July, 2020
Reven Housing Tennessee, LLC	-	1,148,726	4.50%	September, 2020
Reven Housing Alabama, LLC	-	3,793,920	4.25%	January, 2023
	<u>51,362,000</u>	<u>31,005,586</u>		
Less deferred loan fees, net	<u>(1,229,853)</u>	<u>(512,462)</u>		
Notes payable, net	<u>\$ 50,132,147</u>	<u>\$ 30,493,124</u>		

Costs incurred in the placement of the Company's debt are deferred and amortized using the effective interest method over the term of the loans as a component of interest expense on the condensed consolidated statements of operations. The amount of unamortized fees are deducted from the remaining principal amount owed on the corresponding notes payable. Unamortized deferred loan costs and fees totaled \$1,229,853 and \$512,462 as of December 31, 2018 and December 31, 2017, respectively.

During the years ended December 31, 2018 and 2017, the Company incurred \$1,944,819 and \$1,325,994, respectively, of interest expense related to the notes payable, which includes \$198,531 and \$151,668, respectively, of amortization of deferred loan fees.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
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NOTE 6. STOCKHOLDERS' EQUITY AND STOCK COMPENSATION

On October 16, 2014, the Company issued 425,000 shares of the Company's common stock under the 2012 Plan to certain officers and consultants of the Company. The shares issued are subject to restrictions and future vesting conditions based on the Company reaching certain future milestones. During the year ended December 31, 2016, 106,250 of these shares became vested upon the achievement of certain milestones related to our public offering of common stock mentioned above. None of the remaining 318,750 shares were vested as of the issuance date. Compensation expense will be recognized in the applicable future periods on these unvested shares should the applicable milestones be achieved in accordance with the vesting schedule. There is no assurance that these milestones will in fact be achieved and that the shares will in fact vest in the future.

During the year ended December 31, 2018, the Company issued 45,423 shares of the Company's common stock under the 2012 Plan to certain directors, officers, and consultants of the Company as payment for accrued 2017 and 2018 compensation. Subsequent to December 31, 2018, the Company approved the issuance of 75,369 shares of the Company's common stock under the 2012 Plan to certain officers and directors as payment for accrued 2018 compensation totaling \$248,720.

The Company had previously issued outstanding warrants that allowed holders to purchase up to 263,588 shares at an exercise price of \$4.00 per share. During September 2018, 175,544 shares were issued upon the exercise of warrants and the Company received total proceeds on exercise of \$702,176. The remaining warrants expired on September 27, 2018.

Share Repurchase Program

In March 2018, the Company authorized our existing share repurchase program, authorizing the repurchase of up to \$500,000 of our outstanding common stock from time to time in the open market. The current program had an expiration date of December 31, 2018. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Company repurchased 3,413 shares under the program for a cost of \$13,653 during the year ended December 31, 2018.

Distributions

In October 2018, the Company declared its first distribution of \$0.01 per share on the Company's common shares. The distribution was made on November 15, 2018 to shareholders of record as of October 25, 2018 and totaled \$109,467.

Subsequent to December 31, 2018, on January 15, 2019, the Company declared a distribution of \$0.01 per share on the Company's common shares. The distribution was made on February 15, 2019 to shareholders of record as of January 25, 2019 and totaled \$109,652.

NOTE 7. INCOME TAXES

The Company is currently evaluating whether to elect to be taxed as a real estate investment trust ("REIT"), as defined in the Internal Revenue Code, commencing with the taxable year ended December 31, 2018. The Company has until the extended due date of its December 31, 2018 tax return to formally make this election. Accordingly, should the Company elect REIT status, it does not expect to be subject to federal income tax, provided that it continues to qualify as a REIT and distributions to the stockholders equal or exceed REIT taxable income. Should the Company not elect to be taxed as a REIT, the Company will not be subject to federal income tax for periods ended December 31, 2018 and prior due to significant operating losses and net operating loss carry-forwards.

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and expected carry-forwards are available to reduce taxable income. The Company records a valuation allowance when, in the opinion of management, it is more likely than not, that the Company will not realize some or all deferred tax assets. As the achievement of required future taxable income is uncertain, the Company recorded a valuation allowance equal to the deferred tax asset at December 31, 2018 and December 31, 2017. At December 31, 2017 the Company had federal and state net operating loss carry-forwards of approximately \$5,350,000. The federal and state tax loss carry-forwards will begin to expire in 2032, unless previously utilized.

Pursuant to Internal Revenue Code Section 382, use of the Company's net operating loss carry-forwards may be limited if a cumulative change in ownership of more than 50% occurs within a three-year period. Management believes that such an ownership change had occurred but has not yet performed a study of the limitations on the net operating losses.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
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NOTE 8. RELATED PARTY TRANSACTIONS

Reven Capital, LLC, which is wholly-owned by Chad M. Carpenter, a shareholder of the Company and its Chief Executive Officer, currently subleases office space from the Company on a month to month basis for a monthly rental of \$500. For each of the years ended December 31, 2018 and 2017, the Company received income from Reven Capital, LLC of \$6,000, respectively.

NOTE 9. RENTAL INCOME

The Company rents single family homes to individuals under non-cancelable lease agreements generally with a term of one year. Future minimum rental revenues under existing leases on properties are expected to be as follows for the years ending December 31:

2019	\$	5,349,159
2020		375,925
2021		33,570
2022		18,950
	\$	<u>5,777,604</u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

Legal and Regulatory

The Company is subject to potential liability under laws and government regulations and various claims and legal actions arising in the ordinary course of the Company’s business. Liabilities are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts established for those claims. Based on information currently available, management is not aware of any legal or regulatory claims that would have a material effect on the Company’s consolidated financial statements and, therefore, no accrual has been recorded as of the years ended December 31, 2018 and 2017.

Operating Lease

On December 21, 2015, the Company entered into an office lease agreement. The lease term is 64 months and commenced on February 1, 2016 when the Company relocated to the new space. In addition to monthly rent and utility payments, the Company will also pay its proportionate share of all common area maintenance and taxes above certain 2016 base costs. The lease is subject to annual rent payment escalation clauses. During the year ended December 31, 2018 and 2017, the Company recorded \$79,439 and \$62,048, respectively, for rental expenses relating to this lease, which is included in general and administration expenses on the accompanying consolidated statements of operations.

A schedule of future minimum lease payments under the operating lease for the following years is as follows:

2019	83,717
2020	86,229
2021	36,881
	<u>\$ 206,827</u>

REVEN HOUSING REIT, INC. AND SUBSIDIARIES
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NOTE 11. SUBSEQUENT EVENTS

Note Payable

On February 11, 2019, the Company through a wholly-owned subsidiary, entered into a loan agreement with Arbor Agency Lending, LLC, an approved seller/servicer for Federal Home Loan Mortgage Corporation (Freddie Mac). The loan agreement provides for a loan to the Company in the original principal amount of \$10,523,000. The loan is a seven-year, interest-only payable loan with principal due and payable at its seven-year maturity, and accruing interest at a fixed rate of 4.72% per annum. The loan is secured by 143 of the Company's single-family homes. Proceeds of approximately \$2.9 million were utilized to purchase 12 homes in Oklahoma City, Oklahoma. Additionally, the Company received approximately \$7.4 million of loan proceeds, net of transaction fees and the purchase of homes noted above, which the Company intends to use for future acquisitions of single-family homes.

Single-family Investment Acquisitions

Subsequent to year end, the Company has purchased 24 homes in the Oklahoma City, OK and Memphis, TN metropolitan areas for approximately \$4,640,000.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures .*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are controls and other procedures that are designed to provide reasonable assurance that the information that we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

(b) *Management's report on internal controls over financial reporting.*

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting, (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Under the supervision of and with the participation of our chief executive officer and chief financial officer, management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, and our overall control environment.

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

(c) *Changes in internal control over financial reporting.*

There were no changes to our internal control over financial reporting (as defined in Rules 15a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

The information required by Part III is omitted from this report because we will file a definitive proxy statement within 120 days after the end of our 2018 fiscal year pursuant to Regulation 14A for our 2019 Annual Meeting of Stockholders, or the 2019 Proxy Statement, and the information to be included in the 2019 Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the 2019 Proxy Statement and is hereby incorporated by reference.

Item 11. Executive Compensation

The information required by this item will be contained in the 2019 Proxy Statement and is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the 2019 Proxy Statement and is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the 2019 Proxy Statement and is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be contained in the 2019 Proxy Statement and is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial statements

Reference is made to the Index and Financial Statements under Item 8 in Part II hereof where these documents are listed.

(b) Financial statement schedules

Financial statement schedules are either not required or the required information is included in the consolidated financial statements or notes thereto filed under Item 8 in Part II hereof.

(c) Exhibits

The exhibits to this Annual Report on Form 10-K are set forth below. The exhibit index indicates each management contract or compensatory plan or arrangement required to be filed as an exhibit.

<u>Number</u>	<u>Exhibit Description</u>	<u>Method of Filing</u>
<u>2.1</u>	<u>Articles of Conversion of Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 27, 2014.</u>
<u>3.1</u>	<u>Articles of Incorporation of Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 27, 2014.</u>
<u>3.2</u>	<u>Bylaws of Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 27, 2014.</u>
<u>3.3</u>	<u>Articles of Amendment effective November 5, 2014 (Reverse Stock Split)</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 10, 2014.</u>
<u>3.4</u>	<u>Articles of Amendment effective November 5, 2014 (Decrease of Authorized Common)</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 10, 2014.</u>
<u>10.1*</u>	<u>Amended and Restated 2012 Incentive Compensation Plan</u>	<u>Incorporated by reference from the Registrant's Definitive Information Statement on Schedule 14C filed with the SEC on November 15, 2013.</u>
<u>10.2*</u>	<u>Employment Agreement between Reven Housing REIT, Inc. and Chad M. Carpenter dated March 4, 2013</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on March 5, 2013.</u>
<u>10.3*</u>	<u>Employment Agreement between Reven Housing REIT, Inc. and Thad Meyer dated April 17, 2014</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014.</u>

<u>10.4</u>	<u>Voting Agreement by and among Reven Housing REIT, Inc., Chad M. Carpenter and the purchasers identified on the signature pages thereto, dated as of September 27, 2013</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on October 3, 2013.</u>
<u>10.5</u>	<u>Form of Indemnification Agreement between Reven Housing REIT, Inc. and each of its officers and directors</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on May 19, 2014.</u>
<u>10.6</u>	<u>Promissory Note, dated as of June 12, 2014, by Reven Housing Texas, LLC for the benefit of Silvergate Bank, for the principal amount of \$7,570,000</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 18, 2014.</u>
<u>10.7</u>	<u>Deeds of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of June 12, 2014, by Reven Housing Texas, LLC for the benefit of Silvergate Bank (recorded with Brazoria, Chambers, Fort Bend, Galveston and Harris Counties, Texas)</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 18, 2014.</u>
<u>10.8</u>	<u>Holdback Agreement, dated June 12, 2014, by and between Reven Housing Texas, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 18, 2014.</u>
<u>10.9</u>	<u>Unsecured Environmental Indemnity Agreement, dated as of June 12, 2014, by Reven Housing Texas, LLC for the benefit of Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 18, 2014.</u>
<u>10.10</u>	<u>Subordination of Management Agreement, dated as of June 12, 2014, by and between Reven Housing Texas, LLC, Silvergate Bank and Red Door Housing, LLC, as property manager</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 18, 2014.</u>
<u>10.11</u>	<u>Assignment and Assumption of Single Family Homes Real Estate Purchase and Sale Agreement dated March 13, 2015 by and between Reven Housing Florida, LLC and Reven Housing Florida 2, LLC</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on March 16, 2015.</u>
<u>10.12*</u>	<u>Restricted Stock Agreement dated October 16, 2014 between Chad M. Carpenter and Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
<u>10.13*</u>	<u>Restricted Stock Agreement dated October 16, 2014 between Thad L. Meyer and Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
<u>10.14</u>	<u>Promissory Note, dated as of November 17, 2014, by Reven Housing Tennessee, LLC for the benefit of Silvergate Bank, for the principal amount of \$3,952,140.00</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
<u>10.15</u>	<u>Deeds of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of November 17, 2014, by Reven Housing Tennessee, LLC for the benefit of Silvergate Bank (recorded with Brazoria, Chambers, Fort Bend, Galveston and Harris Counties, Texas)</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
<u>10.16</u>	<u>Unsecured Environmental Indemnity, dated November 17, 2014, by and between Reven Housing Tennessee, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
<u>10.17</u>	<u>Subordination of Management Agreement, dated as of November 17, 2014, by and between Reven Housing Tennessee, LLC, Silvergate Bank and Marathon Management, LLC, as property manager</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>

10.18	<u>Promissory Note, dated as of March 10, 2015, by Reven Housing Florida, LLC for the benefit of Silvergate Bank, for the principal amount of \$ 3,526,985.00</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
10.19	<u>Deeds of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of March 10, 2015, by Reven Housing Florida, LLC for the benefit of Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
10.20	<u>Unsecured Environmental Indemnity, dated March 10, 2015, by and between Reven Housing Florida, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
10.21	<u>Subordination of Management Agreement, dated as of March 10, 2015, by and between Reven Housing Florida, LLC, Silvergate Bank and Suncoast Property Management, LLC, as property manager</u>	<u>Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2015.</u>
10.22	<u>Contribution Agreement dated June 1, 2015 among Reven Housing REIT, Inc., Reven Housing GP, LLC and Reven Housing REIT OP, L.P.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 4, 2015.</u>
10.35	<u>Promissory Note, dated as of October 9, 2015, by Reven Housing Florida 2, LLC for the benefit of Silvergate Bank, for the principal amount of \$5,015,060</u>	<u>Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 12, 2015.</u>
10.23	<u>Mortgages, Assignments of Leases and Rents, Security Agreements and Fixture Filings dated October 9, 2015, by Reven Housing 2 Florida, LLC for the benefit of Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 12, 2015.</u>
10.24	<u>Unsecured Environmental Indemnity Agreement, dated October 9, 2015, by Reven Housing 2 Florida, LLC for the benefit of Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 12, 2015.</u>

<u>10.25</u>	<u>Subordination of Management Agreement dated October 9, 2015 among Reven Housing 2 Florida, LLC for the benefit of Silvergate Bank and Suncoast Property Management, LLC</u>	<u>Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 12, 2015.</u>
<u>10.26</u>	<u>Guaranty dated October 9, 2015 by Reven Housing REIT, Inc. for the benefit of Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 12, 2015.</u>
<u>10.27</u>	<u>Lease Agreement dated December 14, 2015 between Reven Housing REIT, Inc. and United Hansel, Inc.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2015.</u>
<u>10.28</u>	<u>Amendment No. 1 dated February 1, 2016 to Employment Agreement between Reven Housing REIT, Inc. and Chad M. Carpenter dated March 4, 2013</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on February 2, 2016.</u>
<u>10.29</u>	<u>Amendment No. 1 dated February 1, 2016 to Employment Agreement between Reven Housing REIT, Inc. and Thad Meyer dated April 17, 2014</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on February 2, 2016.</u>
<u>10.30</u>	<u>Promissory Note Secured by Deeds of Trust dated January 31, 2017 between Registrant and Lubbock National Bank, a Texas corporation</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 5, 2017</u>
<u>10.31</u>	<u>Third Amendment dated March 31, 2017 to Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 72) dated December 9, 2016.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on April 4, 2017</u>
<u>10.32</u>	<u>Loan Modification Agreement dated March 21, 2017 between Reven Housing Tennessee, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 5, 2017</u>
<u>10.33</u>	<u>Loan Modification Agreement dated April 4, 2017 between Reven Housing Texas, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 5, 2017</u>
<u>10.34</u>	<u>Loan Modification Agreement dated March 21, 2017 between Reven Housing Florida, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 5, 2017</u>

<u>10.35</u>	<u>Loan Modification Agreement dated March 21, 2017 between Reven Housing Florida 2, LLC and Silvergate Bank</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on May 5, 2017</u>
<u>10.36</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 50) dated September 6, 2017. Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 50) dated September 6, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on September 7, 2017</u>
<u>10.37</u>	<u>Amendment to Real Estate Purchase and Sale Agreement (Birmingham 50) dated September 27, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on September 28, 2017</u>
<u>10.38</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 40) dated October 12, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2017</u>
<u>10.39</u>	<u>Second Amendment to Real Estate Purchase and Sale Agreement (Birmingham 50) dated October 31, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 3, 2017</u>
<u>10.40</u>	<u>Promissory Note Secured by Deeds of Trust dated July 28, 2017 between Registrant and Silvergate Bank, a California corporation</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 9, 2017</u>
<u>10.41</u>	<u>Promissory Note Secured by Deeds of Trust dated August 21, 2017 between Registrant and Silvergate Bank, a California corporation</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 9, 2017</u>
<u>10.42</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 50) dated September 6, 2017</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 9, 2017</u>
<u>10.43</u>	<u>Amendment to Real Estate Purchase and Sale Agreement (Birmingham 50) dated September 27, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 9, 2017</u>
<u>10.44</u>	<u>Amendment to Real Estate Purchase and Sale Agreement (Birmingham 50) dated December 14, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on December 18, 2017</u>
<u>10.45</u>	<u>Amendment to Real Estate Purchase and Sale Agreement (Birmingham 40) dated December 14, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on December 18, 2017</u>
<u>10.46</u>	<u>Loan Agreement dated December 29, 2017 and Amended on February, 15, 2018 between Reven Housing Alabama, LLC and SouthPoint Bank.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on February 20, 2018</u>
<u>10.47</u>	<u>Amendment dated January 31, 2018 to Single Family Homes Real Estate Purchase and Sale Agreement dated October 12, 2017.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on February 2, 2018</u>
<u>10.48</u>	<u>Amendment to Loan Documents dated February 15, 2018 between Reven Housing Alabama, LLC and SouthPoint Bank.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on February 20, 2018</u>
<u>10.49</u>	<u>Amended and Restated Employment Agreement dated August 14, 2018 between Reven Housing REIT, Inc. and Chad M. Carpenter</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 16, 2018</u>

<u>10.50</u>	<u>Amended and Restated Employment Agreement dated August 14, 2018 between Reven Housing REIT, Inc. and Thad Meyer</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 16, 2018</u>
<u>10.51</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Birmingham 59) dated August 28, 2018.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 30, 2018</u>
<u>10.52</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Oklahoma City 89) dated November 1, 2018.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 5, 2018</u>
<u>10.53</u>	<u>Single Family Homes Real Estate Purchase and Sale Agreement (Oklahoma City 45) dated November 26, 2018.</u>	<u>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 28, 2018</u>
<u>10.54</u>	<u>Loan Agreement dated September 28, 2018 between Arbor Agency Lending, LLC and Reven Housing Funding 1, LLC</u>	<u>Filed electronically herewith.</u>
<u>21.1</u>	<u>List of Subsidiaries of Reven Housing REIT, Inc.</u>	<u>Incorporated by reference from the Registrant's Registration Statement on Form S-11 filed with the SEC on June 11, 2015.</u>
<u>23.1</u>	<u>Consent of Squar Milner, LLP</u>	<u>Filed electronically herewith.</u>
<u>31.1</u>	<u>Certification under Section 302 of the Sarbanes-Oxley Act of 2002</u>	<u>Filed electronically herewith.</u>
<u>31.2</u>	<u>Certification under Section 302 of the Sarbanes-Oxley Act of 2002</u>	<u>Filed electronically herewith.</u>
<u>32.1</u>	<u>Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</u>	<u>Filed electronically herewith.</u>
101.INS	XBRL Instance Document	Filed electronically herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed electronically herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed electronically herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed electronically herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed electronically herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed electronically herewith.

* Indicates management compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

REVEN HOUSING REIT, INC.

Date: March 21, 2019

By: /s/ Chad M. Carpenter
Chad M. Carpenter,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Chad M. Carpenter</u> Chad M. Carpenter	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 21, 2019
<u>/s/ Thad L. Meyer</u> Thad L. Meyer	Chief Financial Officer (Principal Financial and Accounting Officer)	March 21, 2019
<u>/s/ Jon Haahr</u> Jon Haahr	Director	March 21, 2019
<u>/s/ Xiaofan Bai</u> Xiaofan Bai	Director	March 21, 2019
<u>/s/ Xiaohang Bai</u> Xiaohang Bai	Director	March 21, 2019
<u>/s/ Richard P. Imperiale</u> Richard P. Imperiale	Director	March 21, 2019
<u>/s/ Richard Xinghua Wang</u> Richard Xinghua Wang	Director	March 21, 2019
<u>/s/ William Yifeng Huang</u> William Yifeng Huang	Director	March 21, 2019
<u>/s/ Zhen Luo</u> Zhen Luo	Director	March 21, 2019

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Section 2: EX-10.54 (EXHIBIT 10.54)

Exhibit 10.54



Loan Agreement – SFR (Revised 6-29-2018)

Freddie Mac Loan Number: 505040506

Borrower: Reven Housing Funding 1, LLC
Lender: Arbor Agency Lending, LLC
Effective Date: September 28, 2018
Loan Amount: \$51,362,000.00

This Loan Agreement (“**Loan Agreement**”) is made by and between Borrower and Lender and is dated as of the Effective Date. Lender has agreed to make and Borrower has agreed to accept a loan for the Loan Amount (“**Loan**”) upon the terms and subject to the conditions in this Loan Agreement. The Loan will be evidenced by the Note and will bear interest and be paid in accordance with the payment terms set forth in the Note. Lender and Borrower each acknowledge the receipt and sufficiency of adequate consideration for the making and receiving of this Loan.

Table of Contents			
Article I	Key Terms	Article VII	Transfers
Article II	Security Agreement	Article VIII	Events of Default and Remedies
Article III	Personal Liability	Article IX	Release; Indemnity
Article IV	Reserve Funds and Requirements	Article X	Miscellaneous Provisions
Article V	Representations and Warranties	Article XI	Defined Terms
Article VI	Covenants		

ARTICLE I – KEY TERMS.

Modifications and Riders	
<input checked="" type="checkbox"/>	Loan Agreement modifications are included in <u>Exhibit B</u>
<input type="checkbox"/>	The following rider(s) are attached to this Loan Agreement: [if checked, list]

Base Recourse
A portion of the Indebtedness equal to 25% of the Loan Amount (<i>see Article III</i>)

Tax, Insurance, and HOA Fee Reserves	
Taxes - <input checked="" type="checkbox"/> Collected or <input type="checkbox"/> Deferred	Insurance premiums - <input checked="" type="checkbox"/> Collected or <input type="checkbox"/> Deferred
HOA Fees - <input type="checkbox"/> Collected or <input checked="" type="checkbox"/> Deferred	
<i>(See Article IV)</i>	

Capital Replacement and Repair Reserve	
Capital Replacement and Repair Reserve Monthly Deposit of \$41,200.00 is <input checked="" type="checkbox"/> Collected or <input type="checkbox"/> Deferred	
<input type="checkbox"/>	One Time Capital Replacement Deposit of \$ _____ is required for Additional Capital Replacements.
<input type="checkbox"/>	One Time Repair Deposit of \$ _____ is required for Priority Repairs
Capital Replacement and Repair Reserve Fund Disbursement Minimum is \$10,000.	
<i>(See Article IV)</i>	
<i>Recourse and other requirements related to Repairs are detailed in Sections 3.03, 3.04, and Section 6.14.</i>	

Required Additional Capital Replacements and Repairs	
<input type="checkbox"/>	Additional Capital Replacements are required and are listed in <u>Exhibit B</u> . The Additional Capital Replacements Completion Date is _____ days after the Effective Date.
<input checked="" type="checkbox"/>	Priority Repairs are required and are listed in <u>Exhibit B</u> .

