PRIVATE PLACEMENT MEMORANDUM

Of

DLP EQUITY FUND II, LLC

a Delaware limited liability company
701 West Broad Street Bethlehem, PA 18018

$40,000,000.00

Minimum Investment Amount: $250,000.00

March 1, 2017

This Private Placement Memorandum (this "Memorandum") is being furnished on a confidential basis to "accredited investors" (as defined herein) for their consideration about the private offering (the "Offering") of membership interests in DLP Equity Fund II, LLC (the "Fund"), a Delaware limited liability company. Such membership interests are referred to herein as "Interests." Holders of Interests are referred to herein as "Members" or "Investors." By its acceptance hereof each recipient agrees that this Memorandum may not be reproduced or distributed to others, at any time, without the prior written consent of the Fund and that the recipient will keep permanently confidential all information contained herein not already in the public domain and will use this Memorandum for the sole purpose of evaluating a possible investment in the Fund.

No person has been authorized to make any statement concerning the Fund or the Offering other than as set forth in this Memorandum and any such statements, if made, may not be relied upon. Investors should make their own investigations and evaluations of the investment offered hereby. Each prospective Investor should consult its own attorneys, business advisers and tax advisers as to legal, business, tax and related matters concerning this Offering, including those arising under the United States Internal Revenue Code of 1986, as amended (the "Code"). An investment in the Fund involves significant risks. See "Certain Investment Considerations." Investors should have the financial ability and willingness to accept the risks associated with an investment in the Fund.

The information in this Memorandum (including financial information and information concerning prior transactions) has been obtained from published and non-published sources, including the management of certain entities that participated in such prior transactions. Certain information contained herein has been obtained from published sources prepared by third parties. While such information is believed to be reliable for the purposes used herein, none of the Fund (as defined herein), their affiliates, or any of their respective directors, officers, members, managers, employees, Members or owners assumes any responsibility for the accuracy of such information.

Except where otherwise indicated, the information contained in this Memorandum was compiled as of February 15, 2017, and the Fund has no obligation to update this Memorandum. Under no circumstances should the delivery of this Memorandum create any implication that there has been no change in the
Capitalized terms not defined herein have the meanings ascribed to such terms in the Fund's Operating Agreement to be effective as of the investor's admission as a Member of the Fund (the "Fund Agreement").

Each recipient of this Memorandum agrees by accepting this Memorandum that the information contained herein and in all related and ancillary documents is not to be used for any purpose other than in connection with its consideration of a purchase of the Interests, that such information is of a confidential nature and that the recipient will treat it in a confidential manner, and that it will not directly or indirectly, disclose or permit its affiliates or representatives to disclose any of such information to any other person or reproduce this Memorandum, in whole or in part, without prior written consent. Each recipient of this Memorandum further agrees that these confidentiality and other obligations shall apply to any non-public information relating to the Fund, its affiliates, or the Interests which is provided, whether in written or oral form, to such recipient after the delivery of this Memorandum.

Notice to Investors

The Interests have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or by the securities regulatory authority of any State or foreign jurisdiction, and neither the SEC nor any such authority has passed upon the accuracy or adequacy of this Memorandum nor is it intended that the SEC or any such authority will do so. The Interests have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or foreign jurisdiction and sold within the United States only in transactions exempt from the registration requirements of such laws under Section 4(2) of the Securities Act and Rule 506 of Regulation D under the Securities Act, and only to persons meeting the definition of "Accredited Investor" under Regulation D. There will be no public market for the Interests. The Interests may not be resold except under limited circumstances in compliance with applicable laws and other restrictions described herein.

Furthermore, the Fund will not be registered as an investment company under the Investment Company Act of 1940 (the "40 Act"). In addition, neither the Fund nor its affiliates will be registered as an investment advisor under the Investment Advisors Act. Consequently, Investors will not be afforded the protections of any of those laws and regulations.