Special Purpose Reserve	
<input type="checkbox"/>	One Time Special Purpose Reserve Fund Deposit in the amount of \$ _____ is required The Termination Date is _____ days after the Effective Date. The Release Conditions are listed in <u>Exhibit B</u> .
<i>(See Article IV)</i>	

Property Management
As of the Effective Date, the Mortgaged Properties are managed by the following Property Manager(s):
Marathon Management, LLC
WFI Management, LLC (D/B/A Anchor Property Management)
SunCoast Property Management, LLC
AHI Properties, LLC
<i>(See Section 6.09 for requirements for management of the Mortgaged Properties.)</i>

Required Rent to Debt Service Ratio	Property Release Cap
1.40 : 1:00	124 Mortgaged Properties
<i>(See Section 7.05 for Mortgaged Property release provisions.)</i>	

Guarantor(s)
Reven Housing REIT, Inc.

Pledgor
Reven Housing Funding Manager, LLC

Notices	
Addresses for Notices as of the Effective Date are as follows <i>(See Section 10.03)</i>	
If to Lender:	Arbor Agency Lending, LLC 3360 Walden Avenue, Suite 114 Depew, New York 14043
If to Borrower:	Reven Housing Funding 1, LLC 875 Prospect Street, Suite 304 La Jolla, CA 92037 Attn: Thad Meyer

ARTICLE II SECURITY AGREEMENT.

2.01 Uniform Commercial Code Security Agreement. This Loan Agreement is also a security agreement for any portion of the Mortgaged Properties which, under applicable law, may be subjected to a security interest under the UCC, for the purpose of securing Borrower's obligations under this Loan Agreement and to further secure Borrower's obligations under the Note, Security Instrument and other Loan Documents, whether the Mortgaged Properties are owned now or acquired in the future, and all products and cash and non-cash proceeds of the Mortgaged Properties and all Reserve Funds (collectively, "UCC Collateral"), and by this Loan Agreement, Borrower grants to Lender a security interest under the UCC in the UCC Collateral.

ARTICLE III PERSONAL LIABILITY.

3.01 Limited Recourse Generally. Except as otherwise provided in this Article III, neither Borrower, Pledgor, nor any member or manager of Pledgor will have any personal liability under the Note, this Loan Agreement or any other Loan Document for the repayment of the Indebtedness or for the performance of or compliance with any other obligations of Borrower under the Loan Documents, and Lender's only recourse for the satisfaction of the Indebtedness and the performance of such obligations will be Lender's exercise of its rights and remedies with respect to the Mortgaged Properties, the equity interests in Borrower pursuant to the terms of the Pledge Agreement, and to any other collateral held by Lender as security for the Indebtedness. This limitation on Borrower's liability will not limit or impair Lender's enforcement of its rights against any Guarantor.

3.02 Base Recourse. Borrower will be personally liable to Lender for the Base Recourse specified in Article I ("Base Recourse"), plus any other amounts for which Borrower has personal liability under this Article III.

3.03 Loss or Damage Recourse. Borrower will be personally liable to Lender for the repayment of a portion of the Indebtedness equal to any loss or damage suffered by Lender as a result of the occurrence of any of the following events:

- (a) Borrower fails to complete any of the Priority Repairs.
- (b) Borrower fails to pay to Lender upon demand after an Event of Default all Rents to which Lender is entitled under Section 3 of the Security Instrument and the amount of all security deposits collected by Borrower from tenants then in residence. This Section 3.03(b) will not apply if Borrower's failure is a result of a valid order issued in, or an automatic stay applicable because of, bankruptcy, receivership, or a similar judicial proceeding.
- (c) Borrower fails to apply all Insurance proceeds and Condemnation proceeds as required by this Loan Agreement. This Section 3.03(c) will not apply if Borrower's failure is a result of a valid order issued in, or an automatic stay applicable because of, bankruptcy, receivership, or a similar judicial proceeding.
- (d) If an Event of Default has occurred and is continuing, Borrower fails to deliver all Books and Records, contracts, Leases and other instruments relating to the Mortgaged Properties or their operation in accordance with the provisions of Section 6.07.
- (e) Borrower fails to pay when due any of the following:
 - (i) Taxes, if Lender does not collect a Tax Reserve Fund.
 - (ii) Insurance premiums, if Lender does not collect an Insurance Reserve Fund.
 - (iii) Water and sewer charges that could become a lien on any Mortgaged Property.

- (iv) Assessments or any Other Charges that could become a lien on any Mortgaged Property.
- (v) Transfer or recording Taxes required to be paid by Borrower.
- (f) Borrower engages in any willful act of material waste of any Mortgaged Property.
- (g) Any of the following Transfers occurs:
 - (i) Any Person that is not an Affiliate of Borrower or a Borrower Principal creates a mechanic's lien or other involuntary lien or encumbrance against any Mortgaged Property and Borrower has not complied with the provisions of Article VII.
 - (ii) A Transfer by devise, descent or operation of law occurs upon the death of a natural person and such Transfer does not meet Lender's requirements in Article VII.
 - (iii) Borrower grants an easement that does not meet Lender's requirements.
 - (iv) Borrower executes a Lease that does not meet Lender's requirements.
- (h) If any Mortgaged Property is located in Ohio and such Mortgaged Property is subject to any oil or gas lease, pipeline agreement, or other instrument related to the production or sale of oil or natural gas that under applicable state law has been given priority over the Security Instrument.
- (i) If any Mortgaged Property is non-conforming under the applicable zoning laws, ordinances and/or regulations in the applicable Property Jurisdiction ("**Zoning Code**"), either of the following circumstances occurs following a casualty affecting the Mortgaged Property and the Borrower does not Transfer the Mortgaged Property to a third party pursuant to either Section 7.05(a) or Section 7.05(b):
 - (i) The Improvements impacted by the casualty cannot be rebuilt or restored to their pre-casualty condition under the terms of the Zoning Code and the Mortgaged Property Insurance proceeds available to Lender under the terms of this Loan Agreement are insufficient to repay the Indebtedness in full.
 - (ii) Borrower fails to commence and diligently pursue completion of any Restoration within the time frame required by both the Zoning Code and any permits issued pursuant to the Zoning Code which are necessary to allow the Restoration of such Mortgaged Property to its pre-casualty condition.
- (j) If primary ingress to and egress from a Mortgaged Property is through an easement or private road, any party takes, or threatens to take, any action to deny ingress to or egress from such Mortgaged Property from or to a publicly dedicated and maintained right-of-way.
- (k) If Borrower fails to pay in full the amount of principal and interest due under the Note on each of the first three Payment Dates under the Note.
- (l) Any Loan Party commences any legal or other proceeding related to the Loan that delays, opposes, impedes, obstructs, hinders, enjoins or otherwise interferes with or frustrates the efforts of Lender to exercise any rights and remedies available to Lender under the Loan Documents, except for any proceedings instituted in good faith or are otherwise expressly permitted under the Loan Documents.
- (m) Borrower or Pledgor fails to comply with any provision of Section 6.13(a)(i) through (iv) and Section 6.13(a)(vii) through (xiii) (subject to possible full recourse liability as set forth in Section 3.05(b)).

- (n) Borrower or any Affiliate or employee of Borrower makes an unintentional written material misrepresentation in connection with (i) the application for or creation of the Indebtedness, (ii) on-going financial or other reporting requirements or information required by the Loan Documents, or (iii) any request by Borrower or Guarantor for any action or consent by Lender; provided that the assumption will be that any written material misrepresentation was intentional and the burden of proof will be on Borrower to prove that there was no intent.

3.04 Performance and Cost Recourse. Borrower will be personally liable to Lender for all of the following:

- (a) The performance of, and the cost to Lender of any nonperformance of, all of Borrower's obligations under each of the following:
 - (i) Section 6.14(a) (relating to completion of Priority Repairs).
 - (ii) Sections 6.12 and 9.02(b) (relating to environmental matters).
- (b) The cost to Lender of each of the following:
 - (i) Any audit required under Section 6.07.
 - (ii) Any expenses incurred in connection with the collection of any amount for which Borrower is personally liable under this Article III, including Attorneys' Fees and Costs and the costs of conducting any independent audit of Borrower's Books and Records to determine the amount for which Borrower has personal liability.

3.05 Full Recourse. Borrower will become personally liable to Lender for the repayment of all of the Indebtedness upon the occurrence of any of the following:

- (a) Borrower or Pledgor fails to comply with Sections 6.13(a)(v) or (vi).
- (b) Borrower or Pledgor fails to comply with any provision of any of Sections 6.13(a)(i) through (iv) or Sections 6.13(a)(vii) through (xiii) and a court of competent jurisdiction holds or determines that such failure or combination of failures is the basis, in whole or in part, for the substantive consolidation of the assets and liabilities of Borrower and/or Pledgor with the assets and liabilities of a debtor pursuant to Title 11 of the Bankruptcy Code.
- (c) A Transfer that is an Event of Default under Section 7.02 occurs, other than a Transfer set forth in Section 3.03(g) (for which Borrower will have personal liability for Lender's loss or damage); provided, however, that Borrower will not have any personal liability for a Transfer consisting solely of the involuntary removal or involuntary withdrawal of a general partner in a limited partnership or a manager in a limited liability company.
- (d) There was fraud or intentional written material misrepresentation by Borrower or any Affiliate or employee of Borrower in connection with (i) the application for or creation of the Indebtedness, (ii) on-going financial or other reporting requirements or information required by the Loan Documents, or (iii) any request by Borrower or Guarantor for any action or consent by Lender.
- (e) A Bankruptcy Event occurs with respect to Borrower.

3.06 Exercise of Lender's Rights and Application of Payment. If Borrower has personal liability under this Article III, then Lender may, to the fullest extent permitted by applicable law, exercise its rights against Borrower personally without regard to whether Lender has exercised any rights against a Mortgaged Property or any other security, or pursued any rights against any Guarantor, or pursued any other rights available to Lender under the Note, this Loan Agreement, any other Loan Document or applicable law. To the fullest extent permitted by applicable law, in any action to enforce Borrower's personal liability under this Article III, Borrower waives any right to set off the value of a Mortgaged Property against such personal liability. All payments made by Borrower with respect to the Indebtedness and all amounts received by Lender from the enforcement of its rights under the Loan Documents will be applied first to the portion of the Indebtedness for which Borrower has no personal liability.

ARTICLE IV RESERVE FUNDS AND REQUIREMENTS.

4.01 Reserves Generally.

- (a) Establishment of Reserve Funds. Each Reserve Fund marked in Article I as required or collected will be established on the Closing Date and funded in accordance with this Article IV. Upon Notice to Borrower following (i) an Event of Default or (ii) a Transfer requiring Lender's approval under Article VII, Lender may require Borrower to establish and make deposits into any Reserve Fund marked in Article I as deferred.
- (b) Investment of Reserve Funds. All Reserve Funds will be deposited in an Eligible Account at an Eligible Institution or invested in "permitted investments" as then defined and required by the Rating Agencies. Lender will not be obligated to open additional accounts or deposit Reserve Funds in additional institutions when the amount of any Reserve Fund exceeds the maximum amount of the federal deposit insurance or guaranty. Borrower acknowledges and agrees that it will not have the right to direct Lender as to any specific investment of monies in any Reserve Fund. Lender will not be responsible for any losses resulting from investment of monies in any Reserve Fund or for obtaining any specific level or percentage of earnings on such investment. Unless applicable law requires, Lender will not be required to pay Borrower any interest, earnings or profits on any Reserve Funds. Any amounts deposited with Lender under this Article IV will not be trust funds, nor will they operate to reduce the Indebtedness, unless applied by Lender for that purpose pursuant to the terms of this Loan Agreement.
- (c) Use of Reserve Funds; No Disbursements during Event of Default. Each Reserve Fund will, except as otherwise provided in this Loan Agreement, be used for the sole purpose of paying, or reimbursing Borrower for payment of, the item(s) for which the applicable Reserve Fund is established. Except as specified in this Loan Agreement, monies in one Reserve Fund will not be used to pay, or reimburse Borrower for, matters for which another Reserve Fund has been established. Lender will not be obligated to make disbursements from any Reserve Fund if any Event of Default has occurred and is continuing. If an Event of Default has occurred and is continuing, then Lender may use any Reserve Fund for the payment or performance of any obligation of Borrower to Lender or otherwise with respect to any Mortgaged Property.
- (d) Termination of Reserve Funds. Upon payment in full of the Indebtedness, Lender will pay to Borrower all funds remaining in any Reserve Funds.
- (e) Release of Mortgaged Properties. Upon the release of any Mortgaged Property from the applicable Security Instrument pursuant to this Agreement, if Lender determines that all Reserve Funds are fully funded, Lender will pay to Borrower all funds in any Reserve Funds that relate solely to such Release Property.

4.02 Tax, Insurance, and HOA Fee Reserves.

- (a) Deposits. When required by Lender, Borrower will deposit with Lender on the Closing Date and on each Payment Date under the Note an additional amount sufficient to accumulate with Lender the entire sum required to pay, when due, Taxes ("**Tax Reserve Fund**") and HOA Fees ("**HOA Reserve Fund**") and 110% of the entire sum required to pay, when due, Insurance premiums ("**Insurance Reserve Fund**").

The amount of each required deposit into the Tax Reserve Fund, the Insurance Reserve Fund and the HOA Reserve Fund must be sufficient to enable Lender to pay the Taxes, Insurance premiums or HOA Fees, as applicable, before the last date upon which the payment may be made without any penalty or interest charge being added with a 10% additional deposit amount with respect to the Insurance Fund.

- (b) Disbursements.
- (i) Lender will pay Taxes from the Tax Reserve Fund held by Lender upon Lender's receipt of a bill or invoice for Taxes and, once received, prior to the addition of any interest, penalty, or cost for nonpayment. Lender will have no obligation to pay Taxes to the extent the amount payable exceeds the Tax Reserve Fund then held by Lender. Lender may pay Taxes according to any bill, statement or estimate from either the appropriate public office or the Borrower without inquiring into the accuracy of the bill, statement or estimate.
 - (ii) Lender will pay Insurance premiums from the Insurance Reserve Fund held by Lender upon Lender's receipt of a bill or invoice for Insurance premiums and, once received, prior to the addition of any interest, penalty, or cost for nonpayment. Lender will have no obligation to pay Insurance premiums to the extent the amount payable exceeds the Insurance Reserve Fund then held by Lender. Lender may pay Insurance premiums according to any bill, statement or estimate from either an insurance company or the Borrower without inquiring into the accuracy of the bill, statement or estimate.
 - (ii) Lender will pay HOA Fees from the HOA Reserve Fund held by Lender upon Lender's receipt of a bill or invoice for HOA Fees and, once received, prior to the addition of any interest, penalty, or cost for nonpayment. Lender will have no obligation to pay HOA Fees to the extent the amount payable exceeds the HOA Reserve Fund then held by Lender. Lender may pay HOA Fees according to any bill, statement or estimate from an HOA or the Borrower without inquiring into the accuracy of the bill, statement or estimate.
- (c) Adjustments to Reserve Fund Deposits. If at any time the amount of the Tax Reserve Fund, the Insurance Reserve Fund or the HOA Reserve Fund held by Lender for payment of Taxes, Insurance premiums or HOA Fees exceeds the amount reasonably deemed necessary by Lender, then the excess will be credited against future payments into the applicable Reserve Fund. If at any time the amount of the Tax Reserve Fund, the Insurance Reserve Fund or the HOA Reserve Fund is less than the amount reasonably estimated by Lender to be necessary, then Borrower will pay to Lender the amount of the deficiency within 20 days after Notice from Lender.
- (d) Delivery of Invoices; Proof of Payment by Borrower. Borrower will promptly deliver to Lender a copy of all notices of, and invoices for, Taxes, Insurance premiums and HOA Fees. If Lender has not established a Reserve Fund for Taxes, Insurance premiums or HOA Fees, then on or before the date the Taxes, Insurance premiums or HOA Fees are due, Borrower will provide Lender with proof of payment of the Taxes, Insurance premiums or HOA Fees.

4.03 Special Purpose Reserve Fund.

- (a) Deposit. If a Special Purpose Reserve is required in Article I, then Borrower will pay to Lender on the Closing Date the amount set forth in Article I ("**Special Purpose Reserve Fund**").
- (b) Disbursements. Lender will disburse the funds in the Special Purpose Reserve Fund to Borrower when the Release Conditions specified in Exhibit B have been satisfied in Lender's discretion.
- (c) Application of Reserve Funds after the Termination Date. If Borrower has not satisfied the Release Conditions on or before the Termination Date specified in Article I, then Lender may apply some or all of the Special Purpose Reserve Fund to the Indebtedness, and Borrower will pay a prepayment premium computed using the formula set forth in the Note with respect to any such prepayment of principal under the Note. Borrower may not pay the prepayment premium from funds drawn from the Special Purpose Reserve Fund.

4.04 Capital Replacement and Repair Reserve Fund.

- (a) Monthly Deposits. If the Capital Replacement and Repair Reserve Monthly Deposit is shown as collected in Article I, then on each Payment Date under the Note, Borrower will pay to Lender the Capital Replacement and Repair Reserve Monthly Deposit amount shown in Article I (“**Capital Replacement and Repair Reserve Fund**”).
- (b) Disbursements from Capital Replacement and Repair Reserve Fund. Lender will disburse funds from the Capital Replacement and Repair Reserve Fund to Borrower for payment or reimbursement of, or to defray the cost of, each of the following, provided the conditions set forth in Sections 4.04(f) and (g) are satisfied:
- (i) Replacing any of the items listed in Schedule II and other items that Lender may approve after the Effective Date, subject to any conditions that Lender may require (“**Basic Capital Replacements,**” and together with any Additional Capital Replacements listed in Exhibit B, “**Capital Replacements**”).
 - (ii) Completing the Priority Repairs, provided a Repair Deposit is required in Article I.
- (c) Additional Capital Replacements Deposit. If an Additional Capital Replacements Deposit is required in Article I, then on the Closing Date, Borrower will pay the Additional Capital Replacements Deposit to Lender for deposit into the Capital Replacement and Repair Reserve Fund. The Additional Capital Replacements Deposit will be available to reimburse Borrower only for reimbursement of, or to defray, the cost of the Additional Capital Replacements listed in Exhibit B.
- Borrower may not displace or relocate tenants to undertake or complete the Additional Capital Replacements unless such displacement or relocation has been approved by Lender. Borrower must complete the Additional Capital Replacements on or before the Additional Capital Replacements Completion Date specified in Article I, as may be extended by Lender in its discretion. Any funds from the Additional Capital Replacements Deposit remaining in the Capital Replacement and Repair Reserve Fund after the Additional Capital Replacements are completed in a manner satisfactory to Lender will be returned to Borrower.
- (d) Repair Deposit. If a Repair Deposit is required in Article I, then on the Closing Date, Borrower will pay the Repair Deposit to Lender for deposit into the Capital Replacement and Repair Reserve Fund. The Repair Deposit will be available to reimburse Borrower only for payment or reimbursement of, or to defray the cost of, completing Priority Repairs. Any funds from the Repair Deposit remaining in the Capital Replacement and Repair Reserve Fund after all of the Priority Repairs are completed in a manner satisfactory to Lender will be returned to Borrower.
- (e) Insufficient Amount in Capital Replacement and Repair Reserve Fund. If Borrower requests disbursement from the Capital Replacement and Repair Reserve Fund for a Capital Replacement or a Priority Repair in an amount that exceeds the amount on deposit in the Capital Replacement and Repair Reserve Fund, then Lender will disburse to Borrower only the amount on deposit in the Capital Replacement and Repair Reserve Fund. Borrower will pay all additional amounts required in connection with any such Capital Replacement or Priority Repair from Borrower’s own funds.
- (f) Limits on Disbursements. Lender will disburse funds from the Capital Replacement and Repair Reserve Fund no more frequently than once per calendar month, and no disbursement will be made in an amount less than the Capital Replacement and Repair Reserve Fund Disbursement Minimum specified in Article I.
- (g) Performance of Capital Replacements and Priority Repairs; Requests for Disbursement.
- (i) If Borrower determines that a Capital Replacement is necessary or desirable, then Borrower will perform such Capital Replacement and request from Lender, in writing, payment or reimbursement for the cost of such Capital Replacement from the Capital Replacement and Repair Reserve Fund using the Disbursement Request attached to this Loan Agreement as Exhibit A. The Disbursement Request must be accompanied by paid invoices or bills that show Borrower has paid for the applicable Capital Replacement.

- (ii) Borrower must complete all Priority Repairs pursuant to Section 6.14. After Borrower performs one or more Priority Repairs, Borrower may request from Lender reimbursement for the cost of such Priority Repair(s) from the Capital Replacement and Repair Reserve Fund using the Disbursement Request attached to this Loan Agreement as Exhibit A. The Disbursement Request must be accompanied by paid invoices or bills that show Borrower has paid for the applicable Priority Repair.
- (iii) If requested by Lender, Borrower must provide any other information, documents, lien waivers, certifications, or professional engineering reports regarding the work and the cost of such Capital Replacements or Priority Repairs. Lender, at its option, may retain a professional inspection engineer or other qualified third party to inspect any Capital Replacement or Priority Repair. If Lender retains such a third party, then it will charge Borrower an amount sufficient to pay all reasonable costs and expenses charged by such third party inspector. Lender may, at its election, either deduct such cost from the Capital Replacement and Repair Reserve Fund or send Borrower a Notice of the amount of such charge, which Borrower must pay within 20 days following its receipt of such Notice.
- (iv) If Lender reasonably determines at any time that a Capital Replacement or a Repair is necessary for the proper maintenance of a Mortgaged Property, then Lender will give Notice to Borrower requesting that Borrower obtain and submit to Lender bids for all labor and materials required in connection with such Capital Replacement or Repair. In response, Borrower will submit such bids and a time schedule for completing each Capital Replacement or Repair to Lender within 30 days after Borrower's receipt of Lender's Notice. Borrower will perform such Capital Replacement or Repair in conformity with the requirements of this Section 4.04 and then may request reimbursement for such Capital Replacement or Repair in accordance with this Section 4.04.
- (h) Adjustments to Reserve Fund Deposits. If the initial term of the Loan is greater than 120 months, then following each of the 120th and 180th Payment Dates under the Note, Lender may adjust the amount of the Capital Replacement and Repair Reserve Monthly Deposit based on Lender's most recent assessment of the physical condition of the Mortgaged Properties and will provide Borrower Notice of this revised Capital Replacement and Repair Reserve Monthly Deposit amount. Borrower will begin paying this revised Capital Replacement and Repair Reserve Monthly Deposit on the next Payment Date following its receipt of the Notice from Lender.

ARTICLE V REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lender as follows as of the Effective Date:

- 5.01 Review of Documents.** Borrower has reviewed: (a) the Commitment Letter, (b) the Note, (c) this Loan Agreement, (d) the Security Instrument(s), (e) the Pledge Agreement and (f) all other Loan Documents.
- 5.02 Condition of Mortgaged Properties.** Except as Borrower may have disclosed to Lender in writing in connection with the issuance of the Commitment Letter (which written disclosure may be in certain written reports accepted by Lender in connection with the funding of the Indebtedness and dated prior to the Effective Date), no Mortgaged Property has been damaged by fire, water, wind or other cause of loss, or, if so damaged, any previous damage to a Mortgaged Property has been fully restored.
- 5.03 No Condemnation.** No part of any Mortgaged Property has been taken in Condemnation or other similar proceeding, and, to the best of Borrower's knowledge after due inquiry and investigation, no such proceeding is pending or threatened for the partial or total Condemnation or other taking of a Mortgaged Property.

5.04 Actions; Suits; Proceedings. There are no judicial, administrative, mediation or arbitration actions, suits or proceedings pending or, to the best of Borrower's knowledge, threatened in writing against or affecting Borrower, any Borrower Principal, or any Mortgaged Property which, if adversely determined, would have a Material Adverse Effect.

5.05 Environmental. Except as previously disclosed by Borrower to Lender in writing (which written disclosure may be in certain environmental assessments and other written reports accepted by Lender in connection with the funding of the Indebtedness and dated prior to the Effective Date), each of the following is true:

- (a) Borrower has not at any time engaged in, caused, or permitted any Prohibited Activities or Conditions on any Mortgaged Property.
- (b) To Borrower's knowledge, no Prohibited Activities or Conditions exist or have existed on any Mortgaged Property.
- (c) No Mortgaged Property contains any underground storage tanks, and, to Borrower's knowledge, no Mortgaged Property has contained any underground storage tanks in the past. If there is an underground storage tank located on the Mortgaged Property that has been previously disclosed by Borrower to Lender in writing, that tank complies with all requirements of Hazardous Materials Laws.
- (d) To the best of Borrower's knowledge after due inquiry and investigation, Borrower has complied with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials.
- (e) There are no actions, suits, claims, or proceedings pending or, to the best of Borrower's knowledge after due inquiry and investigation, threatened in writing, that involve the Mortgaged Property and allege, arise out of, or relate to any Prohibited Activity or Condition.
- (f) Borrower has received no actual or constructive notice of any written complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental, health or safety matters affecting any Mortgaged Property or any property that is adjacent to any Mortgaged Property.

5.06 No Labor or Materialmen's Claims. Except as described on Exhibit B, Borrower represents and warrants that all parties furnishing labor and materials for which a Lien or claim of Lien may be filed against any Mortgaged Property have been paid in full and there are no mechanics', laborers' or materialmen's Liens or claims outstanding for work, labor or materials affecting any Mortgaged Property, whether prior to, equal with or subordinate to the Lien of the Security Instrument, except such Liens or claims that Borrower has disclosed to both Lender and the title company and which are insured against by the policy of title insurance to be issued in connection with the Loan.

5.07 Compliance with Applicable Laws and Regulations. Each of the following is true:

- (a) All Improvements and the use of each Mortgaged Property comply with all applicable statutes, rules, and regulations, including all applicable statutes, rules, and regulations pertaining to requirements for equal opportunity, anti-discrimination, fair housing, environmental protection, zoning, and land use ("legal non-conforming" status with respect to uses or structures will be considered to comply with zoning and land use requirements for the purposes of this representation).
- (b) The Improvements comply with applicable health, fire, and building codes.
- (c) Neither Borrower nor any Property Manager has knowledge of any illegal activities relating to controlled substances on any Mortgaged Property.

- (d) No Mortgaged Property is (a) zoned for, or being used for, any purpose other than a one to four unit single-family residential or residential condominium occupancy, (b) an assisted living facility, or (c) subject to any rent control, rent stabilization or similar law limiting, or placing conditions upon, the amount of rent that can be charged under a Lease or the ability of a landlord to decline the renewal or extension of a Lease.
- 5.08 Access; Utilities; Tax Parcels.** Each Mortgaged Property: (a) has ingress and egress via a publicly dedicated right of way or via an irrevocable easement permitting ingress and egress, (b) is served by public utilities and services generally available in the surrounding community or otherwise appropriate for the current use of such Mortgaged Property, and (c) constitutes one or more separate tax parcels.
- 5.09 Licenses and Permits; Property Documents.** Borrower is in possession of all material licenses, permits and authorizations required for use of each Mortgaged Property, which are valid and in full force and effect as of the Effective Date. The uses being made of each Mortgaged Property are in conformity in all material respects with all such licenses and permits and all Property Documents for such Property. The certificate of occupancy for each Mortgaged Property does not permit the use of such Property for any purpose other than as a one to four unit single-family residential home or residential condominium.
- 5.10 No Other Interests.** No Person has (a) any possessory interest in any Mortgaged Property or right to occupy any Mortgaged Property except under the provisions of existing Leases by and between tenants and Borrower, or (b) an option to purchase any Mortgaged Property or an interest in any Mortgaged Property, except as has been disclosed to and approved in writing by Lender. No Person has any direct ownership interest in Borrower other than the Pledgor who has executed the Pledge Agreement in favor of Lender.
- 5.11 Leasing.**
- (a) Each Property is either (i) leased by Borrower to and occupied by an Eligible Tenant pursuant to an Eligible Lease that is in full force and effect and is not in default in any material respect or (ii) in lease ready condition, meaning that the Mortgaged Property has been cleaned, no renovations or repairs to the Mortgaged Property are needed and the Mortgaged Property is immediately available to be leased to an Eligible Tenant.
- (b) No Loan Party, Affiliate of any Loan Party or any Immediate Family Member of any of the foregoing is in occupancy of a Mortgaged Property.
- (c) Borrower has delivered to Lender true and complete copies of all Leases, and there are no material oral agreements with respect thereto.
- (d) To Borrower's and each Property Manager's knowledge, each Mortgaged Property is being used exclusively as a residential rental property and no illegal activity is taking place at any Mortgaged Property.
- (e) No Person has any option, right of first refusal, or any similar preferential right to purchase all or any portion of any Mortgaged Property, whether pursuant to Lease or any other recorded or unrecorded document.
- (f) Borrower has maintained records of all documentation collected and all diligence performed in connection with any current or prospective tenant.
- 5.12 No Prior Assignment; Prepayment of Rents.** Borrower has (a) not executed any prior assignment of Rents (other than an assignment of Rents securing any prior indebtedness that is being assigned to Lender or that is being paid off and discharged with the proceeds of the Loan), and (b) not performed any acts and has not executed, and will not execute, any instrument which would prevent Lender from exercising its rights under any Loan Document. At the time of execution of this Loan Agreement there has been no prepayment of any Rents for more than 30 days prior to the due dates of such Rents other than the last month's Rent, if collected at the time a tenant enters into a Lease.

- 5.13 Illegal Activity.** No portion of any Mortgaged Property has been or will be purchased with the proceeds of any illegal activity.
- 5.14 Taxes and Other Charges Paid.** Borrower has filed all federal, state, county, and municipal tax returns required to have been filed by Borrower, and has paid all Taxes and Other Charges which have become due pursuant to such returns or to any notice of assessment received by Borrower, and Borrower has no knowledge of any basis for additional assessments with respect to such Taxes or Other Charges. To the best of Borrower's knowledge after due inquiry and investigation, there are not presently pending any special assessments against any Mortgaged Property or any part of any Mortgaged Property.
- 5.15 Title Exceptions.** To the best of Borrower's knowledge after due inquiry and investigation, none of the items shown in the schedule of exceptions to coverage in the title insurance policy issued to and accepted by Lender contemporaneously with the execution of this Loan Agreement and insuring Lender's interest in each Mortgaged Property ("**Permitted Encumbrances**") will have a Material Adverse Effect on the: (a) ability of Borrower to pay the Loan in full, (b) ability of Borrower to use all or any part of a Mortgaged Property in the manner in which the Mortgaged Property is being used on the Effective Date, (c) operation of any Mortgaged Property as a residential rental property, or (d) value of any Mortgaged Property.
- 5.16 No Change in Facts or Circumstances.**
- (a) All information in the application for the Loan submitted to Lender, including all financial statements for the Mortgaged Properties, Borrower, and any Borrower Principal, and all Rent Schedules, reports, certificates, and any other documents submitted in connection with the application (collectively, "**Loan Application**") is complete and accurate in all material respects as of the date such information was submitted to Lender.
 - (b) There has been no change in any fact or circumstance since the Loan Application was submitted to Lender that would make any information submitted as part of the Loan Application materially incomplete or inaccurate.
- 5.17 ERISA - Borrower Status.**
- (a) Borrower is not an "investment company," or a company under the Control of an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.
 - (b) Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA or a "plan" to which Section 4975 of the Tax Code applies, and the assets of Borrower do not constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.
 - (c) Borrower is not a "governmental plan" within the meaning of Section 3(32) of ERISA, and is not subject to state statutes regulating investments or fiduciary obligations with respect to governmental plans.
- 5.18 No Fraudulent Transfer or Preference.** No Borrower or Borrower Principal has taken or will take any of the following actions:
- (a) Transfer of an interest in the property of Borrower or Borrower Principal to or for the benefit of Lender or otherwise as security for any of the obligations under the Loan Documents which is or could constitute a voidable preference under federal bankruptcy, state insolvency or similar applicable creditors' rights laws.
 - (b) Transfer of (including any Transfer to or for the benefit of an insider under an employment contract) an interest of Borrower or any Borrower Principal in property which is or could constitute a voidable preference under federal bankruptcy, state insolvency or similar applicable creditors' rights laws.

- (c) Incur any obligation (including any obligation to or for the benefit of an insider under an employment contract) which is or could constitute a fraudulent transfer under federal bankruptcy, state insolvency or similar applicable creditors' rights laws.

5.19 No Insolvency or Judgment.

- (a) No Borrower or Borrower Principal is (i) the subject of or a party to (other than as a creditor) any completed or pending bankruptcy, reorganization or insolvency proceeding, or (ii) the subject of any unsatisfied judgment that is of record or docketed in any court located in the United States.
- (b) Borrower is not presently insolvent, and the Loan will not render Borrower insolvent. As used in this Section 5.19, the term "**insolvent**" means that the total of all of a Person's liabilities (whether secured or unsecured, contingent or fixed, or liquidated or unliquidated) is in excess of the value of all of the assets of the Person that are available to satisfy claims of creditors.

5.20 Working Capital. After the Loan is made, Borrower intends to have sufficient working capital, including cash flow from the Mortgaged Properties or other sources, to (a) adequately maintain the Mortgaged Properties, and (b) to pay all of Borrower's outstanding debts as they come due (other than any balloon payment due upon the maturity of the Loan). Lender acknowledges that no members or partners of Borrower or any Borrower Principal will be obligated to contribute equity to Borrower for purposes of providing working capital to maintain the Mortgaged Properties or to pay Borrower's outstanding debts except as may otherwise be required under their organizational documents.

5.21 Regulatory Agreement. No Mortgaged Property is subject to a Regulatory Agreement.

5.22 Commercial Purpose; No Right to Residency. Borrower represents that Borrower is incurring the Indebtedness solely for the purpose of carrying on a business or commercial enterprise, and not for consumer, personal, family, household or agricultural purposes.

5.23 Prohibited Parties Lists and AML Laws.

- (a) Neither Borrower, and to the best of Borrower's knowledge after due inquiry and investigation, no Borrower Principal or Non-U.S. Equity Holder:
 - (i) is identified on the OFAC Lists.
 - (ii) has been convicted of a violation of the AML Laws or been the subject of a final enforcement action relating to the AML Laws.
 - (iii) Is the subject of any pending proceedings for any violation of the AML Laws.
- (b) Borrower is not listed, and to the best of Borrower's knowledge after due inquiry and investigation, no Borrower Principal is listed, on the FHFA SCP List.

5.24 Internal Controls. Borrower has in place, and to the best of Borrower's knowledge after due inquiry and investigation, Borrower has determined that each Borrower Principal has in place, practices and procedures for the admission of investors which prevent the admission of:

- (a) Any investor that is in violation of any criminal or civil law or regulation intended to prevent money laundering or the funding of terrorist or illegal drug trafficking activities.
- (b) Any Person that will have a 25% or more ownership interest in Borrower (whether directly or indirectly) that is on the Prohibited Parties Lists.
- (c) Any Non-U.S. Equity Holder that is on the OFAC Lists.

5.25 Crowdfunding. Except as has been disclosed in writing to and approved in writing by Lender, no direct or indirect ownership (or other economic) interest of 25% or more in the aggregate in Borrower or any Borrower Principal has been marketed or sold to investors through any form of Crowdfunding.

- 5.26 Organizational Structure.** The organizational chart attached as Exhibit D accurately represents the ownership and control of Borrower, Pledgor and Guarantor (if an entity).
- 5.27 Survival.** The representations and warranties set forth in this Loan Agreement will survive until the Indebtedness is paid in full; however, the representations and warranties set forth in Section 5.05 will survive beyond repayment of the entire Indebtedness, as provided in Sections 9.02(b) and 9.02(h).

ARTICLE VI BORROWER COVENANTS.

- 6.01 Compliance with Laws.** Borrower will at all times comply with all laws, ordinances, rules, regulations, and requirements of any Governmental Authority having jurisdiction over any Mortgaged Property and with the terms of all licenses and permits and all recorded covenants and agreements relating to or affecting any Mortgaged Property, including all laws, ordinances, regulations, requirements, and covenants pertaining to health and safety, construction of improvements on a Mortgaged Property, Repairs, Capital Replacements, fair housing, disability accommodation, zoning and land use, applicable building codes, special use permits, environmental regulations, Leases, and the maintenance and disposition of tenant security deposits. Borrower will at all times take appropriate measures to prevent, and will not engage in or knowingly permit, any illegal activities at or on any Mortgaged Property, including those that could endanger tenants or visitors, result in damage to any Mortgaged Property, result in forfeiture of any Mortgaged Property, or otherwise materially impair the Lien created by the Security Instrument or Lender's interest in any Mortgaged Property. Borrower will at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 6.01.
- 6.02 Compliance with Organizational Documents.** Borrower will at all times comply with all laws, regulations and requirements of any Governmental Authority relating to Borrower's formation, continued existence and good standing in its state of formation and, if different, in the Mortgaged Property Jurisdiction. Borrower will at all times comply with its organizational documents.
- 6.03 Use of Mortgaged Property.** Unless required by applicable law, without the prior written consent of Lender, Borrower will not take any of the following actions:
- (a) Allow any Mortgaged Property to be used for any purpose other than a residential rental property.
 - (b) Initiate or acquiesce to a change in the zoning classification of any Mortgaged Property.
 - (c) Establish any condominium or cooperative regime with respect to any Mortgaged Property beyond any that may be in existence on the Effective Date.
 - (d) Combine all or any part of any Mortgaged Property with all or any part of a tax parcel which is not part of such Mortgaged Property.
 - (e) Subdivide or otherwise split any tax parcel constituting all or any part of any Mortgaged Property.
 - (f) Add to or change any location at which any of any collateral for the Loan is stored, held or located unless Borrower (A) gives Notice to Lender within 30 days after the occurrence of such addition or change, (B) executes and delivers to Lender any modifications of or supplements to this Loan Agreement that Lender may require, and (C) authorizes the filing of any financing statement or amendment which may be filed in connection with this Loan Agreement, as Lender may require.
 - (g) Permit any Mortgaged Property to be subject to a Regulatory Agreement.

6.04 Leasing.

- (a) Borrower will not permit the occupancy of any Property other than pursuant to an Eligible Lease with an Eligible Tenant.
- (b) Borrower or Property Manager will maintain records of all documentation collected and all diligence performed in connection with any Tenant and Borrower will provide any such items to Lender upon Lender's request, including at least one of the following:
 - (i) A credit report from a national credit reporting agency on each Eligible Tenant (except that no such credit report will be required for any tenant of a Mortgaged Property where the Lease payment is subsidized with Section 8 vouchers in accordance with HUD guidelines).
 - (ii) Other evidence that Borrower or Property Manager has verified, based on bona fide written documentation, that the tenant has sufficient financial resources to satisfy its obligations under the Lease for the Mortgaged Property.
- (c) Borrower will not permit a Related Party or any Immediate Family Member of a Related Party to occupy any Mortgaged Property.
- (d) Borrower will perform the obligations of the lessor under all Leases, and will enforce, in a commercially reasonable manner, the obligations of the Tenants under such Leases.
- (e) Borrower will not grant or permit Property Manager to grant any tenant or other Person an option, right of first refusal, or any similar preferential right to purchase all or any portion of any Mortgaged Property, whether pursuant to a Lease or any other recorded or unrecorded document.

6.05 Prepayment of Rents. Borrower will not collect any Rent more than 30 days in advance of its due date; provided, that the foregoing restriction will not prevent Borrower from collecting both the first and last month's rent contemporaneously with the execution of a Lease in accordance with customary residential leasing practices.

6.06 Inspection. Borrower authorizes Lender and its agents, representatives, and designees to enter, at any reasonable time (subject to applicable law and the rights of tenants), any portion of any Mortgaged Property to inspect, attend to Lender's interests, and perform any of the acts that Lender is authorized to perform pursuant to the Loan Documents, including with respect to Restoration, Repairs, and Capital Replacements.

6.07 Books and Records; Financial Reporting.

- (a) Maintenance of Books and Records.
 - (i) Borrower will keep and maintain at all times at Borrower's main business office or a Mortgaged Property Manager's office, and upon Lender's request will make available at such office, complete and accurate books of account and records (including copies of supporting bills and invoices) adequate to reflect correctly the operation of the Mortgaged Properties, and copies of all written contracts, Leases, and other instruments that affect any Mortgaged Property ("**Books and Records**").
 - (ii) The Books and Records will be kept in accordance with one of the following accounting methods, consistently applied, and Borrower will promptly provide Lender Notice of any change in Borrower's accounting methods:
 - (A) Generally accepted accounting principles (GAAP).

- (B) Tax method of accounting, provided that under the tax method of accounting, the accrual basis may be used for interest expense, real estate taxes and insurance expense, and the cash basis will be used for all other items, including income, prepaid rent, utilities and payroll expense. Financial statements may exclude depreciation and amortization.
 - (C) Such other method that is acceptable to Lender.
- (iii) The Books and Records will be subject to examination and inspection by Lender at any reasonable time with or without prior Notice to Borrower.
- (b) Delivery of Borrower Financial Information - Annual Requirements. Within 90 days after the end of each calendar year (or the end of Borrower's fiscal year, if Borrower has adopted fiscal year financial reporting), Borrower will deliver to Lender an annual statement of income and expenses for Borrower's operation of the Mortgaged Properties.
- (c) Delivery of Borrower Financial Information - Quarterly Requirement. Within 25 days after the end of each calendar quarter each year (or the end of the second quarter of Borrower's fiscal year, if Borrower has adopted fiscal year financial reporting), Borrower will deliver the following to Lender:
- (i) a Rent Schedule dated no earlier than the date that is 5 days prior to the end of such quarter.
 - (ii) a quarterly statement of income and expenses for Borrower's operation of the Mortgaged Properties.
- (d) Delivery of Borrower Financial Information - When Requested by Lender. Within 25 days following a Notice from Lender including a request for such information, Borrower will deliver the following to Lender:
- (i) The Rent Schedule for any period specified by Lender.
 - (ii) A statement of income and expenses for Borrower as of the end of (A) the quarter that ended at least 30 days prior to the due date of the requested item, and/or (B) the fiscal year that ended at least 90 days prior to the due date of the requested item.
 - (iii) A balance sheet showing all assets and liabilities of Borrower as of the end of (A) the quarter that ended at least 30 days prior to the due date of the requested item, and/or (B) the fiscal year that ended at least 90 days prior to the due date of the requested item.
 - (iv) An accounting of all security deposits held pursuant to all Leases, including the name of the institution (if any) and the names and identification numbers of the accounts (if any) in which such security deposits are held and the name of the person to contact at such financial institution, along with any authority or release necessary for Lender to access information regarding such accounts.
 - (v) A property management report for the Mortgaged Properties, showing the number of inquiries made and rental applications received from tenants or prospective tenants and deposits received from tenants for any period specified by Lender.
 - (vi) Copies of Borrower's state and federal tax returns, including current tax return extensions.
 - (vii) Written updates on the status of all litigation proceedings that were disclosed or should have been disclosed by Borrower to Lender either (A) as of the Effective Date or (B) during the term of the Loan pursuant to Section 6.16.

- (viii) A statement that identifies all owners of any direct interest in Borrower and any Person(s) that Control(s) Borrower (except that the statement need not identify the owners of a publicly-traded entity). The statement must identify the percentage and type of ownership or Control interest held by each Person and must also identify any Non-U.S. Equity Holders.
- (ix) Such other financial information or property management information as Lender may require (including information on tenants under Leases if such information is available to Borrower and copies of bank account statements from financial institutions where funds owned or controlled by Borrower are maintained).
- (e) Delivery of Guarantor or Pledgor's Financial Information - When Requested by Lender. Within 25 days following a Notice from Lender including a request for such information, Borrower will cause Guarantor or Pledgor, as applicable, to deliver the following to Lender:
 - (i) Its balance sheet and profit and loss statement (or if such party is a natural person, such party's personal financial statements) as of the end of (A) the quarter that ended at least 30 days prior to the due date of the requested items, and/or (B) the fiscal year that ended at least 90 days prior to the due date of the requested items.
 - (ii) Other financial statements as Lender may reasonably require.
 - (iii) Written updates on the status of all litigation proceedings that Guarantor or Pledgor, as applicable, disclosed or should have disclosed to Lender as of the Effective Date.
 - (iv) If an Event of Default has occurred and is continuing, copies of Guarantor's or Pledgor's, as applicable, state and federal tax returns, including current tax return extensions.
- (f) Form of Financial Statements. All financial statements required under this Agreement should be prepared using the template available from Lender, which may be revised from time to time, or in a format otherwise acceptable to Lender.
- (g) Certification of Statements; Audited Financials. A natural person having authority to bind Borrower, Guarantor, or Pledgor, as applicable, will certify each of the statements, schedules and reports required by Sections 6.07(b)-(f) to be complete and accurate. Each of the statements, schedules and reports required by Sections 6.07(b)-(f) will be in such form and contain such detail as Lender may reasonably require. At any time when an Event of Default has occurred and is continuing, or at any time that Lender determines that audited financial statements are required for an accurate assessment of the financial condition of Borrower or the Mortgaged Properties, Lender also may require that any of the statements, schedules or reports listed in Sections 6.07(b)-(f) be audited at Borrower's expense by an independent certified public accountant acceptable to Lender.
- (h) Failure to Timely Provide Financial Statements. If Borrower fails to provide in a timely manner the statements, schedules and reports required by Sections 6.07(b)-(f), then Lender will give Notice to Borrower specifying the statements, schedules and reports required by Sections 6.07(b)-(f) that Borrower has failed to provide. If Borrower has not provided the required statements, schedules and reports within 10 Business Days following such Notice, then (i) Borrower will pay a late fee of \$500 for each late statement, schedule or report, plus an additional \$500 per month that any such statement, schedule or report continues to be late, and (ii) Lender will have the right to have Borrower's Books and Records audited, at Borrower's expense, by an independent certified public accountant acceptable to Lender.
- (i) Reporting Upon Event of Default. If an Event of Default has occurred and is continuing, then Borrower will deliver to Lender upon written demand all Books and Records and other instruments that affect the Mortgaged Properties.
- (j) Credit Reports. Borrower authorizes Lender to obtain a credit report on Borrower at any time.