Any projections or other estimates in this Memorandum, including estimates of returns or performance, are forward-looking statements and are based upon certain assumptions. Other events, which were not considered, may occur and may significantly affect performance. Any assumptions should not be construed to be indicative of the actual events that will occur. Actual events are difficult to predict and may depend upon factors that are beyond the Fund’s control. Certain assumptions have been made to simplify the presentation and, accordingly, actual results will differ, and may differ significantly, from those presented. Some important factors which could cause actual results to differ materially from those projected or estimated in any forward-looking statements include, but are not limited to, the following: changes in interest rates and financial, market, economic or legal conditions. In addition, the degree of risk may be increased because of the leveraging of the Fund’s investments. Other risks are described under "Certain Investment Considerations" and elsewhere in this Memorandum. Accordingly,
there can be no assurance that targeted returns or projections can be realized. Such targeted returns and projections should be viewed as hypothetical and do not represent the actual returns that may be achieved by an Investor. Investors should conduct their own analysis, using such assumptions as they deem appropriate, and should fully consider other available information, including the information described in "Certain Investment Considerations," in making an investment decision. Due to the numerous risks, inherent in the investment, investors must be prepared to bear the economic risk of their investment for an indefinite period and can withstand a total loss of their investment.

Investors should bear in mind that past performance is not necessarily indicative of future results and there can be no assurance that the Fund will achieve results comparable with its past performance, or results comparable with the performance of other Funds managed by the Manager.

There is no public market for the Interests and no such market is expected to develop in the future. The Interests may not be resold or transferred (I) except as permitted under the Fund Agreement, and under the Fund's subscription agreement and (ii) unless such resale is made in accordance with an exemption from the prospectus and registration requirements of applicable securities laws.

The Interests are also subject to further restrictions on transfer described herein. Because of such restrictions, it is unlikely that a secondary trading market for the Interests will ever develop, and Investors will bear the risk of their investments for an indefinite period. Investors should note their limited withdrawal and governance rights described in the Fund Agreement.

Any questions or requests for additional information should be directed to:

Donald Wenner

DLP Capital Advisors, LLC
701 West Broad Street
Bethlehem, PA 18018

Tel.  (610) 488-2375
Email:  Don@dlpcapitaladvisors.com
PRIVACY POLICY

We consider privacy to be fundamental to our relationship with our Investors. We are committed to maintaining the confidentiality, integrity and security of our current and former Investors’ non-public information. Accordingly, we have developed internal policies to protect confidentiality while allowing Investors' needs to be met.

We respect your right to privacy. We also know, however, that you expect us to conduct our investment program in an accurate and efficient manner. To do so, we must collect and maintain certain non-public information about you and our other investors. We collect this information from sources such as subscription agreements and other documents.

We will not disclose any non-public personal information about Investors who are individuals, except to our affiliates and service providers as allowed by applicable law or regulation. In the normal course of serving our Investors, information we collect may be shared with companies that are (or may) perform various services such as accountants, auditors, attorneys, broker-dealers, franchises, and/or fund administrators. We are also sometimes asked to provide ownership and other information to certain lenders about loans on our investment properties. Specifically, we may disclose to these service providers and lenders non-public personal information including:

- Information we receive on subscription agreements or other documents, such as name, address, account or tax identification number and the types and amounts of investments; and

- Information about transactions with us, our affiliates or others, such as participation in other investment programs, ownership of certain types of accounts or other account data.

Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation, and is not permitted to share or use this information for any other purpose. To protect the personal information of individuals, we permit access only by authorized employees who need access to that information to provide services to us and our investors. To guard Investors' non-public personal information, we maintain physical, electronic and procedural safeguards that comply with U.S. federal standards. An individual Investor's right to privacy extends to all forms of contact with us, including telephone, written correspondence and electronic media, such as the internet.

We note, however, that notwithstanding the foregoing, we reserve the right to disclose non-public personal information about Investors to any person or entity, including without limitation any governmental agency, regulatory authority or self-regulatory organization having jurisdiction over us or our affiliates, if (i) we determine in our discretion that such disclosure is necessary or advisable pursuant to or in connection with any United States federal, state or local, or non U.S., law, rule, regulation, executive order or policy, including without limitation any anti-money laundering law and the USA PATRIOT Act of 2001 and (ii) such disclosure is not otherwise prohibited by law, rule, regulation, executive order or policy.
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EXECUTIVE SUMMARY

DLP Equity Fund II, LLC seeks to capitalize on distressed, undervalued and value add multi-family properties. The Fund is targeting a minimum of $25 million and up to $40 million in capital commitments from qualified investors for acquiring, repositioning, managing, operating and disposing of such assets. Although the Fund will primarily target Class B & C assets in portions of the Eastern United States, the Fund may, from time to time, invest in other multi-family, commercial and single family assets as well as real estate backed investments in other markets.