6.08 Taxes; Operating Expenses.

- (a) Payment of Taxes and Other Charges. Subject to the provisions of Section 6.08(c), Borrower will pay or cause to be paid all Taxes and Other Charges when due and before the addition of any interest, fine, penalty or cost for nonpayment.
- (b) Payment of Operating Expenses and Insurance Premiums. Subject to the provisions of Section 6.08(d), Borrower will (i) pay the expenses of operating, managing, maintaining and repairing the Mortgaged Properties (including utilities, Repairs and Capital Replacements) before the last date upon which each such payment may be made without any penalty or interest charge being added, and (ii) pay Insurance premiums prior to the expiration date of each policy of Insurance.
- (c) Payment of Taxes and Reserve Funds. If Lender is collecting Tax Reserves pursuant to Article IV, then so long as no Event of Default exists, Borrower will not be obligated to pay Taxes, but only if Lender holds sufficient Tax Reserves and Borrower has timely delivered to Lender any bills or notices that it has received with respect to Taxes. Lender will have no liability to Borrower for failing to pay any Taxes if any of the following conditions exist: (i) any Event of Default has occurred and is continuing, (ii) Lender holds insufficient Tax Reserves at the time a Tax becomes due and payable, or (iii) Borrower has failed to provide Lender with bills and notices as provided in this Section 6.08.
- (d) Payment of Insurance and Reserve Funds. If Lender is collecting Insurance Reserves pursuant to Article IV, then so long as no Event of Default exists, Borrower will not be obligated to pay Insurance premiums but only if Lender holds sufficient Insurance Reserve Deposits and Borrower has timely delivered to Lender any bills or premium notices that it has received with respect to Insurance premiums. Lender will have no liability to Borrower for failing to pay any Insurance premiums if any of the following conditions exist: (i) any Event of Default has occurred and is continuing, (ii) Lender holds insufficient Insurance Reserve Deposits at the time an Insurance premium becomes due and payable, or (iii) Borrower has failed to provide Lender with bills and premium notices as provided in this Section 6.08.
- (e) Payment of HOA Fees and Reserve Funds. If Lender is collecting HOA Reserves pursuant to Article IV, then so long as no Event of Default exists, Borrower will not be obligated to pay HOA Fees for the applicable Mortgaged Properties but only if Lender holds sufficient HOA Reserve Deposits and Borrower has timely delivered to Lender any bills or invoices that it has received with respect to HOA Fees. Lender will have no liability to Borrower for failing to pay any HOA Fees if any of the following conditions exist: (i) any Event of Default has occurred and is continuing, (ii) Lender holds insufficient HOA Reserve Deposits at the time an HOA Fee becomes due and payable, or (iii) Borrower has failed to provide Lender with bills and invoices as provided in this Section 6.08.
- (f) Right to Contest. Borrower, at its own expense, may contest by appropriate legal proceedings, conducted diligently and in good faith, the amount or validity of Taxes or Other Charges, if: (i) Borrower notifies Lender of the commencement or expected commencement of such proceedings, (ii) no Mortgaged Property is in danger of being sold or forfeited, (iii) if Borrower has not already paid the Taxes or Other Charges, Borrower deposits with Lender reserves sufficient to pay the contested Taxes or Other Charges, if requested by Lender, and (iv) Borrower furnishes whatever additional security is required in the proceedings or is reasonably requested by Lender, which may include the delivery to Lender of reserves established by Borrower to pay the contested Taxes or Other Charges.

6.09 Preservation, Management, and Maintenance of Mortgaged Property.

- (a) Maintenance of Mortgaged Property; No Waste. Borrower will keep each Mortgaged Property in good repair, including replacing Personalty and Fixtures with items of equal or better function and quality. Borrower will not commit waste or permit impairment or deterioration of any Mortgaged Property.

- (b) Abandonment of Mortgaged Property. Borrower will not abandon any Mortgaged Property.
- (c) Preservation of Mortgaged Property.
 - (i) Borrower will promptly restore or repair, in a good and workmanlike manner, any damaged part of any Mortgaged Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, whether or not Insurance proceeds or Condemnation awards are available to cover any costs of such Restoration or Repair; provided, however, that Borrower will not be obligated to perform such Restoration or Repair if (A) no Event of Default has occurred and is continuing, and (B) Lender has elected to apply any available Insurance proceeds and/or Condemnation awards to the payment of Indebtedness pursuant to Section 6.10(j) or Section 6.11(b).
 - (ii) Borrower will give Notice to Lender of and, unless otherwise directed in writing by Lender, will appear in and defend any action or proceeding purporting to affect the Mortgaged Property, Lender's security or Lender's rights under this Loan Agreement.
- (d) Alteration of Mortgaged Property - Consent Required. Before taking any of the following actions (or permitting any tenant or other Person to take any of the following actions, Borrower must have the prior written consent of Lender:
 - (i) Converting any residential unit or common area to non-residential use.
 - (ii) Converting, in whole or in part, any income producing unit to a non-income producing unit.
 - (iii) Displacing or relocating tenants to undertake or complete any Repair, Capital Replacement, or other Property Improvements, unless such displacement or relocation is required by law.
 - (iv) Removing, demolishing or altering any Mortgaged Property or any part of any Mortgaged Property, including any removal, demolition, or alteration occurring in connection with a rehabilitation of all or part of any Mortgaged Property.
 - (v) Modifying the number of bedrooms in any residential unit.
- (e) Alteration of Mortgaged Property - Consent Not Required. Notwithstanding Section 6.09(d)(iv), Borrower may undertake, or permit a Tenant to undertake, any of the following without the prior written consent of Lender.
 - (i) Repairs and Capital Replacements.
 - (ii) Replacement of tangible Personalty.
 - (iii) Making an individual unit ready for a new occupant.
 - (iv) Preservation and maintenance of a Mortgaged Property in accordance with Sections 6.09(a) and (d).
 - (v) Alterations intended to renovate or upgrade the Mortgaged Property ("**Property Improvement**"), provided the Property Improvement complies with Section 6.14 and it does not:
 - (A) Include any of the actions listed in Sections 6.09(d)(i)-(iii) or (v).

- (B) Require demolition of any existing Improvements.
- (C) Cause a permanent obstruction of tenants' access to units or a temporary obstruction of tenants' access to units without a reasonable alternative access provided during the period the Property Improvement is underway.
- (D) Have an adverse effect on any major building systems, including the following:
 - (1) Electrical (electrical lines or power upgrades, excluding fixture replacement).
 - (2) HVAC (central and unit systems, excluding replacement of in kind unit systems).
 - (3) Plumbing (supply and waste lines, excluding fixture replacement).
 - (4) Structural (foundation, framing, and all building support elements).
- (f) Property Documents. Borrower will observe and perform in all material respects each term to be observed or performed by Borrower pursuant to the terms of each Property Document. Borrower will enforce in a commercially reasonable manner the performance and observance of Property Document, will do all things reasonably necessary to preserve and to keep unimpaired its material rights thereunder and cause each Mortgaged Property to be operated in accordance therewith. Borrower will not, without the prior written consent of Lender, consent to the increase of the amount of any charges under any Property Document or the reduction of any material right thereunder. During the continuance of an Event of Default Borrower will not exercise any rights, make any decisions, grant any approvals or otherwise take any action under the Property Documents without Lender's prior written consent.
- (g) Inspection of Mold. If Lender determines that Mold has or may have developed as a result of a water intrusion event or leak, then Lender may require that a professional inspector inspect the applicable Mortgaged Property to confirm whether Mold has developed and, if so, thereafter as frequently as Lender determines is necessary until any issue with Mold and its cause(s) are resolved to Lender's satisfaction. Such inspection will be limited to a visual and olfactory inspection of the area that has experienced the Mold, water intrusion event or leak. Borrower will be responsible for the cost of each such professional inspection and any remediation deemed to be necessary as a result of the professional inspection.
- (h) Property Management. Borrower will provide for professional management of the Mortgaged Properties by one or more Property Managers at all times under property management agreements approved by Lender in writing. Without Lender's prior consent, Borrower will not cancel or modify any property management agreement, except that Borrower and a Property Manager may renew a property management agreement on identical terms. Borrower will cause each Property Manager to execute an Assignment of Management Agreement with Borrower and Lender, in a form acceptable to Lender. If at any time Lender consents to the appointment of one or more new Property Managers, each such new Property Manager(s) and Borrower will, as a condition of Lender's consent, execute an Assignment of Management Agreement in a form acceptable to Lender. As of the Effective Date, Borrower has confirmed that each Property Manager is not on any Prohibited Parties List. Borrower will confirm at the time of entering into or renewing any property management agreement that each Property Manager is not on any Prohibited Parties List.

6.10 Insurance.

- (a) Insurance Covenant. Borrower will at all times during the term of this Loan Agreement maintain, at its sole expense, for the mutual benefit of Borrower and Lender, Insurance as required by Lender and applicable law, with such endorsements as Lender may reasonably require from time to time and which are customarily required by institutional lenders for properties comparable to the Mortgaged Properties.

- (b) Property Insurance. Borrower will maintain Insurance against relevant physical hazards that may cause damage to the Mortgaged Properties, which Insurance will include coverage against loss or damage from fire, wind, hail, and other perils within the scope of a “Special Causes of Loss” policy form, an “All Risk” policy form, or a standard fire insurance policy with a customary extended coverage endorsement that includes replacement cost valuation, business income/rental value for all relevant perils, and flood (if any of the Improvements are located in an area identified by the Federal Emergency Management Agency, or any successor to that agency, as a “Special Flood Hazard Area”) (collectively, “**Property Insurance**”). Property Insurance may also include coverage for other risks that Lender may reasonably require such as earthquake, Named Storm, sinkhole, mine subsidence, and ordinance or law (if any Mortgaged Property does not conform with applicable building, zoning or land use laws, rules or regulations).
- (c) Liability Insurance. Borrower will maintain commercial general liability Insurance, which may include workers’ compensation Insurance, and such other liability, errors and omissions, and fidelity Insurance coverage.
- (d) Builder’s Risk. During any period of construction or Restoration, Borrower will maintain builder’s risk Insurance, including fire and other perils within the scope of a policy known as “Causes of Loss – Special Form” or “All Risk” policy.
- (e) Payment of Premiums. All premiums for Insurance required under this Section 6.10 will be paid in the manner provided in Article IV and Section 6.08, unless Lender has designated in writing another method of payment.
- (f) Policy Requirements. The following requirements apply with respect to all Insurance required by this Section 6.10:
 - (i) All Insurance policies will be with one or more insurance companies that are satisfactory to Lender, in a form and with the terms required by Lender, and in amounts and with maximum deductibles as required by Lender.
 - (ii) All Property Insurance policies will contain a standard mortgagee or mortgage holder’s clause with loss payable to, and in favor of, and in a form approved by, Lender.
 - (iii) All commercial general liability and excess umbrella liability policies will name Lender and its successors and assigns as an additional insured party.
 - (iv) All Property Insurance policies will provide that the insurer will notify Lender in writing of cancellation of policies at least 10 days before the cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal and at least 30 days before cancellation by the insurer for any other reason.
- (g) Evidence of Insurance; Insurance Policy Renewals. Borrower will deliver to Lender a legible copy of each Insurance policy, and Borrower will promptly deliver to Lender a copy of all renewal, nonrenewal, cancellation, and other notices received by Borrower with respect to the policies. Borrower will ensure that the Mortgaged Properties are continuously covered by the required Insurance. Prior to the expiration date of each Insurance policy, Borrower will deliver to Lender evidence acceptable to Lender that each Insurance policy has been renewed. If the evidence of a renewal does not include a legible copy of the renewal policy, then Borrower will deliver a legible copy of such renewal policy no later than the earlier of (i) 60 days after the expiration date of the original policy or (ii) the date of any Notice of an insured loss given to Lender under Section 6.10(i).

- (h) Compliance With Insurance Requirements. Borrower will comply with all Insurance requirements and will not permit any condition to exist on any Mortgaged Property that would invalidate any part of any Insurance coverage required under this Loan Agreement.
- (i) Obligations Upon Casualty; Proof of Loss.
 - (i) If an insured loss occurs, then Borrower will give immediate written Notice to the Insurance carrier and to Lender.
 - (ii) Borrower will promptly restore or repair the Mortgaged Property to the equivalent of its original condition or to a condition approved by Lender (“**Restoration**”), subject to the limitations of Section 6.09(c)(i).
 - (iii) Borrower authorizes and appoints Lender as attorney in fact for Borrower to make proof of loss, to adjust and compromise any claims under policies of Property Insurance, to appear in and prosecute any action arising from such Property Insurance policies, to collect and receive the proceeds of Property Insurance, to hold the proceeds of Property Insurance, and to deduct from such proceeds Lender’s expenses incurred in the collection of such proceeds. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 6.10 will require Lender to incur any expense or take any action.
- (j) Lender’s Options Following a Casualty. Following a casualty, Lender may, at Lender’s option, do any of the following:
 - (i) Require a “repair or replacement” settlement, in which case the proceeds will be used to reimburse Borrower for the cost of Restoration. If Lender determines to require a repair or replacement settlement and to apply Insurance proceeds to Restoration, Lender will apply the proceeds in accordance with Lender’s then-current policies relating to the Restoration of casualty damage on similar residential properties. If Lender retains a professional inspection engineer or other qualified third party to inspect any Restoration items, Lender may charge Borrower an amount sufficient to pay all reasonable costs and expenses charged by such third-party inspector.
 - (ii) Require an “actual cash value” settlement, in which case the proceeds may be applied to the payment of the Indebtedness, whether or not then due.
 - (iii) If, in Lender’s discretion, the cost of Restoration following a casualty will equal or exceed 50% of the Release Amount, then Lender may require Borrower to Transfer the Mortgaged Property to a third-party and pay down the Indebtedness by an amount equal to the Release Amount plus all interest amounts required under the Note in accordance with Section 7.05(b) of this Agreement. If Lender elects to exercise its option under this Section 6.10(j)(iii), then Lender will provide Borrower with Notice that the Mortgaged Property must be Transferred in accordance with Section 7.05(b) no later than 30 days following the date of the Notice.
- (k) Borrower’s Rights Following a Casualty. Subject to Section 6.10(j), and provided no Event of Default has occurred and is continuing, following a casualty, Borrower may take the following actions:
 - (i) If a casualty results in damage to any Mortgaged Property for which the cost of Repairs required to complete the Restoration will be equal to or less than \$20,000, Borrower will have the sole right to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of Lender so long as the Insurance proceeds are used solely for the Restoration of the applicable Mortgaged Property.

- (ii) If a casualty results in damage to any Mortgaged Property for which the cost of Repairs required to complete the Restoration will be more than \$20,000, but less than 50% of the Release Amount for the Mortgaged Property, Borrower is authorized to make proof of loss and adjust and compromise the claim without the prior consent of Lender, and Lender will, at its option, hold the applicable Insurance proceeds to be used to reimburse Borrower for the cost of Restoration of the Mortgaged Property.
- (iii) If a casualty results in damage to the Mortgaged Property for which the cost of Repairs required to complete the Restoration will be equal to or greater than 50% of the Release Amount for the Mortgaged Property, Borrower must obtain the consent of Lender prior to making any proof of loss or adjusting or compromising the claim, and Lender will, at its option, hold the applicable Insurance proceeds to be used to reimburse Borrower for the cost of Restoration of the Mortgaged Property.
- (l) Lender's Succession to Insurance Policies. If any Mortgaged Property is sold at a foreclosure sale or Lender acquires title to a Mortgaged Property, then Lender will automatically succeed to all rights of Borrower in and to any Insurance policies and unearned Insurance premiums and in and to the proceeds resulting from any damage to such Mortgaged Property prior to such sale or acquisition.
- (m) Payments After Application of Insurance Proceeds. Unless Lender otherwise agrees in writing, any application of any Insurance proceeds to the Indebtedness will not extend or postpone the due date, or change the amount, of any monthly payments referred to in the Note or Article IV of this Loan Agreement.
- (n) Assignment of Insurance Proceeds. Borrower agrees to execute such further evidence of assignment of any Insurance proceeds as Lender may require.
- (o) Borrower Acknowledgment of Lender's Right to Change Insurance Requirements. Borrower acknowledges and agrees that Lender's Insurance requirements may change from time to time throughout the term of the Indebtedness to include coverage for the kind of risks customarily insured against and in such minimum coverage amounts and maximum deductibles as are generally required by institutional lenders for properties comparable to the Mortgaged Properties.
- (p) Blanket Policy. The Insurance coverage required by this Section 6.10 may be effected under a blanket policy or policies covering all the Mortgaged Properties if such blanket policy has been approved in advance by Lender.

6.11 Condemnation.

- (a) Borrower's Obligations Generally. Borrower will promptly notify Lender in writing of any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of any Mortgaged Property, whether direct or indirect ("**Condemnation**"). Borrower will appear in, and prosecute or defend any action or proceeding relating to any Condemnation unless otherwise directed by Lender in writing. Borrower authorizes and appoints Lender as attorney in fact for Borrower to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any Condemnation and to settle or compromise any claim in connection with any Condemnation, after consultation with Borrower and consistent with commercially reasonable standards of a prudent lender. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 6.11(a) will require Lender to incur any expense or take any action. Borrower transfers and assigns to Lender all right, title and interest of Borrower in and to any award or payment with respect to (i) any Condemnation, or any conveyance in lieu of Condemnation, and (ii) any damage to any Mortgaged Property caused by governmental action that does not result in a Condemnation. Borrower agrees to execute such further evidence of assignment of any Condemnation awards or proceeds as Lender may require.

- (b) Lender's Options Following a Condemnation.
- (i) Following a Condemnation, Lender may, at Lender's option, (i) hold the Condemnation award or proceeds to be used to reimburse Borrower for the cost of Restoration of the Mortgaged Property, or (ii) apply the Condemnation award or proceeds to the payment of the Indebtedness, whether or not then due. Unless Lender otherwise agrees in writing, any application of any Condemnation award to the Indebtedness will not extend or postpone the due date, or change the amount, of any monthly payments referred to in the Note or Article IV of this Loan Agreement.
 - (ii) If, in Lender's discretion, the cost of Restoration following a Condemnation will exceed 50% of the Release Amount, then Lender may require Borrower to Transfer the Mortgaged Property to a third-party and pay down the Indebtedness by an amount equal to the Release Amount plus all interest amounts required under the Note in accordance with Section 7.05 (b) of this Agreement.
 - (iii) If Lender elects to exercise its option under Section 6.11(b)(ii), then Lender will provide Borrower with Notice that the Mortgaged Property must be Transferred in accordance with Section 7.05(b) no later than 30 days following the date of the Notice.
- (c) Borrower's Rights Following a Casualty. Subject to Section 6.11, and provided no Event of Default has occurred and is continuing, then following a Condemnation, Borrower may take the following actions:
- (i) If a Condemnation results in proceeds or awards of \$20,000 or less, Borrower will have the sole right to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of Lender so long as the Insurance proceeds are used solely for the Restoration of the applicable Mortgaged Property.
 - (ii) If a Condemnation results in proceeds or awards of more than \$20,000, but less than 50% of the Release Amount for the Mortgaged Property, Borrower is authorized to make proof of loss and adjust and compromise the claim without the prior consent of Lender, and Lender will, at its option, hold the applicable Insurance proceeds to be used to reimburse Borrower for the cost of Restoration of the applicable Mortgaged Property.
 - (iii) If a Condemnation results in damage to the Mortgaged Property for which the cost of Repairs required to complete the Restoration will be equal to or greater than 50% of the Release Amount for the Mortgaged Property, Borrower must obtain the consent of Lender prior to making any proof of loss or adjusting or compromising the claim, and Lender will, at its option, hold the applicable Insurance proceeds to be used to reimburse Borrower for the cost of Restoration of the applicable Mortgaged Property.
- (d) Succession to Condemnation Proceeds. If any Mortgaged Property is sold at a foreclosure sale or Lender acquires title to the Mortgaged Property, then Lender will automatically succeed to all rights of Borrower in and to any Condemnation proceeds and awards prior to such sale or acquisition.

6.12 Environmental Hazards.

- (a) Prohibited Activities and Conditions. Borrower will comply with all Hazardous Materials Laws applicable to any Mortgaged Property and will not cause or permit Prohibited Activities or Conditions.
- (b) Notice to Lender. Borrower will promptly give Notice to Lender upon the occurrence of any of the following events:
 - (i) Borrower's discovery of any Prohibited Activity or Condition.

- (ii) Borrower's receipt of or knowledge of any written complaint, order, notice of violation or other communication from any tenant, Property Manager, Governmental Authority or other Person with regard to present or future alleged Prohibited Activities or Conditions, or any other environmental, health or safety matters affecting the Mortgaged Properties.
- (iii) Borrower's breach of any of its obligations under this Section 6.12.

Any such Notice given by Borrower will not relieve Borrower of, or result in a waiver of, any obligation under this Loan Agreement, the Note or any other Loan Document.

(c) Lender's Option following a Hazardous Materials Event.

- (i) If notwithstanding Borrower's obligations under this Section 6.12, Borrower fails to comply with Hazardous Materials Laws applicable to a Mortgaged Property or Prohibited Activities or Conditions exist at a Mortgaged Property ("**Hazardous Materials Event**"), then Lender may require Borrower to Transfer the Mortgaged Property to a third party and pay down the Indebtedness by an amount equal to the Release Amount plus all interest amounts required under the Note in accordance with Section 7.05(b) of this Agreement.
- (ii) If Lender elects to exercise its option under Section 6.12(c)(i), then Lender will provide Borrower with Notice that the Mortgaged Property must be Transferred in accordance with Section 7.05(b) no later than 30 days following the date of the Notice.

- (d) Environmental Inspections, Tests and Audits. Borrower will pay promptly the costs of any environmental inspections, tests or audits, a purpose of which is to identify the extent or cause of or potential for a Prohibited Activity or Condition ("**Environmental Inspections**"), required by Lender in connection with any foreclosure or deed in lieu of foreclosure, or as a condition of Lender's consent to any Transfer under Article VII, or required by Lender following a determination by Lender that Prohibited Activities or Conditions may exist. Any such costs incurred by Lender (including Attorneys' Fees and Costs and the costs of technical consultants whether incurred in connection with any judicial or administrative process or otherwise) that Borrower fails to pay promptly will become an additional part of the Indebtedness as provided in Section 8.02. As long as: (i) no Event of Default has occurred and is continuing, (ii) Borrower has actually paid for or reimbursed Lender for all costs of any such Environmental Inspections performed or required by Lender, and (iii) Lender is not prohibited by law, contract or otherwise from doing so, Lender will make available to Borrower, without representation of any kind, copies of Environmental Inspections prepared by third parties and delivered to Lender. Lender reserves the right, and Borrower expressly authorizes Lender, to make available to any party, including any prospective bidder at a foreclosure sale of the Mortgaged Property, the results of any Environmental Inspections made by or for Lender with respect to the Mortgaged Property. Borrower consents to Lender notifying any party (either as part of a notice of sale or otherwise) of the results of any Environmental Inspections made by or for Lender. Borrower acknowledges that Lender cannot control or otherwise ensure the truthfulness or accuracy of the results of any Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Mortgaged Property may have a material and adverse effect upon the amount that a party may bid at such sale. Borrower agrees that Lender will have no liability whatsoever as a result of delivering the results of any Environmental Inspections made by or for Lender to any third party, and Borrower releases and forever discharges Lender from any and all claims, damages or causes of action arising out of, connected with or incidental to the results of the delivery of any Environmental Inspections made by or for Lender.

- (e) **Remedial Work.** If any investigation, site monitoring, containment, clean-up, Restoration or other remedial work (“**Remedial Work**”) is necessary to comply with any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property, or is otherwise required by Lender as a consequence of any Prohibited Activity or Condition or to prevent the occurrence of a Prohibited Activity or Condition, then Borrower will, by the earlier of (i) the applicable deadline required by Hazardous Materials Law, or (ii) 30 days after Notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and must in any event complete the work by the time required by applicable Hazardous Materials Law. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work, then Lender may, at its option, cause the Remedial Work to be completed, in which case Borrower will reimburse Lender on demand for the cost of doing so. Any reimbursement due from Borrower to Lender will become part of the Indebtedness as provided in Section 8.02.
- (g) **Borrower Contest of Order.** Notwithstanding Section 6.12(e), Borrower may contest the order of any Governmental Authority in good faith through appropriate proceedings, provided that (i) Borrower has demonstrated to Lender’s satisfaction that any delay in completing Remedial Work pending the outcome of such proceedings would not (A) result in damage to the Mortgaged Property or to persons who use or occupy the Improvements or (B) otherwise impair Lender’s interest under this Loan Agreement, and (ii) if any delay in completing the Remedial Work results in a Lien against the Mortgaged Property, Borrower must promptly furnish to Lender a bond or other security satisfactory to Lender in an amount not less than 150% of the claim that underlies the Lien.

6.13 Borrower and Pledgor Entity Requirements and Limitations

- (a) Until the Indebtedness is paid in full, Borrower and each Pledgor will satisfy each of the following requirements:
 - (i) It will preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the laws of the jurisdiction of its formation or organization and will do all things necessary to observe organizational formalities.
 - (ii) It will not merge or consolidate with any other Person.
 - (iii) It will not take any action to dissolve, wind-up, terminate or liquidate in whole or in part; to sell, transfer or otherwise dispose of all or substantially all of its assets; to change its legal structure; to transfer or permit the direct or indirect transfer of any partnership, membership or other equity interests, as applicable, other than Transfers permitted under this Loan Agreement; to issue additional partnership, membership or other equity interests, as applicable, or to seek to accomplish any of the foregoing.
 - (iv) It will not maintain its assets in a way difficult to segregate and identify.
 - (v) Borrower will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Properties and such Personalty as may be necessary for the operation of the Mortgaged Properties and will conduct and operate its business as presently conducted and operated. Pledgor will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than its ownership interest in Borrower.
 - (vi) Borrower will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and activities incidental to such ownership, operation, and maintenance. Pledgor will not engage in any business or activity other than the ownership of its interest in Borrower.
 - (vii) Borrower will not incur or assume any debt other than the Indebtedness, except that Borrower is permitted to incur unsecured trade payables that are necessary for owning and operating the Mortgaged Property (“**Trade Payables**”). The Trade Payables:
 - (1) Must not be evidenced by a promissory note.
 - (2) Must be paid within 60 days of the date incurred.

(3) In the aggregate, at any one time, must not exceed 3% of the Loan Amount.

Pledgor will not incur or assume any debt.

- (viii) It will hold all its assets in its own name and will not commingle its assets with the assets of any other Person.
 - (ix) It will identify its assets on its financial statements separate from those of any other Person.
 - (x) Except for the terms of the Pledge Agreement, it will not guaranty the debts or obligations of, hold itself out to be responsible for the debts of, pledge its assets for the benefit of or to secure the obligations of, or hold out its credit as being available to satisfy the obligations of, any other Person.
 - (xi) Borrower will pay (or cause the Property Manager to pay on behalf of Borrower from Borrower's funds) its own liabilities (including salaries of its own employees) from its own funds; provided, however, that this requirement will not be deemed to require additional capital contributions by Borrower's or Pledgor's members, limited partners, or any Guarantor.
 - (xii) It will not enter into any agreement with any affiliate of any Loan Party except upon commercially reasonable terms and conditions that are comparable to those of an arms-length basis with unaffiliated third parties.
 - (xiii) It will not dissolve, merge, liquidate, consolidate with any other Person or sell, transfer, dispose, or encumber (except with respect to the Loan Documents) all or substantially all of its assets.
 - (xiv) It will not make any loans or advances to any third party (including any affiliate of any Loan Party).
 - (xv) It will do, all things necessary to observe organizational formalities and preserve its existence, and it will not, nor will it permit any Person to, (i) terminate or fail to comply with the provisions of its organizational documents, or (ii) unless Lender has consented, amend, modify or otherwise change its organizational documents in any material respect.
 - (xvi) It will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any of its affiliates), will correct any known misunderstanding regarding its status as a separate entity, will conduct business in its own name, will not identify itself or any of its affiliates as a division or department or part of the other and will maintain and utilize separate stationery, invoices and checks bearing its own name.
 - (xvii) It will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations; provided, however, that this requirement will not be deemed to require additional capital contributions by Borrower's or Pledgor's members, limited partners, or any Guarantor.
- (b) Borrower represents that it has never owned any real property other than the Mortgaged Property and personal property necessary or incidental to its ownership or operation of the Mortgaged Property and has never engaged in any business other than the ownership and operation of the Mortgaged Property.
 - (c) Neither Borrower nor Pledgor will change its jurisdiction of formation or name without receiving Lender's prior written consent and promptly providing Lender such information and replacement Uniform Commercial Code financing statements as Lender may reasonably request in connection with such a change.

- (d) Borrower and Pledgor will at all times elect to be treated as a “partnership” or “disregarded entity” that is not taxable as a corporation for state and U.S. federal tax purposes.
- (e) Borrower is and will continue to be a single member limited liability company wholly owned and controlled by Pledgor.
- (f) Pledgor is and will continue to be a limited liability company formed in Delaware.

6.14 Restoration, Priority Repairs, Capital Replacements, Property Improvements, and Other Repairs.

- (a) Borrower Obligated to Complete Priority Repairs. Borrower will commence all Priority Repairs as soon as practicable after the Effective Date and will diligently proceed with and complete such Repairs.
- (b) Completion Work in Good and Workmanlike Manner. All (i) Restoration, (ii) Priority Repairs, (iii) Capital Replacements and (iv) Property Improvements and other Repairs Borrower elects to begin (collectively, “**Work**”) will be completed in a good and workmanlike manner, with suitable materials, and in accordance with good building practices and all applicable laws, ordinances, rules, regulations, building setback lines and restrictions applicable to the Mortgaged Properties. Borrower agrees to cause the replacement of any material or work that is defective, unworkmanlike or that does not comply with the requirements of this Loan Agreement, as determined by Lender.
- (c) No Conditional Sales Contracts or Lease Agreements. Without the prior written consent of Lender, no materials, machinery, equipment, fixtures or any other part of any Work will be purchased or installed under conditional sale contracts or lease agreements, or any other arrangement wherein title to such Work or any portion of such Work is retained or subjected to a purchase money security interest, or the right is reserved or accrues to anyone to remove or repossess any such Work, or to consider them as personal property.
- (d) Lien Protection. Borrower will promptly pay or cause to be paid, when due, all costs, charges and expenses incurred in connection with the construction and completion of the Work, and will keep the Mortgaged Properties free and clear of any and all Liens other than the Lien of the Security Instrument and any other junior Lien to which Lender has consented.
- (e) Adverse Claims. Borrower will promptly advise Lender in writing of any litigation, Liens or claims affecting any Mortgaged Property and of all complaints and charges made by any Governmental Authority that may delay or adversely affect the Work.
- (f) Right to Complete Work. If Borrower abandons or fails to proceed diligently with any Restoration, Priority Repair, or Capital Replacement or abandons any other Repair or Property Improvement once undertaken by Borrower, and such abandonment or failure continues for 30 days after Notice from Lender, then Lender will have the right (but not the obligation) to enter upon any Mortgaged Property and take over and cause the completion of such Work. However, no such Notice or cure period will apply in the case of such failure which could, in Lender’s discretion, result in harm to Lender, tenants or third parties or impairment of the security given under this Loan Agreement, the Security Instrument or any other Loan Document. Any contracts entered into or indebtedness incurred upon the exercise of such right may be in the name of Borrower, and Lender is irrevocably appointed the attorney in fact for Borrower, such appointment being coupled with an interest, to enter into such contracts, incur such obligations, enforce any contracts or agreements made by or on behalf of Borrower (including the prosecution and defense of all actions and proceedings in connection with the Work and the payment, settlement or compromise of all bills and claims for materials and work performed in connection with the Work) and do any and all things necessary or proper to complete any Work, including signing Borrower’s name to any contracts and documents as may be deemed necessary by Lender. In no event will Lender be required to expend its own funds to complete any Work, but Lender may advance such funds. Any funds advanced will be added to the Indebtedness, secured by the Security Instrument and payable to Lender by Borrower in accordance with the provisions of the Note, this Loan Agreement, the Security Instrument and any other Loan Document pertaining to the protection of Lender’s security and advances made by Lender. Borrower waives all claims it may have against Lender for materials used, work performed or resultant damage to a Mortgaged Property.

- (g) Completion of Work Not a Certification by Lender. Lender's disbursement of monies from any Reserve Fund or other acknowledgment of completion of any Work in a manner satisfactory to Lender will not be deemed a certification by Lender that the Work has been completed in accordance with applicable building, zoning or other codes, ordinances, statutes, laws, regulations or requirements of any Governmental Authority. Borrower will, at all times, have the sole responsibility for ensuring that all Work is completed in accordance with all such requirements of any Governmental Authority.

6.15 Residential Leases.

- (a) All Leases for residential units executed on or after the Effective Date (including renewals of any existing Leases) will satisfy the following conditions:
- (i) They will be on forms acceptable to Lender.
 - (ii) They will not include options to purchase or have purchase options associated with them.
 - (iii) They will be for initial terms of at least 6 months.
- (b) Borrower will promptly upon Lender's request, deliver to Lender an executed copy of each residential Lease then in effect.

6.16 Litigation; Government Proceedings. Borrower will give prompt Notice to Lender of any litigation or governmental proceedings pending or, to the best of Borrower's knowledge after due inquiry and investigation, threatened in writing against Borrower or any Borrower Principal which might have a Material Adverse Effect.

6.17 Estoppel Certificates; Further Assurances; Lender's Expenses. Within 10 days after a request from Lender, Borrower will take each of the following actions:

- (a) Deliver to Lender a written statement, signed and acknowledged by Borrower, certifying to Lender or any Person designated by Lender, as of the date of such statement:
- (i) that the Loan Documents are unmodified and in full force and effect (or, if there have been modifications, that the Loan Documents are in full force and effect as modified and setting forth such modifications),
 - (ii) the unpaid principal balance of the Note,
 - (iii) the date to which interest under the Note has been paid,
 - (iv) that Borrower is not in default under any of the Loan Documents (or, if Borrower is in default, describing such default in reasonable detail),
 - (v) whether there are any then-existing setoffs or defenses known to Borrower against the enforcement of any right or remedy of Lender under the Loan Documents, and
 - (vi) any additional facts requested by Lender.

- (b) Execute, acknowledge and deliver and, if applicable, cause Guarantor, Pledgor, or Property Manager to execute, acknowledge and deliver, at Borrower's expense (i) all amendments, modifications, corrections, deletions or additions to this Loan Agreement, the Note, the Security Instrument and/or any other Loan Document, and (ii) any further acts, deeds, conveyances, assignments, estoppel certificates, financing statements, transfers and assurances, as may be required by Lender from time to time in order to correct clerical errors and legal deficiencies and to better assure, grant and convey to Lender the rights intended to be granted, now or in the future, to Lender under this Loan Agreement and the other Loan Documents, or in connection with Lender's consent rights under Article VII; provided, however, that this Section 6.17 is not intended to require Borrower to execute any corrective amendment or modification of the Loan Documents that has the effect of (x) changing the essential economic terms of the Loan set forth in the Commitment Letter, or (y) imposing greater liability under the Loan Documents than that set forth in the terms of the Commitment Letter.
- (c) Borrower agrees that, in connection with each request by Borrower under this Loan Agreement or any Loan Document, Borrower will pay or reimburse Lender for all reasonable Attorneys' Fees and Costs and expenses incurred by Lender and Loan Servicer, including any fees charged by the Rating Agencies, if applicable, regardless of whether the matter is approved, denied or withdrawn. Any reimbursement due from Borrower to Lender will become part of the Indebtedness as provided in Section 8.02.

6.18 ERISA Requirements.

- (a) Borrower will not engage in any transaction which would cause an action by either Borrower or Lender permitted or required under this Loan Agreement or any other Loan Document to be a non-exempt prohibited transaction under either ERISA or Section 4975 of the Tax Code.
- (b) When requested by Lender, Borrower will deliver to Lender a certification from Borrower with supporting evidence satisfactory to Lender that each of the following is true:
 - (i) Borrower is not any of the following:
 - (A) An "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA.
 - (B) A "plan" to which Section 4975 of the Tax Code applies.
 - (C) An entity whose underlying assets constitute "plan assets" of one or more of the plans described in Sections 6.18(c)(i)(A) and (B).
 - (D) A "governmental plan" within the meaning of Section 3(32) of ERISA.
 - (ii) Borrower is not subject to state statutes regulating investments or fiduciary obligations with respect to governmental plans.
 - (iii) At least one of the following circumstances is true:
 - (A) None of the equity interests in Borrower are held by "benefit plan investors" within the meaning of Section 3(42) of ERISA.
 - (B) Less than 25% of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of Section 3(42) of ERISA.
 - (C) Equity interests in Borrower are publicly offered securities within the meaning of 29 C.F.R. Section 2510.3-101(b)(2), as amended or any successor provision.

- (D) Borrower qualifies as either an “operating company” or a “real estate operating company” within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e), as either may be amended or any successor provisions.
- (E) Borrower is an investment company registered under the Investment Company Act of 1940.

6.19 Economic Sanctions Laws: AML Laws. Borrower will comply with, and will take reasonable measures to ensure that each Borrower Principal will comply with, all Economic Sanctions Laws and AML Laws. Borrower and each Borrower Principal will have in place practices and procedures for the admission of investors which prevent the admission of:

- (a) Any Non-U.S. Equity Holder, or any investor that would have a 25% or more ownership interest in Borrower (whether directly or indirectly), and that has been convicted of a violation of the AML Laws or been the subject of a final enforcement action relating to the AML Laws.
- (b) Any Person with a 25% or more ownership interest in Borrower (whether directly or indirectly) that is on the Prohibited Parties Lists.
- (c) Any Non-U.S. Equity Holder that is on the OFAC Lists.

6.20 Crowdfunding. Borrower and each Borrower Principal will not permit direct or indirect ownership (or other economic) interests of 25% or more in Borrower or any Borrower Principal that have been marketed or sold to investors through any fund of Crowdfunding.

ARTICLE VII TRANSFERS OF THE MORTGAGED PROPERTY OR INTERESTS IN BORROWER.

7.01 Permitted Transfers. The occurrence of any of the following Transfers will not constitute an Event of Default under this Loan Agreement, notwithstanding any provision of Section 7.02 to the contrary:

- (a) A Transfer to which Lender has consented.
- (b) A Transfer that is not a prohibited Transfer pursuant to Section 7.02.
- (c) A Transfer that is conditionally permitted pursuant to Section 7.03 upon the satisfaction of all applicable conditions.
- (d) A Preapproved Intrafamily Transfer that satisfies the requirements of Section 7.04.
- (e) A Release Property Transfer or Mandatory Release Property Transfer that satisfies the requirements of Section 7.05(a) or 7.05(b), as applicable.
- (f) A Transfer that satisfies the requirements of Section 7.06.
- (g) The grant of a leasehold interest in an individual residential unit for a term of 2 years or less (or longer if approved by Lender in writing) not containing an option to purchase.
- (h) A Transfer of a Mortgaged Property that has been released from the applicable Security Instrument pursuant to Section 6.10(j) or Section 6.12(c).
- (i) A Condemnation with respect to which Borrower satisfies the requirements of Section 6.11.
- (j) A Transfer of obsolete or worn out Personalty or Fixtures that are contemporaneously replaced by items of equal or better function and quality, which are free of Liens, encumbrances and security interests other than those created by the Loan Documents or consented to by Lender.

- (k) The creation of a mechanic's, materialmen's or judgment Lien against any Mortgaged Property which is released of record, bonded or otherwise remedied to Lender's satisfaction within 60 days after the date of creation or is being contested as otherwise provided in this Loan Agreement; provided, however, if Borrower is diligently prosecuting such release or other remedy and advises Lender that such release or remedy cannot be consummated within such 60-day period, Borrower will have an additional period of time (not exceeding 120 days from the date of creation or such earlier time as may be required by applicable law in which the lienholder must act to enforce the Lien) within which to obtain such release of record or consummate such other remedy.

7.02 Prohibited Transfers. The occurrence of any of the following Transfers will constitute an Event of Default under this Loan Agreement:

- (a) A Transfer of all or any part of any Mortgaged Property or any interest in any Mortgaged Property, including the grant, creation or existence of any Lien on a Mortgaged Property, whether voluntary, involuntary or by operation of law, and whether or not such Lien has priority over the Lien of the Security Instrument, other than the Lien of the Security Instrument, or any other Lien to which Lender has consented.
- (b) A Transfer or series of Transfers of any legal or equitable interest of any Guarantor which owns a direct or indirect interest in Borrower that result(s) in such Guarantor no longer owning any direct or indirect interest in Borrower.
- (c) A Transfer of any direct ownership interest in Borrower.
- (d) A Transfer or series of Transfers of any legal or equitable interest since the Effective Date that result(s) in (a) a change of more than 49% of the indirect ownership interests (or beneficial interests, if the applicable entity is a trust) in Borrower or (b) a change of more than 49% of the direct or indirect interests in any Person that Controls Borrower.
- (e) A Transfer of any general partnership interest in a partnership, or any manager interest (whether a member manager or nonmember manager) in a limited liability company if such partnership or limited liability company, as applicable, is a Person that Controls Borrower.
- (f) If Any Person that Controls Borrower is a corporation whose outstanding voting stock is held by 100 or more shareholders, one or more Transfers by a single transferor within a 12-month period affecting an aggregate of 10% or more of that stock.
- (g) The grant, creation or existence of any Lien, whether voluntary, involuntary or by operation of law, and whether or not such Lien has priority over the Lien of the Security Instrument, on any direct or indirect ownership interest in Borrower or any Person that Controls Borrower, if the foreclosure of such Lien would result in a Transfer prohibited under Sections 7.02(b), (c), (d), (e), or (f).

7.03 Conditionally Permitted Transfers. The occurrence of any of the following Transfers will not constitute a prohibited Transfer under Section 7.02, provided that Borrower has complied with all applicable specified conditions in this Section 7.03.

- (a) **Transfer by Devise, Descent or Operation of Law.** Upon the death of a natural person, a Transfer which occurs by devise, descent, or by operation of law (but excluding a Transfer as a result of the death of a Borrower that is a natural person) to one or more Immediate Family Members of such natural person or to a trust or family conservatorship established for the benefit of such Immediate Family Members (each a "**Beneficiary**"), provided that each of the following conditions is satisfied:
 - (i) The Property Manager (if applicable) continues to be responsible for the management of the Mortgaged Properties, and such Transfer will not result in a change in the day-to-day operations of the Mortgaged Properties.

- (ii) Lender receives confirmation acceptable to Lender that Borrower continues to satisfy the requirements of Section 6.13.
 - (iii) Following the Transfer, no Non-U.S. Equity Holder or Person with a direct or indirect interest in Borrower equal to or greater than 25% is on any Prohibited Parties List.
 - (iv) Each Guarantor executes such documents and agreements as Lender requires to ratify each Guaranty, or in the event of the death of any Guarantor, Borrower causes one of the following to occur:
 - (A) Within 60 days following the Guarantor's death, one or more Persons acceptable to Lender execute(s) and deliver(s) to Lender a replacement guaranty in a form acceptable to Lender and in substantially the same form as the Guaranty executed on the Effective Date, without any cost or expense to Lender.
 - (B) The estate of the deceased Guarantor immediately ratifies the Guaranty in writing, and within 6 months after the date of the death of the deceased Guarantor, one or more Persons acceptable to Lender execute(s) and deliver (s) to Lender a guaranty in a form acceptable to Lender and in substantially the same form as the Guaranty executed on the Effective Date, without any cost or expense to Lender.
 - (v) Borrower gives Lender Notice of such Transfer together with copies of all documents effecting such Transfer not more than 30 days after the date of such Transfer, and contemporaneously with the Notice, takes each of the following additional actions:
 - (A) Borrower reaffirms the representations and warranties under Article V.
 - (B) Borrower satisfies Lender that the Beneficiary's organization, credit and experience in the management of similar properties are appropriate to the overall structure and documentation of the existing financing.
 - (vi) Borrower (A) pays the Transfer Processing Fee to Lender, and (B) pays or reimburses Lender, upon demand, for all costs and expenses, including all Attorneys' Fees and Costs, incurred by Lender in connection with such Transfer; provided, however, that Lender will not be entitled to collect a Transfer Fee.
- (b) **Affiliate Transfer.** A Transfer of any direct or indirect interests in Pledgor held by an entity owned and directly or indirectly Controlled by Guarantor to one or more of Guarantor's Affiliates ("**Affiliate Transfer**") provided that each of the following conditions is satisfied:
- (i) Borrower provides Lender with at least 30 days prior Notice of the proposed Affiliate Transfer, including organizational charts and documents reflecting the structure of Borrower prior to and after the proposed Affiliate Transfer.
 - (i) At the time of the proposed Affiliate Transfer, no Event of Default has occurred and is continuing and no event or condition has occurred and is continuing that, with the giving of Notice or the passage of time, or both, would become an Event of Default.
 - (ii) Borrower delivers to Lender a certification that following the proposed Affiliate Transfer, each of the following conditions will be satisfied:
 - (A) Control and management of the day-to-day operations of Borrower will continue to be held by the Person exercising such Control and management immediately prior to the Affiliate Transfer.