The projected term of the Fund will be ten (10) years from its initial closing. The Fund will use a combination of equity and financing for its acquisition of portfolio investments, provided, however, that the Fund’s total leverage may not exceed, in the aggregate, 75% of the value of the Fund’s assets. The Fund will target a portfolio of investments that is expected to provide its investors with an internal rate of return (IRR) of 17% net of fees and expenses, although the Manager cannot assure its investors of such returns, during the life of the Fund.

DLP Capital Advisors, LLC, is the sole Manager of the Fund (the "Manager"), the principal of which is Donald Wenner. The Manager will make, directly or indirectly through its Affiliates or members a Capital Commitment to the Fund, of the greater of (a) three percent (3%) of the aggregate Capital Commitments to the Fund, or (b) $1 million dollars within ninety (90) days of the end of the Capital raise.

The minimum investment is $250,000 per unique investor, however; the Manager, in its discretion, may accept a lesser amount. Upon obtaining commitments of at least $5 million (including commitments of the Manager and/or its affiliates), the Fund will hold an initial investor closing which is expected to occur during the first quarter of 2017 (the "Initial Closing"). Closings after the Fund’s Initial Closing will take place as described below in this Memorandum. In no event, however, will closings occur more than 24 months after the Initial Closing.

At any time after obtaining capital commitments of at least $25 million (including the commitment of the Manager and/or its affiliates) the Manager may seek to close the Fund to further investment. It is anticipated that the Fund will be closed to new investors no later than the fourth quarter of 2018.
FUND INVESTMENT OBJECTIVE AND STRATEGY

The Fund’s objective is to effectively deploy the proceeds of this offering in assets which are expected to:

- Provide Members with a Preferred Return of 7% and additional distributions which will endeavor to produce overall annualized returns in the range of 17% net of fees and expenses; and

- Ultimately provide Members with a full return of Capital Contributions.

No assurance can be given that these objectives will be attained or that the Fund’s capital will not decrease.

The Fund’s strategy will be to produce attractive risk adjusted returns by acquiring, repositioning, managing, operating and disposing of distressed, undervalued and value add multi-family properties. The target markets and properties will generally possess the following criteria, although the Fund may invest in other target markets and assets (including commercial and single family) in which the Manager feels confident that the assets can be effectively underwritten. The fund may also make loans on similar asset classes to affiliates and non affiliates.

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Value Add – Multi-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Class</td>
<td>B &amp; C</td>
</tr>
<tr>
<td>No. of Units</td>
<td>10-300</td>
</tr>
<tr>
<td>Price</td>
<td>$500,000 to $25m</td>
</tr>
<tr>
<td>Target Markets</td>
<td>FL, PA, NJ, GA, NC, SC, VA</td>
</tr>
<tr>
<td>Acquisition Cap Rate</td>
<td>5%+</td>
</tr>
<tr>
<td>Pro-Forma Cap Rate</td>
<td>8.5%+</td>
</tr>
<tr>
<td>Cash on Cash at Pro-Forma</td>
<td>12%+</td>
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<tr>
<td>Leverage</td>
<td>65-80%</td>
</tr>
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<td>IRR based on 7Yr Hold</td>
<td>17%</td>
</tr>
<tr>
<td>Existing Occupancy</td>
<td>0-100%</td>
</tr>
<tr>
<td>Capital Improvement</td>
<td>Minimal to $15,000/unit</td>
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</tbody>
</table>

The Manager believes that Fund performance will be enhanced by focusing its performance strategies on how each property drives cash flow. When analyzing potential acquisitions, the Manager will look for transactions where its particular skill set will create value post- acquisition and throughout the holding period during which the asset management team will continue to focus on consistently applying the Fund's strategy.
MANAGEMENT OF THE FUND

The Manager of the Fund will be DLP Capital Advisors, LLC, a Pennsylvania limited liability company. The strategic direction and culture of the Fund is the focus of the Manager’s principal, Donald Wenner.

Donald Wenner

Don has over 10 years of real estate sales and investment experience. He rapidly built the DLP brand from a startup into one of the top real estate companies in the country during the worst economic downturn since the Great Depression. Don’s success has placed him and his team among the Top 15 Real Estate Professionals in the US as ranked by the Wall Street Journal for 2014 – 2016, including #8 in 2016. He is also ranked number 1 in all of Pennsylvania, New Jersey, and New York. Don has closed over 5,000 real estate transactions as a principal, lender, or broker totaling over half a billion dollars. He has successfully flipped hundreds of homes and owns and manages a portfolio of over 1,000 properties in Pennsylvania and New Jersey & Florida.