- (B) No Non-U.S. Equity Holder, and no other person with a direct or indirect interest in Borrower equal to or greater than 25%, is on any Prohibited Parties List.
 - (iv) Borrower and Guarantor execute such additional documents as Lender may require to evidence the Affiliate Transfer.
 - (v) Borrower (A) pays the Transfer Processing Fee to Lender, and (B) pays or reimburses Lender, upon demand, for all costs and expenses, including all Attorneys' Fees and Costs, incurred by Lender in connection with such Transfer; provided, however, that Lender will not be entitled to collect a Transfer Fee.
- (c) **Publicly-Held Fund or Publicly-Held Real Estate Investment Trust.** If Guarantor is a publicly- held fund or a publicly-held real estate investment trust, either of the following:
- (i) The public issuance of common stock, convertible debt, equity or other similar securities ("**Public Fund/REIT Securities**") and the subsequent Transfer of such Public Fund/REIT Securities.
 - (ii) The acquisition by a single Public Fund/REIT Securities holder of an ownership percentage of 10% or more in the Pledgor or Guarantor, if within 30 days following the acquisition, Borrower does each of the following:
 - (A) Provides notice to Lender of that acquisition.
 - (B) Complies with each of the following conditions:
 - (1) Borrower certifies in writing to Lender that as of the date of the Transfer either (i) there will be not be any Person with a collective equity interest (whether direct or indirect) of 25% or more in Borrower or (ii) no Borrower Principal (A) is on any Prohibited Parties Lists, (B) has been convicted of any violation of the AML Laws, or (C) has been the subject of a final enforcement action relating to the AML Laws.
 - (2) Borrower certifies in writing to Lender that as of the date of the Transfer either (i) there will not be any Non-U.S. Equity Holders, or (ii) no Non- U.S. Equity Holder (A) is on the OFAC Lists, (B) has been convicted of any violation of the AML Laws, or (C) has been the subject of a final enforcement action relating to the AML Laws.
- (d) **Easement, Restrictive Covenant or other Encumbrance.** The grant of an easement, restrictive covenant or other encumbrance, provided that each of the following conditions is satisfied:
- (i) Borrower provides Lender with at least 30 days prior Notice of the proposed grant.
 - (ii) Prior to the grant, Lender determines that the easement, restrictive covenant or other encumbrance will not materially affect the operation or value of the Mortgaged Property or Lender's interest in the Mortgaged Property.
 - (iii) Borrower pays or reimburses Lender, upon demand, for all costs and expenses, including all Attorneys' Fees and Costs, incurred by Lender in connection with reviewing Borrower's request for Lender's review of such grant of easement, restrictive covenant or other encumbrance; provided, however, that Lender will not be entitled to collect a Transfer Processing Fee or a Transfer Fee.

- (iv) If the Note is held by a REMIC trust, Lender may require an opinion of counsel which meets each of the following requirements:
 - (A) The counsel providing the opinion is acceptable to Lender.
 - (B) The opinion is addressed to Lender.
 - (C) The opinion is paid for by Borrower.
 - (D) The opinion is in form and substance satisfactory to Lender.
 - (E) The opinion confirms each of the following:
 - (1) The grant of such easement has been effected in accordance with the requirements of Treasury Regulation Section 1.860G-2(a)(8) (as such regulation may be modified, amended or replaced from time to time).
 - (2) The qualification and status of the REMIC trust as a REMIC will not be adversely affected or impaired as a result of such grant.
 - (3) That there will be no imposition of a tax under applicable REMIC provisions as a result of such grant.

7.04 Preapproved Intrafamily Transfers. The occurrence of a Transfer or a series of Transfers of limited partnership interests or non-managing membership interests that result in a change of more than a 49% indirect interest in Borrower or a 49% direct or indirect interest in a Person that Controls Borrower as set forth in this Section 7.04 will be considered a “**Preapproved Intrafamily Transfer**” if each of the conditions set forth in Sections 7.04(a) and (b) is satisfied:

- (a) Type of Transfer. The Transfer is one of the following:
 - (i) A sale or transfer to one or more of the transferor’s Immediate Family Members.
 - (ii) A sale or transfer to any trust having as its sole beneficiaries the transferor and/or one or more of the transferor’s Immediate Family Members.
 - (iii) A sale or transfer from a trust to any one or more of its beneficiaries who are the settlor and/or Immediate Family Members of the settlor of the trust.
 - (iv) The substitution or replacement of the trustee of any trust with a trustee who is an Immediate Family Member of the settlor of the trust.
 - (v) A sale or transfer from a natural person to an entity owned and under the Control of the transferor or the transferor’s Immediate Family Members.
- (b) Conditions. The Preapproved Intrafamily Transfer satisfies each of the following conditions:
 - (i) Borrower provides Lender with 30 days prior Notice of the proposed Preapproved Intrafamily Transfer and pays the Transfer Processing Fee.
 - (ii) Following the Transfer, Control and management of the day-to-day operations of Borrower continue to be held by the Person exercising such Control and management immediately prior to the Transfer and there is no change in Guarantor, if applicable.
 - (iii) Following the Transfer, no Non-U.S. Equity Holder or Person with a direct or indirect interest in Borrower equal to or greater than 25% is on any Prohibited Parties List.
 - (iv) At the time of the Preapproved Intrafamily Transfer, no Event of Default has occurred and is continuing and no event or condition has occurred and is continuing that, with the giving of Notice or the passage of time, or both, would become an Event of Default.

- (v) Borrower pays Lender all of Lender's costs, including the cost of all title searches, title insurance and recording costs, and all Attorneys' Fees and Costs; provided, however, that Lender will not be entitled to collect a Transfer Fee.
- (vi) Lender receives confirmation acceptable to Lender that Section 6.13 continues to be satisfied.

7.05 Mortgaged Property Releases.

- (a) The Transfer of one or more of the Mortgaged Properties (each a "**Release Property**") will be considered a "**Release Property Transfer**" if each of the conditions set forth in this Section 7.05(a) is satisfied.
 - (i) No Release Property Transfers can occur in the six months immediately prior to the Maturity Date.
 - (ii) No Event of Default has occurred and is continuing, except that if the Release Property Transfer will cure the Event of Default, then the Release Property may be released and the release of such Release Property will be deemed to cure the applicable Event of Default.
 - (iii) No more than two Release Property Transfers can occur in a calendar year.
 - (iv) Borrower has submitted to Lender, not less than 30 days prior to the proposed Release Property Transfer Date, all the following:
 - (A) A Release Property Transfer request substantially in the form attached to this Loan Agreement as Exhibit C.
 - (B) Evidence satisfactory to Lender that the conditions of this Section 7.05 are or will be satisfied in connection with the Release Property Transfer
 - (C) The Release Property Processing Fee.
 - (v) The Rent to Debt Service Ratio calculated as of each of the following dates is equal to or greater than the Required Rent to Debt Service Ratio specified in Article I:
 - (A) The last day of the calendar quarter ended immediately prior to the request for a Release Property Transfer.
 - (B) The last day of the month ended immediately prior to the request for a Release Property Transfer.
- For the purposes of this Section 7.05, the "**Rent to Debt Service Ratio**" means a ratio as calculated by Lender of (a) Rents actually collected by Borrower for the Mortgaged Properties for the immediately preceding twelve full calendar months, minus the Rents during that period attributable to the Release Properties to (b) twelve times the amount of principal and interest payable under the Note for the immediately preceding month.
- (vi) The sum of the Mortgaged Properties released in connection with this and all prior Release Property Transfers does not exceed the Property Release Cap specified in Article I.
 - (vii) Borrower, Pledgor, and Guarantor execute such additional documents as Lender may require to evidence the Release Property Transfer.

- (viii) The Release Property will be Transferred in exchange for United States dollars on arms-length terms and conditions to a Person that is not an Affiliate of the Borrower.
 - (viii) Borrower pays or reimburses Lender, upon demand, for all costs and expenses including all Attorneys' Fees and Costs, incurred by Lender in connection with the Release Property Transfer.
 - (ix) At the time of the Transfer, Borrower pays the Release Amount to Lender, plus all interest and prepayment premium amounts required under the Note; provided, however, that Lender will not be entitled to collect a Transfer Processing Fee or a Transfer Fee.
- (b) The required Transfer of one or more of the Mortgaged Properties following a casualty, condemnation, or Hazardous Materials Event pursuant to Section 6.10(j), 6.11(b), or 6.12(c) (each a "**Mandatory Release Property**") will be considered a "**Mandatory Release Property Transfer**" if each of the conditions set forth in this Section 7.05(b) is satisfied.
- (i) Borrower has received notice from Lender that a Mandatory Release Property Transfer is required.
 - (ii) Borrower, Pledgor, and Guarantor execute such additional documents as Lender may require to evidence the Mandatory Release Property Transfer.
 - (iii) Borrower pays or reimburses Lender, upon demand, for all costs and expenses including all Attorneys' Fees and Costs, incurred by Lender in connection with the Mandatory Release Property Transfer
 - (iv) At the time of the Transfer, Borrower pays the Release Amount to Lender; plus all interest amounts required under the Note; provided, however, that Lender will not be entitled to collect a Release Property Processing Fee, Transfer Processing Fee, a Transfer Fee, or a prepayment premium.

7.06 Lender's Consent to Prohibited Transfers. A Transfer that results in a change in the direct or indirect Control of the Borrower or the Pledgor will not constitute a prohibited Transfer under Section 7.02 if each of the conditions set forth in this Section 7.06 is satisfied.

- (a) Borrower provides Lender with at least 30 days prior Notice of the proposed Transfer, including organizational charts and documents reflecting the direct and indirect ownership and Control of Borrower and Pledgor prior to and after the proposed Transfer, and pays the Transfer Processing Fee.
- (b) At the time of the proposed Transfer, no Event of Default has occurred and is continuing and no event or condition has occurred and is continuing that, with the giving of Notice or the passage of time, or both, would become an Event of Default.
- (c) No Non-U.S. Equity Holder and no other person with a direct or indirect interest in Borrower equal to or greater than 25%, is on any Prohibited Parties List.
- (d) Lender determines that each of the following conditions is satisfied:
 - (i) The transferee meets Lender's eligibility, credit, management and other standards (including any standards with respect to previous relationships between Lender and the transferee).
 - (ii) The transferee's organization, credit and experience in the management of similar properties is appropriate to the overall structure and documentation of the Loan.

- (iii) At the time of the proposed Transfer, all the Mortgaged Properties meet Lender's standards as to their physical condition, occupancy, net operating income and the accumulation of reserves.
- (iv) Following the Transfer, the Mortgaged Properties will be managed by one or more Property Managers meeting the requirements of Section 6.09(d).
- (vii) Following the Transfer, Borrower and Pledgor will continue to meet the requirements of Section 6.13.
- (e) Borrower, Pledgor, Guarantor, and transferee(s) execute such additional documents as Lender may require to evidence the Transfer, provided there will not be any adjustment to the rate at which the Indebtedness bears interest or to any other economic terms of the Indebtedness set forth in the Note.
- (f) Lender has received such legal opinions as Lender deems necessary, including an opinion that the assignment and assumption of the Loan Documents has been duly authorized, executed, and delivered and that the assignment documents are enforceable as the obligations of Borrower, Pledgor, Guarantor, and transferee(s), as applicable.
- (g) Borrower pays or reimburses Lender, upon demand, for all costs and expenses, including all Attorneys' Fees and Costs, incurred by Lender in connection with the Transfer, and pays Lender the Transfer Fee.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.

8.01 Events of Default. The occurrence of any one or more of the following will constitute an "Event of Default" under this Loan Agreement:

- (a) Borrower fails to pay or deposit when due any amount required by the Note, this Loan Agreement or any other Loan Document.
- (b) Borrower or any of its officers, directors, trustees, general partners, or managers, or any Guarantor, commits fraud or makes a material misrepresentation or material omission in connection with any of the following:
 - (i) The application for or creation of the Indebtedness.
 - (ii) Any financial statement, Rent Schedule or other report or information provided to Lender during the term of the Indebtedness.
 - (iii) Any request for Lender's consent to any proposed action, including a request for disbursement of funds under this Loan Agreement or a release of a Mortgaged Property.
- (c) Borrower has made any representation or warranty in this Loan Agreement that is false or misleading in any material respect.
- (d) Borrower fails to maintain the Insurance coverage required by Section 6.10.
- (e) Borrower fails to comply with the Condemnation provisions of Section 6.11.
- (f) Borrower fails to comply with the provisions of Section 6.13.
- (g) A Transfer occurs that violates the provisions of Article VII, whether or not any actual impairment of Lender's security results from such Transfer.

- (h) A forfeiture action or proceeding, whether civil or criminal, is commenced which could result in a forfeiture of any Mortgaged Property or otherwise materially impair the Lien created by the Security Instrument or Lender's interest in any Mortgaged Property.
- (i) Reserved.
- (j) Borrower fails to perform any of its obligations under any Property Documents, and such failure continues beyond any applicable cure period, if any.
- (k) Reserved.
- (l) Any of the following occurs:
 - (i) Borrower commences any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors (A) seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debt, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets.
 - (ii) Any party other than Lender commences any case, proceeding or other action of a nature referred to in Section 8.01(l)(i) against Borrower which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) has not been dismissed, discharged or bonded within a period of 90 days following commencement.
 - (iii) Any case, proceeding or other action is commenced against Borrower seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order by a court of competent jurisdiction for any such relief which is not vacated, discharged, or stayed or bonded pending appeal within 90 days from the entry of such order.
 - (iv) Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in Section 8.01(l)(i), (ii) or (iii).
- (m) Reserved.
- (n) A Guarantor files for bankruptcy protection under the Bankruptcy Code or a Guarantor voluntarily becomes subject to any reorganization, receivership, insolvency proceeding or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights, or any creditor (other than Lender) of a Guarantor commences any involuntary case against a Guarantor pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights, unless each of the following conditions is satisfied:
 - (i) Borrower or Guarantor provides Notice of such action to Lender within 30 days after the filing of such action.
 - (ii) Either (A) the case is dismissed or discharged within 90 days after filing, or (B) within 90 days following the date of such filing or commencement, the affected Guarantor is replaced with one or more other Persons acceptable to Lender, each of whom executes and delivers to Lender a replacement Guaranty in form and content acceptable to Lender; provided, however, that if Lender determines that any proposed replacement Guarantor is not acceptable, then the action will constitute a prohibited Transfer governed by Section 7.02.
 - (iii) If Borrower must provide a replacement Guarantor pursuant to Section 8.01(n)(ii), Borrower pays the Transfer Processing Fee to Lender.

- (o) The dissolution of any Guarantor that is an entity, unless within 30 days following the dissolution of Guarantor, Borrower causes one or more Persons acceptable to Lender to execute and deliver to Lender a guaranty in a form acceptable to Lender and in substantially the same form as the Guaranty executed on the Effective Date, without any cost or expense to Lender.
- (p) The death of any Guarantor who is a natural person, unless Borrower satisfies one of the conditions set forth in Section 7.03(a)(iii).
- (q) If the Guaranty includes the “Expiring Term of Existence” rider, the Expiring Guarantor (as defined in the rider) does not comply with any of the requirements in the rider, including extending its term of existence, providing one or more replacement guarantors, or providing cash or letter of credit collateral for its obligations under the Guaranty.
- (r) Borrower fails to perform any of its obligations under this Loan Agreement (other than those Events of Default specified in Sections 8.01(a) through (q) or included on any exhibit, schedule, or rider attached to this Loan Agreement) as and when required, and that failure continues for a period of 30 days after Notice of the failure by Lender to Borrower.

However, if Borrower’s failure to perform its obligations as described in this Section 8.01(r) is of the nature that it cannot be cured within the 30-day cure period after Notice from Lender but reasonably could be cured within 90 days, then Borrower will have additional time as determined by Lender (not to exceed an additional 60 days) in which to cure the default, provided that Borrower has diligently commenced to cure the default during the initial 30-day cure period and diligently pursues the cure of the default.

No Notice or cure periods will apply in the case of any failure which could, in Lender’s judgment, absent immediate exercise by Lender of a right or remedy under this Loan Agreement, result in harm to Lender, danger to tenants or third parties, or impairment of the Note, the Security Instrument, this Loan Agreement, or any other security given under any other Loan Document.

- (s) Any Loan Party fails to perform any of its obligations as and when required under any Loan Document other than this Loan Agreement and that failure continues beyond the applicable cure period, if any, specified in that Loan Document.

8.02 Protection of Lender’s Security; Security Instrument Secures Future Advances.

- (a) If Borrower fails to perform any of its obligations under this Loan Agreement or any other Loan Document, or if any action or proceeding is commenced which purports to affect any Mortgaged Property, Lender’s security or Lender’s rights under this Loan Agreement, including eminent domain, insolvency, code enforcement, civil or criminal forfeiture, enforcement of Hazardous Materials Laws, fraudulent conveyance or reorganizations or proceedings involving a bankrupt or decedent, then Lender may make such appearances, file such documents, disburse such sums and take such actions as Lender reasonably deems necessary to perform such obligations of Borrower and to protect Lender’s interest, including: (i) payment of Attorneys’ Fees and Costs, (ii) payment of fees and out-of-pocket expenses of accountants, inspectors and consultants, (iii) entry upon a Mortgaged Property to make Repairs or secure the Mortgaged Property, (iv) procurement of the Insurance required by Section 6.10, (v) payment of amounts which Borrower has failed to pay under Section 6.08, (vi) performance of Borrower’s obligations under Section 6.09, and (vii) advances made by Lender to pay, satisfy or discharge any obligation of Borrower for the payment of money that is secured by a Prior Lien.
- (b) Any amounts disbursed by Lender under this Section 8.02, or under any other provision of this Loan Agreement that treats such disbursement as being made under this Section 8.02, will be secured by the Security Instrument, will be added to, and become part of, the principal component of the Indebtedness, will be immediately due and payable and will bear interest from the date of disbursement until paid at the Default Rate.

- (c) Nothing in this Section 8.02 will require Lender to incur any expense or take any action.

8.03 Remedies.

- (a) Upon an Event of Default, Lender may exercise any or all of its rights and remedies provided under the Loan Documents and Borrower will pay all associated costs, including Attorneys' Fees and Costs.
- (b) Each right and remedy provided in this Loan Agreement is distinct from all other rights or remedies under this Loan Agreement or any other Loan Document or afforded by applicable law or equity, and each will be cumulative and may be exercised concurrently, independently or successively, in any order. Lender's exercise of any particular right or remedy will not in any way prevent Lender from exercising any other right or remedy available to Lender. Lender may exercise any such remedies from time to time and as often as Lender chooses.
- (c) Lender will have all remedies available to Lender under Revised Article 9 of the UCC, the Loan Documents and under applicable law.
- (d) Lender may also retain all money in the Reserve Funds, including interest, and in Lender's discretion, may apply such amounts, without restriction and without any specific order of priority, to the payment of any and all Indebtedness.
- (e) If a claim or adjudication is made that Lender has acted unreasonably or unreasonably delayed acting in any case where, by law or under this Loan Agreement or the other Loan Documents, Lender has an obligation to act reasonably or promptly, then Lender will not be liable for any monetary damages, and Borrower's sole remedy will be limited to commencing an action seeking injunctive relief or declaratory judgment. Any action or proceeding to determine whether Lender has acted reasonably will be determined by an action seeking declaratory judgment.

8.04 Forbearance.

- (a) Lender may (but will not be obligated to) agree with Borrower, from time to time, and without giving Notice to, or obtaining the consent of, or having any effect upon the obligations of, any Guarantor or other third party obligor, to take any of the following actions:
 - (i) Extend the time for payment of all or any part of the Indebtedness.
 - (ii) Reduce the payments due under any of the Loan Documents.
 - (iii) Release anyone liable for the payment of any amounts due under any of the Loan Documents.
 - (iv) Accept a renewal of the Note.
 - (v) Modify the terms and time of payment of the Indebtedness.
 - (vi) Join in any extension or subordination agreement.
 - (vii) Release any portion of any Mortgaged Property.
 - (viii) Take or release other or additional security.
 - (ix) Modify the rate of interest or period of amortization of the Note or change the amount of the monthly payments payable under the Note.
 - (x) Otherwise modify this Loan Agreement, the Note or any other Loan Document.

- (b) Any forbearance by Lender in exercising any right or remedy under any of the Loan Documents, or otherwise afforded by applicable law will not be a waiver of or preclude the exercise of any other right or remedy, or the subsequent exercise of any right or remedy. The acceptance by Lender of payment of all or any part of the Indebtedness after the due date of such payment, or in an amount which is less than the required payment, will not be a waiver of Lender's right to require prompt payment when due of all other payments on account of the Indebtedness or to exercise any remedies for any failure to make prompt payment. Enforcement by Lender of any security for the Indebtedness will not constitute an election of remedies by Lender so as to preclude the exercise of any other right available to Lender. Lender's receipt of any awards or proceeds under Sections 6.10 and 6.11 will not operate to cure or waive any Event of Default.

8.05 Waiver of Marshalling. Notwithstanding the existence of any other security interests in the Mortgaged Properties held by Lender or by any other party, Lender will have the right to determine the order in which any or all of the Mortgaged Properties will be subjected to the remedies provided in this Loan Agreement or any other Loan Document or applicable law. Lender will have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Borrower and any party who now or in the future owns or acquires a security interest in any Mortgaged Property and who has actual or constructive notice of the Security Instrument waives any and all right to require the marshalling of assets or to require that any Mortgaged Property be sold in the inverse order of alienation or that any Mortgaged Property be sold in parcels or as an entirety in connection with the exercise of any of the remedies permitted by applicable law or provided in this Loan Agreement.

8.06 Severance.

- (a) During the continuance of an Event of Default, Lender will have the right from time to time to partially foreclose any Security Instrument or the Lien of any of the other Loan Documents in any manner and for any amounts secured by the Loan Documents then due and payable as determined by Lender, including the following circumstances: (A) if Borrower defaults beyond any applicable grace period in the payment of one or more required payments of principal and interest, Lender may foreclose one or more of the Security Instruments or other Loan Documents to recover such delinquent payments, or (B) if Lender elects to accelerate less than the entire outstanding principal balance of the Loan, Lender may foreclose one or more of the Security Instruments or other Loan Documents to recover so much of the principal balance of the Loan as Lender may accelerate and such other sums secured by the Mortgages and the other Loan Documents as Lender may elect. Notwithstanding one or more partial foreclosures, the collateral for the Loan will remain subject to the Security Instruments and the other Loan Documents to secure payment of the sums secured by the Loan Documents and not previously recovered.
- (b) During the continuance of an Event of Default, Lender will have the right from time to time to sever the Note and the other Loan Documents into one or more separate notes, Loan Documents and other security documents in such denominations as Lender will determine for purposes of evidencing and enforcing its rights and remedies provided under the Loan Documents. Borrower will execute and deliver to Lender from time to time, promptly after the request of Lender, a severance agreement and such other documents as Lender will request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Lender. Borrower hereby absolutely and irrevocably appoints Lender as its true and lawful attorney, coupled with an interest, in its name and stead to make and execute all documents necessary or desirable to effect the aforesaid severance, Borrower ratifying all that its said attorney will do by virtue thereof; **provided, however**, Lender will not make or execute any such documents under such power until three days after notice has been given to Borrower by Lender of Lender's intent to exercise its rights under such power.

ARTICLE IX RELEASE; INDEMNITY.

9.01 Release. Borrower covenants and agrees that, in performing any of its duties under this Loan Agreement, none of Lender, Loan Servicer or any of their respective agents or employees will be liable for any losses, claims, damages, liabilities, or expenses that may be incurred by any of them as a result of such performance, except that no party will be released from liability for any losses, claims, damages, liabilities or expenses arising out of the willful misconduct or gross negligence of such party.

9.02 Indemnity.

- (a) General Indemnity. Borrower agrees to indemnify, hold harmless and defend Lender, including any custodian, trustee and other fiduciaries who hold or have held a full or partial interest in the Loan for the benefit of third parties, any prior owner or holder of the Note, the Loan Servicer, any prior Loan Servicer, the officers, directors, shareholders, partners, employees and trustees of each of the foregoing, and the heirs, legal representatives, successors and assigns of each of the foregoing (collectively, “**Indemnitees**”) against any and all losses, claims, damages, liabilities, and expenses, including Attorneys’ Fees and Costs, which may be imposed or incurred by any of them directly or indirectly arising out of, or in any way relating to, or as a result of: (i) any failure of any Mortgaged Property to comply with the laws, regulations, ordinances, codes or decrees of any Governmental Authority, including those pertaining to the Americans with Disabilities Act, zoning, occupancy and subdivision of real property, (ii) failure of Borrower or any Borrower Principal to comply with the Economic Sanction Laws or AML Laws, or (iii) any obligation of Borrower under any Lease, and (iv) any accident, injury or death to any natural person on any Mortgaged Property or any damage to personal property located on any Mortgaged Property, except that no such party will be indemnified from liability for any losses, claims, damages, liabilities or expenses arising out of the willful misconduct or gross negligence of such party.
- (b) Environmental Indemnity. Borrower agrees to indemnify, hold harmless and defend Indemnitees from and against all proceedings, claims, damages, penalties and costs (whether initiated or sought by Governmental Authorities or private parties), including Attorneys’ Fees and Costs and remediation costs, whether incurred in connection with any judicial or administrative process or otherwise, arising directly or indirectly from any of the following:
- (i) Any breach of any representation or warranty of Borrower in Section 5.05.
 - (ii) Any failure by Borrower to perform any of its obligations under Section 6.12.
 - (iii) The existence or alleged existence of any Prohibited Activity or Condition.
 - (iv) The presence or alleged presence of Hazardous Materials on or under any Mortgaged Property or in any of the Improvements.
 - (v) The actual or alleged violation of any Hazardous Materials Law.
- (c) Indemnification Regarding ERISA Covenants. **BORROWER WILL INDEMNIFY LENDER AND DEFEND AND HOLD LENDER HARMLESS FROM AND AGAINST ALL CIVIL PENALTIES, EXCISE TAXES, OR OTHER LOSS, COST, DAMAGE AND EXPENSE (INCLUDING REASONABLE ATTORNEYS’ FEES AND COSTS INCURRED IN THE INVESTIGATION, DEFENSE AND SETTLEMENT OF CLAIMS AND LOSSES INCURRED IN CORRECTING ANY PROHIBITED TRANSACTION OR IN THE SALE OF A PROHIBITED LOAN, AND IN OBTAINING ANY INDIVIDUAL PROHIBITED TRANSACTION EXEMPTION UNDER ERISA THAT MAY BE REQUIRED, IN LENDER’S DISCRETION) THAT LENDER MAY INCUR, DIRECTLY OR INDIRECTLY, AS A RESULT OF DEFAULT UNDER SECTION 6.18. THIS INDEMNITY WILL SURVIVE ANY TERMINATION, SATISFACTION OR FORECLOSURE OF THE SECURITY INSTRUMENT.**
- (d) Selection and Direction of Counsel. Counsel selected by Borrower to defend Indemnitees will be subject to the approval of those Indemnitees. In any circumstances in which the indemnity under this Article IX applies, Lender may employ its own legal counsel and consultants to prosecute, defend or negotiate any claim or legal or administrative proceeding and Lender, with the prior written consent of Borrower (which will not be unreasonably withheld, delayed or conditioned) may settle or compromise any action or legal or administrative proceeding. However, unless an Event of Default has occurred and is continuing, or the interests of Borrower and Lender are in conflict, as determined by Lender, Lender will permit Borrower to undertake the actions referenced in this Article IX so long as Lender approves such action, which approval will not be unreasonably withheld or delayed. Borrower will reimburse Lender upon demand for all costs and expenses incurred by Lender, including all costs of settlements entered into in good faith, consultants’ fees and Attorneys’ Fees and Costs.

- (e) Settlement or Compromise of Claims. Borrower will not, without the prior written consent of those Indemnitees who are named as parties to a claim or legal or administrative proceeding (“**Claim**”), settle or compromise the Claim if the settlement (i) results in the entry of any judgment that does not include as an unconditional term the delivery by the claimant or plaintiff to Lender of a written release of those Indemnitees, satisfactory in form and substance to Lender, or (ii) may materially and adversely affect Lender, as determined by Lender.
- (f) Effect of Changes to Loan on Indemnification Obligations. Borrower’s obligation to indemnify the Indemnitees will not be limited or impaired by any of the following, or by any failure of Borrower or any Guarantor to receive notice of or consideration for any of the following:
- (i) Any amendment or modification of any Loan Document.
 - (ii) Any extensions of time for performance required by any Loan Document.
 - (iii) Any provision in any of the Loan Documents limiting Lender’s recourse to property securing the Indebtedness, or limiting the personal liability of Borrower or any other party for payment of all or any part of the Indebtedness.
 - (iv) The accuracy or inaccuracy of any representations and warranties made by Borrower under any of the Loan Documents.
 - (v) The release of Borrower or any other Person, by Lender or by operation of law, from performance of any obligation under any Loan Document.
 - (vi) The release or substitution in whole or in part of any security for the Indebtedness.
 - (vii) Lender’s failure to properly perfect any Lien or security interest given as security for the Indebtedness.
- (g) Payments by Borrower. Borrower will, at its own cost and expense, do all of the following:
- (i) Pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding arising out of any matters against which Indemnitees are entitled to be indemnified under this Article IX.
 - (ii) Reimburse Indemnitees for any expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Article IX.
 - (iii) Reimburse Indemnitees for any and all expenses, including Attorneys’ Fees and Costs, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Article IX, or in monitoring and participating in any legal or administrative proceeding.
- (h) Other Obligations. The provisions of this Article IX will be in addition to any and all other obligations and liabilities that Borrower may have under applicable law or under other Loan Documents, and each Indemnitee will be entitled to indemnification under this Article IX without regard to whether Lender or that Indemnitee has exercised any rights against the Mortgaged Properties or any of them or any other security, pursued any rights against any Guarantor, or pursued any other rights available under the Loan Documents or applicable law. If Borrower consists of more than one Person, then the obligation of those Persons to indemnify the Indemnitees under this Article IX will be joint and several. The obligation of Borrower to indemnify the Indemnitees under this Article IX will survive any repayment or discharge of the Indebtedness, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Lien of the Security Instrument. However, if Lender has never been a mortgagee-in-possession of, or held title to, the Mortgaged Properties or any of them, Borrower will have no obligation to indemnify the Indemnitees under this Article IX after the date of the release of record of the Lien of the Security Instrument by payment in full at the Maturity Date or by voluntary prepayment in full.

ARTICLE X MISCELLANEOUS PROVISIONS.

10.01 Waiver of Statute of Limitations, Offsets and Counterclaims. Borrower waives the right to assert any statute of limitations as a bar to the enforcement of this Loan Agreement or the Lien of the Security Instrument or to any action brought to enforce any Loan Document. Borrower waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender or otherwise to offset any obligations to make the payments required by the Loan Documents. No failure by Lender to perform any of its obligations under the Loan Documents will be a valid defense to, or result in any offset against, any payments that Borrower is obligated to make under any of the Loan Documents.

10.02. Governing Law; Consent to Jurisdiction and Venue. The parties intend that Lender will assign the Loan, the Loan Agreement, the Security Instruments, the Pledge Agreement and the other Loan Documents to the Federal Home Loan Mortgage Corporation, a congressionally-chartered government-sponsored enterprise having its principal place of business in McLean, Virginia. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Virginia. Borrower submits to the *in personam* jurisdiction of any federal or state court in (i) any state or jurisdiction in which any Mortgaged Property is located and (ii) the Commonwealth of Virginia with respect to any proceeding arising out of or relating to this Agreement. Borrower irrevocably waives, to the fullest extent permitted under applicable law, any objections Borrower may now or hereafter have to the venue of any suit, action or proceeding brought in any such court and any claim that the same has been brought in an inconvenient forum. Borrower acknowledges that the foregoing venue provision is integral to Lender's realization of its rights hereunder. Borrower further acknowledges that it is not in a disparate bargaining position, that it is a commercial enterprise, with sophisticated financial, legal and economic experience, and that the venue selections contained in this Agreement are not unreasonable, unjust, inconvenient or overreaching.

10.03 Notice.

- (a) All Notices under or concerning this Loan Agreement will be in writing. Each Notice will be deemed given on the earliest to occur of: (i) the date when the Notice is received by the addressee, (ii) the first Business Day after the Notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next Business Day delivery, or (iii) the third Business Day after the Notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested. Addresses for Notice are as shown in Article I.
- (b) Any party to this Loan Agreement may change the address to which Notices intended for it are to be directed by means of Notice given to the other party in accordance with this Section 10.03. Each party agrees that it will not refuse or reject delivery of any Notice given in accordance with this Section 10.03, that it will acknowledge, in writing, the receipt of any Notice upon request by the other party and that any Notice that it rejects or refuses will be deemed for purposes of this Section 10.03 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.
- (c) Any Notice under any other Loan Document that does not specify how Notices are to be given will be given in accordance with this Section 10.03.

10.04 Successors and Assigns Bound. This Loan Agreement will bind the respective successors and assigns of Borrower and Lender, and the rights granted by this Loan Agreement will inure to Lender's successors and assigns.

10.05 Joint and Several (and Solidary) Liability. If more than one Person signs this Loan Agreement as Borrower, then the obligations of such Persons will be joint and several. For a Mortgaged Property located in Louisiana, if more than one Person signs this Loan Agreement as Borrower, then the obligations of such Persons will be joint and several and solidary, and wherever the phrase “joint and several” appears in this Loan Agreement, the phrase is amended to read “joint, several, and solidary.”

10.06 Relationship of Parties; No Third Party Beneficiary.

- (a) The relationship between Lender and Borrower will be solely that of creditor and debtor, respectively, and nothing contained in this Loan Agreement will create any other relationship between Lender and Borrower. Nothing contained in this Loan Agreement will constitute Lender as a joint venturer, partner or agent of Borrower, or render Lender liable for any debts, obligations, acts, omissions, representations or contracts of Borrower.
- (b) No creditor of any party to this Loan Agreement and no other Person will be a third party beneficiary of this Loan Agreement or any other Loan Document. Any arrangement between Lender and any Loan Servicer for loss sharing or interim advancement of funds (“**Servicing Arrangement**”) will constitute a contractual obligation of such Loan Servicer that is independent of the obligation of Borrower for the payment of the Indebtedness. Borrower will not be a third party beneficiary of any Servicing Arrangement. No payment by the Loan Servicer under any Servicing Arrangement will reduce the amount of the Indebtedness.

10.07 Subrogation. If the proceeds of the Loan, or subsequent advances under Section 8.02, are used to pay, satisfy or discharge a Prior Lien, then such Loan proceeds or advances will be deemed to have been advanced by Lender at Borrower’s request, and Lender will automatically, and without further action on its part, be subrogated to the rights, including Lien priority, of the owner or holder of the obligation secured by the Prior Lien, whether or not the Prior Lien is released.

10.08 Severability. The invalidity or unenforceability of any provision of this Loan Agreement will not affect the validity or enforceability of any other provision, and all other provisions will remain in full force and effect. This Loan Agreement contains the entire agreement among the parties as to the rights granted and the obligations assumed in this Loan Agreement.

10.09 Amendments. This Loan Agreement may not be amended or modified except by a writing signed by the party against whom enforcement is sought.

10.10 Disclosure of Information; Authorization to Publicly Use Loan Information.

- (a) Borrower acknowledges that Lender may provide to third parties with an existing or prospective interest in the servicing, enforcement, evaluation, performance, ownership, purchase, participation or Securitization (if applicable) of the Loan, including any of the Rating Agencies, any entity maintaining databases on the underwriting and performance of commercial mortgage loans, as well as governmental regulatory agencies having regulatory authority over Lender, any and all information which Lender now has or may hereafter acquire relating to the Loan, a Mortgaged Property, Borrower or any Guarantor, as Lender determines necessary or desirable and that such information may be included in disclosure documents in connection with a Securitization (if applicable) or syndication of participation interests, including a prospectus, prospectus supplement, offering memorandum, private placement memorandum or similar document (each, a “**Disclosure Document**”) and also may be included in any filing with the Securities and Exchange Commission pursuant to the Securities Act or the Securities Exchange Act. To the fullest extent permitted under applicable law, Borrower irrevocably waives all rights, if any, to prohibit such disclosure, including any right of privacy.
- (b) Borrower agrees that Lender may publicly use, at Lender’s discretion, photographs of the Mortgaged Property, and basic transaction information (for example, the number of units in a Mortgaged Property and the Loan Amount) relating to the Loan.

10.11 Determinations by Lender. In any instance where the consent or approval of Lender may be given or is required, or where Lender is authorized to render any determination, judgment, or decision under this Loan Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision will be made or exercised by Lender (or its designated representative) at its option and in its discretion.

10.12 Sale of Note; Change in Loan Servicer; Loan Servicing. The Note or a partial interest in the Note (together with this Loan Agreement and the other Loan Documents) may be sold one or more times without prior Notice to Borrower. A sale may result in a change of the Loan Servicer. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, then Borrower will be given Notice of the change. The Loan Servicer may take all actions regarding the servicing of the Loan unless Borrower receives Notice to the contrary, including the collection of payments, the disbursement and application of Reserve Funds, the giving and receipt of Notice, inspections of the Mortgaged Properties, inspections of Books and Records, and the granting of consents and approvals. If Borrower receives conflicting Notices regarding the identity of the Loan Servicer or any other subject, then any such Notice from Lender will govern.

10.13 Reserved.

10.14 Lender's Rights to Sell or Securitiz. Borrower acknowledges that Lender, and each successor to Lender's interest, may (without prior Notice to Borrower or Borrower's prior consent), sell or grant participations in the Loan (or any part of the Loan), sell or subcontract the servicing rights related to the Loan, securitize the Loan or place the Loan in a trust. Borrower, at its expense, agrees to cooperate with all requests of Lender in connection with any of the foregoing including taking the following actions:

- (a) Executing any financing statements or other documents deemed necessary by Lender or its transferee to create, perfect or preserve the rights and interest to be acquired by such transferee.
- (b) Delivering revised organizational documents, counsel opinions and executed amendments to the Loan Documents satisfactory to the Rating Agencies.
- (c) Providing updated financial information with appropriate verification through auditors' letters, if required by Lender. (If Lender requires that Borrower's updated financial information be accompanied by appropriate verification through auditors' letters, then Lender will reimburse Borrower for the costs which Borrower reasonably incurs in connection with obtaining such auditors' letters.)
- (d) Providing updated information on all litigation proceedings affecting Borrower or any Borrower Principal as required in Section 6.16.
- (e) Reviewing information contained in any Disclosure Document and providing a mortgagor estoppel certificate, written confirmation of Borrower's indemnification obligations under this Loan Agreement, and such other information about Borrower, any Guarantor, any Pledgor, any Property Manager, or the Mortgaged Properties as Lender may require for Lender's offering materials.

Notwithstanding anything set forth above in this Section 10.14, Borrower will not be required to execute any document that changes the interest rate, the Maturity Date or the Amortization Period set forth in the Note, or that modifies or amends any essential economic terms of the Loan.

10.15 Cooperation with Rating Agencies and Investors. If Lender decides to include the Loan as an asset of a Secondary Market Transaction, then Borrower will do all of the following:

- (a) At Lender's request, meet with representatives of the Rating Agencies and/or investors to discuss the business and operations of the Mortgaged Properties.
- (b) Permit Lender or its representatives to provide related information to the Rating Agencies and/or investors.

- (c) Cooperate with the reasonable requests of the Rating Agencies and/or investors in connection with all of the foregoing.

Notwithstanding anything set forth above in this Section 10.14, Borrower will not be required to execute any document that changes the interest rate, the Maturity Date or the Amortization Period set forth in the Note, or that modifies or amends any essential economic terms of the Loan.

10.16 Exhibits, Schedules, and Riders. This Loan Agreement incorporates all the attached exhibits, schedules, and riders that are listed in Article I or elsewhere in this Loan Agreement.

10.17 Reserved.

10.18 Time is of the Essence. Time is of the essence with respect to each covenant of this Loan Agreement.

10.19 Construction; Interpretation.

- (a) The captions and headings of the Articles and Sections of this Loan Agreement are for convenience only and will be disregarded in construing this Loan Agreement. Any reference in this Loan Agreement to an “Exhibit,” an “Article” or a “Section” will, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Loan Agreement or to an Article or Section of this Loan Agreement.
- (b) Any reference in this Loan Agreement to a statute or regulation will be construed as referring to that statute or regulation as amended from time to time.
- (c) Use of the singular in this Loan Agreement includes the plural and use of the plural includes the singular. The use of one gender includes the other gender, as the context may require.
- (d) As used in this Loan Agreement, the term “including” means “including, but not limited to” and the term “includes” means “includes without limitation.”
- (e) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document in this Loan Agreement will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in this Loan Agreement), and (ii) any reference in this Loan Agreement to any Person will be construed to include such Person’s successors and assigns.
- (f) Any reference in this Loan Agreement to “Lender’s requirements,” “as required by Lender,” or similar references will be construed, after Securitization, to mean Lender’s requirements or standards as determined in accordance with Lender’s and Loan Servicer’s obligations under the terms of the Securitization documents.

10.20 Right to Apply Proceeds in Connection with Releases. For so long as the Loan or any portion of the Loan is included in a Securitization, then each of the following will apply:

- (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, if any Mortgaged Property is released from the Lien of the Loan in connection with a casualty, Condemnation or Transfer and if the ratio of (A) the unpaid principal balance of the Loan to (B) the value of the Mortgaged Properties (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Lender in its discretion based on a commercially reasonable valuation method permitted in connection with a Securitization, is greater than 125% immediately after such casualty, Condemnation or Transfer and before any Restoration or Repair of any Mortgaged Property (but taking into account any planned Restoration or repair of the Mortgaged Property as if such planned Restoration or repair were completed), then Lender will apply any net proceeds or awards from such casualty, Condemnation or Transfer, in full, to the payment of the principal of the Indebtedness whether or not then due and payable, unless Lender has received an opinion of counsel that a different application of such net proceeds or awards will not cause such Securitization to fail to meet applicable federal income tax qualification requirements or subject such Securitization to any tax and the net proceeds or awards are applied in the manner specified in such opinion.

- (b) If neither Borrower nor Lender has the right to receive any or all of the net proceeds or awards as a result of the provisions of any agreement affecting any Mortgaged Property (including any condominium document or reciprocal easement agreement) and, therefore cannot apply such net proceeds or awards to the payment of the principal of the Indebtedness as set forth above, then Borrower will prepay the Indebtedness in an amount which Lender, in its discretion, deems necessary to ensure that the Securitization will not fail to meet applicable federal income tax qualification requirements or be subject to any tax as a result of the casualty, Condemnation, or Transfer.

ARTICLE XI DEFINED TERMS.

Capitalized terms used but not otherwise defined in this Loan Agreement have the following definitions:

“**Affiliate**” of any Person means (i) any other individual or entity that is, directly or indirectly, (A) in Control of the applicable Person, (B) under the Control of the applicable Person or (C) under common Control with the applicable Person; (ii) any individual that is a director or officer of the applicable Person or (iii) any individual that is a director or officer of any entity described in clause (i) of this definition.

“**Allocated Loan Amount**” means, with respect to each Mortgaged Property, an amount equal to the portion of the Loan made with respect to such Mortgaged Property, as set forth on Schedule I.

“**Amortization Period**” is defined in the Note.se

“**AML Laws**” means applicable federal anti-money laundering laws and regulations including 18 U.S.C. 1956 and 1957, as amended.

“**Assignment of Management Agreement**” means each Assignment of Management Agreement and Subordination of Management Fees among Borrower, a Property Manager and Lender, executed pursuant to the terms of this Loan Agreement.

“**Attorneys’ Fees and Costs**” means: (i) fees and out of pocket costs of Lender’s and Loan Servicer’s attorneys, as applicable, including costs of Lender’s and Loan Servicer’s in-house counsel, support staff costs, costs of preparing for litigation, computerized research, telephone and facsimile transmission expenses, mileage, deposition costs, postage, duplicating, process service, videotaping and similar costs and expenses; (ii) costs and fees of expert witnesses, including appraisers; (iii) investigatory fees; and (iv) costs for any opinion required by Lender pursuant to the terms of the Loan Documents.

“**Bankruptcy Code**” means the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., as amended from time to time.

“**Bankruptcy Event**” with respect to any Person, means the occurrence of any of the following:

- (a) Such Person voluntarily files for bankruptcy protection under the Bankruptcy Code.
- (b) Such Person voluntarily becomes subject to any reorganization, receivership, insolvency proceeding, or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights.
- (c) Any Mortgaged Property becomes an asset in a voluntary bankruptcy or becomes subject to any voluntary reorganization, receivership, insolvency proceeding, or other similar voluntary proceeding pursuant to any other federal or state law affecting debtor and creditor rights.
- (d) An order of relief is entered against such Person pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights in any involuntary bankruptcy proceeding initiated or joined in by a Related Party. If such Person, any general partner of such person if such Person is a general partnership, any Guarantor, or any Related Party has solicited creditors to initiate or participate in such a proceeding, regardless of whether any of the creditors solicited actually initiates or participates in the proceeding, then such proceeding will be considered as having been initiated by a Related Party.