Don has become a recognizable name in the world of real estate in Pennsylvania & North East Florida, especially in the Lehigh Valley PA; Jacksonville FL & St Augustine FL. DLP Realty has been named one of the Inc. 5000 Fastest Growing companies two years in a row. The DLP Realty marketing system along with Don’s numerous strategic relationships generate more than 90% of the acquisition opportunities for Don and DLP Capital Advisors. Don has also built an impressive management team and support system to handle construction, project management, and property management with a growing staff of over 160 full-time employees. His team is dedicated to effectively and efficiently rehabbing and renting and maintaining these assets while controlling costs and limiting risks to the company. Don’s credibility and national recognition as one of the top real estate professionals in the USA has generated a large following of real estate agents and investors eager to learn and duplicate his success.

Don utilizes these resources to effectively manage and maximize the returns of the private capital.

Don studied Finance and Marketing at Drexel University, where he first discovered his interest in real estate. He was born and raised in the Lehigh Valley and is currently a resident of Stroudsburg, Pennsylvania as well as St. Augustine Florida with his wife and two young boys, Donny and Alex.

Robert Peterson

Robert has 35 years’ experience in the commercial, retail and multi-family residential real estate industry as an accounting and finance professional with extensive asset management experience. Robert served for 10 years as the Vice President of Finance and Information Technologies at the Buckeye Companies, the largest full service commercial office building owner, contractor, property management, brokerage and automobile parking group of companies in Beverly Hills, California. He was the Treasurer and Chief Financial Officer for Malibu Bay Company, the largest commercial land owner and retail developer in Malibu, where he also served as the Director of Leasing for 10 years. He has had additional experience with high-end multi-family residential properties and condominium conversion projects. Robert spent 12 years as the General Manager and Chief Financial Officer of Citi National-Buckeye Building Company where he planned and directed the abatement, retro-fit, reconstruction and was successful in achieving the 100% lease-up of a major 25 story high-rise office building in downtown Los Angeles. Robert has a Bachelor of Science degree in Accounting.
FUND STRUCTURE

The Manager has endeavored to structure this Fund in a way that balances the Manager’s need for flexibility, autonomy, and control with respect to Fund policies and investment decisions with the Investor’s natural desire for safety, oversight, and transparency. We have considered the Fund’s fee structure, administrative procedures, and third party service providers including Fund administration, accounting, and auditing services, and have attempted to create a beneficial and proper alignment of interests between the Manager and the Investors.

The Fund is organized as a Delaware limited liability company. The Fund is making an offering that is exempt from registration under Regulation D of the Securities Act of 1933 (the “Act” or “Securities Act”). The Fund is open to both United States and foreign Investors.

Each U.S. Investor in the Fund must be an “accredited investor” as such term is defined in Regulation D promulgated by the SEC under the Securities Act.

Some of the ways U.S. Investors can qualify are:

- For natural person Investors, having a net worth of at least $1,000,000, excluding the value of a primary residence; or
- For natural person Investors, having an adjusted gross income of at least $200,000 for the last 2 years (or $300,000 with a spouse); or
- For entity Investors, having assets of at least $5,000,000, or
- For entity Investors, having all of the owners of the entity otherwise be Accredited Investors.

Investor Suitability Standards

This is a private Offering which is being made only by delivery of a copy of this Memorandum. Furthermore, with respect to U.S. Investors, the Offering and sales of the Investments offered hereby will be made only to persons and/or entities who meet or exceed certain suitability standards which have been adopted by the Fund for the purpose of determining who will be permitted to invest. Subscription Agreements from prospective Investors will be accepted or rejected by the Manager. The Manager reserves the right to reject any Subscription Agreement for any reason.

Investment Options

Investors shall acquire equity ownership in the Fund and shall become Members of the Fund.

By executing a Subscription Agreement, an Investor unconditionally and irrevocably makes a commitment to contribute capital in accordance with the terms set forth in the Subscription Agreement and Operating Agreement or Intercreditor Agreement as applicable.

The Fund shall seek to raise the Maximum Offering of up to $40,000,000 in Investor capital, which amount may be adjusted in the sole discretion of the Manager. The Manager may or may not raise the full amount during the lifetime of the Fund. The minimum investment is $250,000 per unique Investor, which amounts may be adjusted in the sole discretion of the Manager.
SUMMARY OF FUND TERMS

**The Fund**
DLP Equity Fund II, LLC (the “Fund”), a newly formed Delaware limited liability company.

**The Manager**
DLP Capital Advisors, LLC (the “Manager”), a Pennsylvania limited liability company.

**Investment Objective**
The Fund’s targeted IRR is 17% over the life of the Fund, after payment of Manager’s fees and other expenses borne by the Fund. There can be no assurance that such targeted returns will be achieved.

**Investment Strategy**
The Fund will seek to achieve its objective by utilizing the Manager’s performance strategies and practices in the acquisition, leasing and repositioning of distressed, undervalued and value add multi-family properties.

Project investments may be individual or multiple properties and will generally consist of Class B & C assets with 10-300 units and range in price from $500,000-$25,000,000.

Generally, the Fund will seek opportunities which meet the following criteria:

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<td>Capital Improvement</td>
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Target markets will include FL, PA, NJ, GA, NC, SC, VA. However, the Fund may occasionally invest in other markets within the Continental U.S. as well as other classes of multifamily, single family and commercial properties, and other real estate backed investments as may be determined by the Manager and Investment Committee.

**Offering Size**
The Fund offers, to a limited number of prospective investors, the opportunity to make Capital Commitments to, and become members of, the Fund (the "Members"). The Fund is seeking total Capital Commitments of $25 million (inclusive of the commitment of the Manager and its affiliates) and will expand the size of the Fund to no more than $40 million at its discretion.
The Fund may hold multiple closings.

**Manager Capital Commitment**

The Manager will make, directly or indirectly through its Affiliates or members a Capital Commitment to the Fund, of the greater of (a) three percent (3%) of the aggregate Capital Commitments to the Fund, or (b) $1 million dollars within ninety (90) days of the end of the Capital raise.

**Eligible Investors**

Only investors that are "accredited investors," within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act, may make Capital Commitments and become Members. The minimum Capital Commitment is $250,000, although the Manager may accept subscriptions for smaller amounts in its sole discretion.

**Closings**

Subsequent to obtaining commitments of at least $5 million (including commitments of the Manager and/or its affiliates), the Fund will hold an initial investor closing which is expected to occur during the first or second quarter of 2017 (the "Initial Closing"). Closings after the Fund’s Initial Closing will take place as described below in "Subsequent Closings." In no event, however, will closings occur more than 30 months after the Initial Closing. The date of the final closing for the Fund is referred to herein as the "Final Closing Date."

At any time after obtaining capital commitments of at least $25 million (including the commitment of the Manager and/or its affiliates) the Manager may seek to close the Fund to further investment. The Manager anticipates that the Fund will be closed to new investors no later than the fourth quarter of 2018.

**Subsequent Closings**

At the discretion of the Manager, Members may be admitted after the Initial Closing or may increase their Capital Commitments (each, a "New Member" with respect to its new or additional Capital Commitment).

Each New Member will (i) pay to the Fund its pro rata share of contributions made by the previously admitted Member as of the date such New Member is admitted to the Fund, less any distributions made to the previously admitted Members as a return of invested capital and (ii) pay to the Fund, as agent for the previously admitted Members, interest thereon at a rate equal to 7% per annum or higher in Manager’s discretion, calculated from the date of the fund’s initial closing for each prior capital contribution from the date of such contribution. Such amounts will be allocated to previously admitted Members, pro rata, in proportion to their capital contributions, and the respective unfunded Capital Commitments (each, an "Unfunded Commitment") of such previously admitted members will be increased by the portion of its Capital Contributions deemed sold
to the new Members. The interest portion and equity portion will be deemed paid to such existing members by the New Members outside the Fund and will not constitute a capital contribution by the New Members (or reduce their Capital Commitments).

Payments made by the New Members and allocated to the previously admitted Members shall be treated as income to the previously admitted Member and an expense to the New Member.

Use of Proceeds

The Fund will invest, directly or indirectly, in the investments. The Fund will also use the offering proceeds to pay or reimburse the Manager and its affiliates for legal, accounting, due diligence and other expenses relating to the formation or operation of the Fund, to pay fees to the Manager as described herein, to provide working capital for the Fund and to establish reasonable reserves to meet the Fund’s obligations.