- (e) An involuntary bankruptcy or other involuntary insolvency proceeding is commenced against such Person (by a party other than Lender) but only if such Person has failed to use commercially reasonable efforts to dismiss such proceeding or has consented to such proceeding. “Commercially reasonable efforts” will not require any direct or indirect interest holders in such Person to contribute or cause the contribution of additional capital to such Person.
- (f) If such Person is a general partnership, any of the following occur:
 - (i) Any general partner of such Person voluntarily files for bankruptcy protection under the Bankruptcy Code.
 - (ii) Any general partner of such Person voluntarily becomes subject to any reorganization, receivership, insolvency proceeding, or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights.
 - (iii) An order of relief is entered against any general partner of such Person pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights in any involuntary bankruptcy proceeding initiated or joined in by a Related Party.
 - (viii) An involuntary bankruptcy or other involuntary insolvency proceeding is commenced against any general partner of such Person (by a party other than Lender) but only if such Person or such general partner of such Person has failed to use commercially reasonable efforts to dismiss such proceeding or has consented to such proceeding. “Commercially reasonable efforts” will not require any direct or indirect interest holders in such Person or such general partner of such Person to contribute or cause the contribution of additional capital to such Person.

“**Books and Records**” is defined in Section 6.07(a).

“**Borrower**” means all Persons identified as “Borrower” on page 1 of this Loan Agreement, together with their successors and assigns.

“**Borrower Principal**” means any of the following: (i) any general partner of Borrower (if Borrower is a partnership), (ii) any manager or managing member of Borrower (if Borrower is a limited liability company), (iii) any Person (limited partner, member or shareholder) with a collective direct or indirect equity interest in Borrower equal to or greater than 25% (if Borrower is an entity) (iv) any trustee of Borrower (if Borrower is a trust), or (v) any Guarantor.

“**Business Day**” means any day other than a Saturday, a Sunday, or any other day on which Lender or the national banking associations are not open for business.

“**Claim**” is defined in Section 9.02(e).

“**Closing Date**” means the date on which Lender disburses the proceeds of the Loan to or for the account of Borrower.

“**Commitment Letter**” means the fully executed commitment letter or early rate lock application between Lender and Borrower issued in connection with the Loan.

“**Condemnation**” is defined in Section 6.11(a).

“**Condemnation Prepayment Amount**” is defined in Section 6.11(b).

“**Control**” means to possess, directly or indirectly through one or more intermediate entities, the power to direct or cause the direction of the management, operation, or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

For example, a trustee of a trust is a Person that Controls that trust; a general partner in a limited partnership is a Person that Controls that limited partnership; a managing member or a non-member manager of a limited liability company is a Person that Controls that limited liability company; members of a limited liability company with a voting interest that permits them (individually or collectively) to direct or control the decisions of the limited liability company are Persons that Control that limited liability company; every general partner in a general partnership or member in a joint venture is a Person that Controls that entity; a shareholder of a corporation that holds 50% or more of the shares in the corporation (whether individually or in the aggregate with its Affiliates) is a Person that Controls that corporation.

“**Crowdfunding**” means the practice of funding a project or venture by raising capital by either of the following methods:

- (i) Via general solicitation (i.e., marketing directed to the public at large, whether via the internet or otherwise) that (A) names Freddie Mac, or (B) names or contains any information about the Mortgaged Property.
- (ii) From unaccredited investors in a public offering (e.g., under the related exemptions of Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

“**Default Rate**” is defined in the Note.

“**Disclosure Document**” is defined in Section 10.10.

“**Economic Sanctions Laws**” means the foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any amending federal legislation or executive order relating thereto, as administered by OFAC.

“**Eligible Account**” means an identifiable account which is separate from all other funds held by the holding institution that is either (i) an account or accounts maintained with the corporate trust department of a federal or state-chartered depository institution or trust company which complies with the definition of Eligible Institution, or (ii) a segregated trust account or accounts maintained with the corporate trust department of a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company is subject to regulations substantially similar to 12 C.F.R. §9.10(b), having in either case a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

“**Eligible Institution**” means a federal or state chartered depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least A-1 by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., P-1 by Moody’s Investors Service, Inc. and F-3 by Fitch, Inc. in the case of accounts in which funds are held for 30 days or less or, in the case of letters of credit or accounts in which funds are held for more than 30 days, the long term unsecured debt obligations of which are rated at least “A” by Fitch, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and “A2” by Moody’s Investors Service, Inc. If at any time an Eligible Institution does not meet the required rating, then the Loan Servicer must move the Eligible Account within 30 days of such event to an appropriately rated Eligible Institution.

“**Eligible Lease**” means, unless otherwise approved by Lender, a written Lease that satisfies all of the following characteristics:

- (i) It is on a form approved by Lender.
- (ii) It is executed by an Eligible Tenant and Borrower, or Property Manager on behalf of Borrower (or, in the case of a Lease existing on the Closing Date, such Lease has been assigned to Borrower).

- (iii) It has a rental rate and terms consistent with existing local market rates and terms.
- (iv) As of the date the Lease was executed, the Lease had an initial term of at least 6 months and not more than 2 years.
- (v) It complies with all applicable law in all material respects and includes all disclosures required by applicable law.
- (vi) It covers 100% of the square footage of the applicable Mortgaged Property or Unit.
- (vii) It does not include any purchase option, right of refusal, right of first offer or other similar interest in any Property in favor of any Tenant or other Person.

“**Eligible Tenant**” means a bona fide third-party lessee of a Mortgaged Property who satisfies each of the following criteria:

- (i) Borrower or Property Manager has verified, based on bona fide written documentation, that the tenant has sufficient financial resources to satisfy its obligations under the Lease for the Mortgaged Property.
- (ii) The tenant is not subject to an ongoing Bankruptcy Event as such date of initial screening (or if not so initially screened, as of the Closing Date).
- (iii) The tenant is not a Loan Party, Affiliate of any Loan Party, or any Immediate Family Member of any of the foregoing.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and any successor provision.

“**Fixtures**” is defined in the Security Instrument.

“**FHFA**” means the Federal Housing Finance Authority.

“**FHFA SCP List**” means the Suspended Counterparty List maintained by the FHFA which is currently published at <https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/suspendedcounterpartyprogram>.

“**Freddie Mac**” means the Federal Home Loan Mortgage Corporation.

“**Governmental Authority**” means any board, commission, department, agency or body of any municipal, county, state or federal governmental unit, or any subdivision of any of them, which has or acquires jurisdiction over any Mortgaged Property, or the use, operation or improvement of any Mortgaged Property, or over Borrower.

“**Guarantor**” means the Person(s) required by Lender to guaranty all or a portion of Borrower’s obligations under the Loan Documents, as set forth in the Guaranty. The required Guarantors as of the Effective Date are set forth in Article I.

“**Guaranty**” means the Guaranty (whether one or more) executed by Guarantor and/or any replacement or supplemental guaranty executed pursuant to the terms of this Loan Agreement.

“**Hazardous Materials**” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (PCBs) and compounds containing them; lead and lead-based paint; asbestos or asbestos containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on any Mortgaged Property is prohibited by any Governmental Authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

“**Hazardous Materials Event**” is defined in Section 6.12(c).

“**Hazardous Materials Law**” and “**Hazardous Materials Laws**” means any and all federal, state and local laws, ordinances, regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future, including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to any Mortgaged Property. Hazardous Materials Laws include the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

“**HOA**” means a homeowners or condominium association, board, corporation or similar entity with authority to create a Lien on a Mortgaged Property as a result of the non-payment of HOA Fees that are payable with respect to such Mortgaged Property.

“**HOA Fees**” means all homeowner’s and condominium dues, fees, assessments and impositions, and any other charges levied or assessed or imposed against a Mortgaged Property, or any part thereof, by an HOA.

“**HOA Reserve Fund**” is defined in Section 4.02(a).

“**Immediate Family Members**” means a Person’s spouse, parent (including step-parent), child (including stepchild), grandchild (including step-grandchild) or sibling (including step-siblings).

“**Improvements**” is defined in the Security Instrument.

“**Indebtedness**” means (i) the principal of, (ii) interest at the fixed or variable rate set forth in the Note on the principal of, and (iii) all other amounts due at any time under, the Note, this Loan Agreement or any other Loan Document, including prepayment charges, late charges, default interest, and advances to protect the security of the Security Instrument as provided in Section 8.02.

“**Insurance**” means Property Insurance, liability insurance and all other insurance that Lender requires Borrower to maintain pursuant to this Loan Agreement.

“**Insurance Reserve Fund**” is defined in Section 4.02(a).

“**Land**” means the land described in Exhibit A to the Security Instrument(s).

“**Leases**” is defined in the Security Instrument(s).

“**Lender**” means the entity identified as “Lender” on page 1 of this Loan Agreement, or any subsequent holder of the Note.

“**Lien**” means any mortgage, deed of trust, deed to secure debt, security interest or other lien or encumbrance on any Mortgaged Property or any direct or indirect ownership interest in Borrower.

“**Loan**” is defined on page 1 of this Loan Agreement.

“**Loan Documents**” means the Note, the Security Instrument(s), the Pledge Agreement, this Loan Agreement, the Guaranty, any Assignment of Management Agreement, all other guaranties, all indemnity agreements, all collateral agreements, UCC filings and any other documents now or in the future executed by Borrower, any Guarantor or any other Person in connection with the Loan.

“**Loan Party**” means Borrower, each Guarantor and the Pledgor.

“**Loan Servicer**” means the entity that from time to time is designated by Lender to collect payments and deposits and receive Notices under the Note, the Security Instrument(s), the Pledge Agreement this Loan Agreement and any other Loan Document, and otherwise to service the Loan for the benefit of Lender.

“**Manager**” or “**Managers**” means a Person who is named or designated as a manager or managing member or otherwise acts in the capacity of a manager or managing member of a limited liability company in a limited liability company agreement or similar instrument under which the limited liability company is formed or operated.

“**Material Adverse Effect**” means a significant detrimental effect on: (i) the Mortgaged Properties taken as a whole, (ii) the business, prospects, profits, operations or condition (financial or otherwise) of Borrower, (iii) the enforceability, validity, perfection or priority of the Lien of any Loan Document, or (iv) the ability of Borrower to perform any obligations under any Loan Document.

“**Maturity Date**” is defined in the Note.

“**Mold**” means mold, fungus, microbial contamination or pathogenic organisms.

“**Mortgaged Property**” means, individually, and “**Mortgaged Properties**” means, collectively, the residential real properties encumbered by the Security Instruments.

“**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.

“**Note**” means the Note (including any Amended and Restated Note, Consolidated, Amended and Restated Note, or Extended and Restated Note) evidencing the Indebtedness executed by Borrower in favor of Lender and dated as of the Effective Date, including all schedules, riders, allonges and addenda.

“**Notice**” or “**Notices**” means all notices, demands, Lender approvals, and other communication required under the Loan Documents, provided in accordance with the requirements of Section 10.03.

“**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.

“**Other Charges**” means, (i) all rent and other payments owing to any ground lessor or to any holder of any superior interest in a Mortgaged Property, (ii) HOA Fees and (iii) any other charges levied or assessed or imposed against a Property, or any part thereof, other than Taxes.

“**Payment Date**” has the meaning given to it in the Note.

“**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.

“**Personalty**” is defined in the Security Instrument(s).

“**Pledge Agreement**” the Pledge Agreement (whether one or more) executed by Pledgor.

“**Pledgor**” means the Person who own 100% of the direct interests in Borrower, which interest is pledged to the Lender pursuant to the Pledge Agreement. The required Pledgor as of the Effective Date is set forth in Article I.

“**Preapproved Intrafamily Transfer**” is defined in Section 7.04.

“**Prepayment**” is defined in the Note.

“**Principal**” is defined in the Note.

“**Prior Lien**” means a pre-existing mortgage, deed of trust or other Lien encumbering the Mortgaged Property.

“**Priority Repairs**” are identified in Exhibit B.

“**Prohibited Activity or Condition**” means each of the following:

- (i) The presence, use, generation, release, treatment, processing, storage (including storage in above-ground and underground storage tanks), handling or disposal of any Hazardous Materials on or under a Mortgaged Property.
- (ii) The transportation of any Hazardous Materials to, from or across a Mortgaged Property.
- (iii) Any occurrence or condition on a Mortgaged Property, which occurrence or condition is or may be in violation of Hazardous Materials Laws.

The term “Prohibited Activity or Condition” excludes the safe and lawful use and storage of each of the following materials, so long as the materials are used, stored, handled, transported, and disposed of in compliance with Hazardous Materials Laws:

- (A) Prepackaged supplies, cleaning materials, and petroleum products customarily used in the operation and maintenance of comparable properties.
- (B) Cleaning materials, personal grooming items, and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential units in the Mortgaged Properties.
- (C) Petroleum products used in the operation and maintenance of motor vehicles from time to time located on the Mortgaged Property’s parking areas.

“**Prohibited Parties List**” means any one or more of the following:

- (i) The OFAC Lists.
- (ii) The FHFA SCP List.

“**Property Document**” means each agreement relating to a Mortgaged Property and each other instrument binding on any Mortgaged Property, including any reciprocal easement agreement, declaration of covenants, conditions and restrictions and any condominium or home owner’s association governing documents, rules and regulations.

“**Property Improvement**” is defined in Section 6.09(e)(v)

“**Property Jurisdiction**” means the jurisdiction in which the Land is located for any particular Mortgaged Property.

“**Property Manager**” or “**Property Managers**” means the Person(s) that manage the Mortgaged Properties as of the Effective Date as listed in Article I, or other residential rental property manager(s) approved by Lender to manage the Mortgaged Properties.

“**Rating Agencies**” means Fitch, Inc., Moody’s Investors Service, Inc., or Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., Kroll Bond Rating Agency, Inc. or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

“**Regulatory Agreement**” means any recorded or unrecorded agreement with a Regulatory Agreement Agency that encumbers any Mortgaged Property and which imposes use, occupancy and/or rent restrictions on any Mortgaged Property and/or its operation.

“Regulatory Agreement Agency” means a Governmental Authority, acting through any authorized representative, or any quasi-governmental authority, that is entitled to enforce the provisions of a Regulatory Agreement that encumbers any Mortgaged Property.

“Related Party” means all the following:

- (i) Borrower.
- (ii) Any general partner of Borrower if Borrower is a general partnership.
- (iii) Any Guarantor.
- (iv) Any Person that holds, directly or indirectly, any ownership interest (including any shareholder, member or partner) in Borrower, any general partner of Borrower if Borrower is a general partnership, any Guarantor, or any Person that has a right to manage Borrower, any general partner of Borrower if Borrower is a general partnership, or any Guarantor.
- (v) Any Person in which Borrower, any general partner of Borrower if Borrower is a general partnership, or any Guarantor has any ownership interest (direct or indirect) or right to manage.
- (vi) Any Person in which any partner, shareholder, or member of Borrower, any general partner of Borrower if Borrower is a general partnership, or any Guarantor has an ownership interest or right to manage.
- (vii) Any Person in which any Person holding an interest in Borrower, any general partner of Borrower if Borrower is a general partnership, or any Guarantor also has any ownership interest.
- (viii) Any creditor of Borrower that is related by blood, marriage or adoption to Borrower or any Guarantor.
- (ix) Any creditor of Borrower or any general partner of Borrower if Borrower is a general partnership that is related to any partner, shareholder or member of, or any other Person holding an interest in, Borrower, any general partner of Borrower if Borrower is a general partnership, or any Guarantor.

“Release Amount” means one of the following, as applicable:

- (i) For a Release Property where there is no continuing Event of Default, 115% of the Allocated Loan Amount for such Mortgaged Property.
- (ii) For a Release Property where there is a continuing Event of Default, the greater of 115% of the Allocated Loan Amount for such Mortgaged Property and 100% of Transfer Proceeds for such Mortgaged Property.
- (iii) For a Mandatory Release Property, 100% of the Allocated Loan Amount for such Mortgaged Property.

“Release Cap” - means the number of Mortgaged Properties that are eligible for release under Section 7.05 and set forth in Article I.

“Release Property” is defined in Section 7.05.

“Release Property Processing Fee” means a nonrefundable fee of \$400 for Lender’s review of a proposed Release Property Transfer.

“Rent(s)” is defined in the Security Instrument(s).

“**Rent Schedule**” means a written schedule for the Mortgaged Properties showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable for the current month, the date through which rent has been paid, and any related information requested by Lender. The Rent Schedule should be prepared using the template available from Lender, which may be revised from time to time, or in a format otherwise acceptable to Lender.

“**Repairs**” means all repairs made to the Mortgaged Properties, including all Priority Repairs.

“**Replacement Cost**” means the estimated replacement cost of the Improvements, Fixtures, and Personalty, excluding any deduction for depreciation, all as determined annually by Borrower using customary methodology and sources of information acceptable to Lender. Replacement Cost will not include the cost to reconstruct foundations or site improvements, such as driveways, parking lots, sidewalks, and landscaping.

“**Required Rent to Debt Service Ratio**” means the ratio set forth in Article I.

“**Reserve Fund**” means the Tax Reserve Fund, Insurance Reserve Fund, Special Purpose Reserve Fund, Capital Replacement and Repair Reserve Fund, HOA Reserve Fund, and any other account established pursuant to Article IV.

“**Restoration**” is defined in Section 6.10(i).

“**Secondary Market Transaction**” means: (i) any sale or assignment of this Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the Loan to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, or (iv) any other sale, assignment or transfer of the Loan or any interest in the Loan to one or more investors.

“**Securitization**” means a transaction in which the Note or any portion of the Note is assigned to a REMIC or grantor trust.

“**Security Instrument**” means the mortgage(s), deed(s) of trust, deed(s) to secure debt or other similar security instrument(s) encumbering one or more Mortgaged Properties and securing Borrower’s performance of its Loan obligations, including Borrower’s obligations under the Note and this Loan Agreement (including any Amended and Restated Security Instrument, Consolidation, Modification and Extension Agreement, Extension and Modification Agreement or similar agreement or instrument amending and restating existing security instruments).

“**Tax Code**” means the Internal Revenue Code of the United States, 26 U.S.C. Section 1 et seq.

“**Tax Reserve Fund**” is defined in Section 4.02(a).

“**Taxes**” means all taxes, assessments, vault rentals and other charges, if any, whether general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public authority, and which, if not paid, will become a Lien on the Land or the Improvements, including any payments made in lieu of Taxes.

“**Transfer**” means any of the following: (i) a sale, assignment, transfer or other disposition or divestment of any direct or indirect interest in Borrower, a Person that Controls Borrower, or a Mortgaged Property (whether voluntary, involuntary or by operation of law), (ii) the granting, creating or attachment of a Lien, encumbrance or security interest (whether voluntary, involuntary or by operation of law), (iii) the issuance or other creation of an ownership interest in a legal entity, including a partnership interest, interest in a limited liability company or corporate stock, (iv) the withdrawal, retirement, removal or involuntary resignation of a partner in a partnership or a member or Manager in a limited liability company, (v) the merger, dissolution, liquidation, or consolidation of a legal entity or the reconstitution of one type of legal entity into another type of legal entity and (vi) a change of Guarantor.

For purposes of defining the term “Transfer,” the term “partnership” means a general partnership, a limited partnership, a joint venture, a limited liability partnership, or a limited liability limited partnership and the term “partner” means a general partner, a limited partner, or a joint venturer.

“**Transfer**” does not include any of the following: (i) a conveyance of a Mortgaged Property at a judicial or nonjudicial foreclosure sale under the Security Instrument, (ii) a Mortgaged Property becoming part of a bankruptcy estate by operation of law under the Bankruptcy Code or (iii) the filing or recording of a Lien against a Mortgaged Property for local taxes and/or assessments not then due and payable.

“**Transfer Date**” means the date upon which a Transfer of a Mortgaged Property is consummated.

“**Transfer Expenses**” means, with respect to the Transfer of any Property, the reasonable expenses of Borrower incurred in connection therewith (not to exceed six percent (6.00%) of all gross amounts realized), for any of the following: (i) third party real estate commissions, (ii) the closing costs of the purchaser of such Property actually paid by Borrower and (iii) Borrower’s miscellaneous closings costs, including title, escrow and appraisal costs and expenses.

“**Transfer Fee**” means a fee paid when the Transfer is completed. Unless otherwise specified, the Transfer Fee will be 1% of the outstanding principal balance of the Indebtedness as of the date of the Transfer.

“**Transfer Proceeds**” means, with respect to the Transfer of any Property, the gross sales price for such Property (including any earnest money, down payment or similar deposit included in the total sales price paid by the purchaser), less Transfer Expenses.

“**Transfer Processing Fee**” means a nonrefundable fee of \$15,000 for Lender’s review of a proposed or completed Transfer.

“**UCC**” means the Uniform Commercial Code as promulgated in the applicable jurisdiction.

“**Unit**” means each separate legal address comprising all or part of a Mortgaged Property.

“**Work**” is defined in Section 6.14(b)

Reven Housing Funding 1, LLC, as Borrower

By: /s/ Thad Meyer

Name: Thad Meyer

Title: Chief Financial Officer

Arbor Agency Lending, LLC, as Lender

By: /s/ Adam Dratch
Name: Adam Dratch
Title: VP. Closing

Loan Agreement – SFR

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Section 3: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1



Squar Milner LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-195042) of Reven Housing REIT, Inc. (the “Company”) of our report dated March 21, 2019 with respect to the consolidated financial statements of the Company included in this Annual Report (Form 10-K) for the years ended December 31, 2018 and 2017.

/s/ Squar Milner LLP

Irvine, California
March 21, 2019

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Section 4: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATIONS

I, Chad M. Carpenter, certify that:

- (1) I have reviewed this annual report on Form 10-K of Reven Housing REIT, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

REVEN HOUSING REIT, INC.

Date: March 21, 2019

By: /s/ Chad M. Carpenter

Chad M. Carpenter, Chief Executive Officer

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Section 5: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATIONS

I, Thad L. Meyer, certify that:

(1) I have reviewed this annual report on Form 10-K of Reven Housing REIT, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others

within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

REVEN HOUSING REIT, INC.

Date: March 21, 2019

By: /s/ Thad L. Meyer

Thad L. Meyer, Chief Financial Officer
(Principal Financial Officer)

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Section 6: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Reven Housing REIT, Inc. (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Chad M. Carpenter and Thad L. Meyer, the Chief Executive Officer and Chief Financial Officer of the Company, respectively, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Chad M. Carpenter
Chad M. Carpenter
Title: Chief Executive Officer, Principal Executive Officer

Dated: March 21, 2019

By: /s/ Thad L. Meyer
Thad L. Meyer
Title: Chief Financial Officer, Principal Financial Officer

Dated: March 21, 2019

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

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