Investment Period

The investment period shall mean the period commencing on the Initial Closing and expiring on the third anniversary of the Final Closing Date, unless terminated sooner pursuant to the Fund Agreement (the "Investment Period"). At the expiration of the Investment Period, any uninvested capital contributions held by the Fund will be either set aside for a specific use as outlined in the Fund Agreement or returned to the Members, and, except to the extent set forth below, the Members will be released from any further obligation to fund Capital Commitments.

After the Investment Period and subject to certain limitations set forth in the Fund Agreement, the Manager may draw down Unfunded Commitments for purposes including but not limited to the following: (A) for the purpose of (i) paying amounts owing or that come due under any credit facility obtained by the Fund or any of its subsidiaries, to the extent secured by Capital Commitments, regardless of whether such borrowing occurred before or after the termination of the Investment Period, (ii) satisfying obligations under existing guarantees, indemnities, covenants or other undertakings, and (iii) funding amounts for investments with respect to which the Fund has entered into a written letter of intent, option, agreement in principal, definitive agreement or other written commitment prior to the date upon which the Investment Period terminated.

Term of the Fund

The Fund’s term will be ten (10) years from the date of the Initial Closing; provided, however, that the term may be reduced or extended if Manager deems appropriate.
**Investment Limitations**

Geographic Limitation. The Fund’s Capital Commitments shall be invested primarily but not exclusively in the Eastern portion of the continental United States. The Fund will not invest outside the continental United States.

Diversification. Subject to certain exceptions and grace periods, no more than the greater of 25% of the Fund's Capital Commitments of 6.25m (determined as of the Final Closing Date) may be invested in any single investment (each individual asset in a portfolio acquisition will constitute a separate investment for all purposes).

Leverage. The Fund may only incur debt or otherwise leverage its direct and indirect assets if, thus thereof, the aggregate amount of all its indebtedness does not exceed 75% of the aggregate fair market value of all its direct and indirect assets upon stabilization of such assets.

The Fund shall not be required to comply with the above limitations until the later of (i) six (6) months after the Final Closing Date or (ii) December 31, 2017.

**Capital Contributions**

Capital Commitment. Each Member will agree to pay capital commitments in cash up to the aggregate amount of its Capital Commitment.

Initial Capital Contribution. At the Initial Closing, Members may be required to contribute capital to pay offering, organizational, management fees and other operating expenses and to acquire investments, as determined in the good faith discretion of the Manager. The initial capital contribution will be payable upon not less than twenty (20) days’ notice (the "Due Date") to the Members. For purposes of determining a Member's return of capital, capital contributions will be deemed made upon the later of (i) the Fund's receipt of the capital contributions, or (ii) the Due Date for such capital contributions.

Capital Calls. Subject to the exceptions described above in "Investment Period" and in the Fund Agreement, capital calls may be made by the Manager to the Members through the expiration of the Investment Period upon not less than twenty (20) days' prior notice. Subject to the notice requirements, the Manager may amend, delay or rescind a capital call prior to its Due Date. Any such action will have no effect on a subsequent capital call. No Member will have the right to make any capital contribution not called by the Manager. Further, no Member shall be obligated to contribute, and Manager shall have no authority to call, any capital beyond such capital that has been committed.

Subscription-Secured Borrowings. The Manager may cause the
Fund to enter one or more borrowings that are secured in whole or part by the members' Unfunded Commitments (and the ability of the Manager to make capital calls). In connection with any such borrowings, the Manager will be authorized to pledge, mortgage, assign, transfer and grant security interests in the right to issue funding notices and collect capital contributions from the Members, and each Member agrees to execute the documentation required for the Fund to obtain such financing (including evidencing such Member's obligation to make capital contributions to the Fund, granting a security interest in its Capital Commitment, or allowing the Fund to do so).

**Pre-Initial Closing Bridge Financing**

If prior to the Initial Closing the Fund requires financing to close on an investment, the Principal and any Member electing to participate may advance all or a portion of the necessary financing up to the amount of their Capital Commitment as an advance on such Capital Commitment. In the alternative, the participants may treat such advance as a loan to the Fund. To the extent that such amount is treated as an advance of a participant's Capital Commitment, such participant shall be entitled to an 7% preferred return on such advance from the date of the advance. To the extent that such amount is treated as a loan to the Fund, the participant shall be entitled to interest on such loan at an annual rate of 7%.

**Reinvestment**

During the Investment Period, the Fund may retain and reinvest proceeds received upon an investment's disposition or refinancing to the extent such proceeds represent invested capital. If such invested capital is returned to the investors, the Manager may require that it be recontributed by the investors at any time prior to the expiration of the Investment Period.

**Preferred Return**

The Capital Members (as defined in Distributions below) will receive on a priority basis a cumulative preferred distributions on their average Adjusted Capital Contributions of 7% per annum (the "Preferred Return"). "Adjusted Capital Contributions" for these purposes shall mean the aggregate capital contributions of the Capital Members, as reduced (but not below zero) by allocated payments by New Members as set forth in the Subsequent Closing section, above. The Preferred Return and return on invested capital will be payable to the extent of available funds as described below in "Distributions."

**Distributions**

The Fund will make distributions quarterly out of available cash flow from operations, or the sale, refinancing or disposition of investments, as determined by the Manager, net of disbursements and expenses for, among other things, operating expenses, capital expenses, real estate taxes, indebtedness payments, fees and reserves (established by the Manager in good faith) for working
capital and other purposes ("Cash Flow").

Distribution Waterfall. The Manager will make distributions in the following order and priority (for the purposes of this waterfall, "Capital Member" means each of the Members and the Manager to the extent of its capital contributions): (a) First, interest and principal payments on any Facility (depending on what collateral is pledged to a particular facility); (b) Second, to Fund expenses; (c) Third, Manager Annualized 1.5% Management Fee (paid monthly) on total AUM as of the last calendar day of each month, and any other fees due Manager; (d) Fourth, Preferred Return to Members, payable quarterly; and (e) Fifth, EDC split of 80% to Members and 20% to Manager.

Special Tax Distributions. To the extent that the distribution priorities described above do not provide cumulative distributions of Carried Interest to the Manager as of the end of any calendar year equal to the federal and state taxes that would (based on the assumptions below) be deemed to be payable by the Manager on the cumulative taxable income of the Fund allocated to the Manager with respect to its Carried Interest as of the end of such year (determined by assuming the Manager is an individual subject to the highest rate of federal and state taxation and taking into account the character of income allocated to the Manager and the deductibility of state taxes for federal tax purposes) (the "Carried Interest Tax Liability"), then the Manager has the right to elect to cause a distribution to be made to the Manager for such year equal to the Carried Interest Tax Liability (the "Carried Interest Tax Distribution"). Carried Interest Tax Distributions will be treated as advance payments of the Carried Interest and reduce future payments thereof.

In-kind Distributions. The Manager will generally not cause the Fund to make in-kind distributions; provided, however, that publicly traded securities (or interests convertible into such securities) may be distributed from time to time if, in the good faith discretion of the Manager, such a distribution will result in a greater return for the Members.

Allocations

Net income and net loss for each fiscal year will be allocated among the members consistent with the described distribution provisions and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), to target capital accounts to match the distribution waterfall set forth above.

Expenses

The Fund will be responsible for all out-of-pocket expenses incurred by the Manager and its affiliates in connection with the Fund's business, including: (a) all expenses of organizing the Fund and offering the Interests in the Fund, including legal,
accounting, tax advice, consulting fees, and all such other reasonable and necessary fees subject to a cap of $100,000 (the "Organization Expense Cap"), the Manager bearing such expenses in excess of the Organization Expense Cap; and (b) costs and expenses incurred in connection with the Manager’s performance of its duties including (i) indemnification costs, (ii) fees and expenses of professional service providers and third party transaction, pursuit and investigation costs (regardless of whether the transaction is closed); (iii) legal, audit, tax preparation, management information systems and accounting fees and costs; and (iv) administration, record keeping, investor relations and investor mailing and communication costs. Notwithstanding anything to the contrary contained herein, the Fund will not be responsible for the compensation of officers and employees, office overhead or other expenses of the Manager.

Management Fees

Asset Management Fee. During the Investment Period, the Manager or its designated affiliate(s) will receive an annual fee equal to 1.5% of the aggregate Capital Commitments. Thereafter, the Manager or its designated affiliate(s) will receive an annual fee of 1.5% of the total Invested Capital (as defined in the Fund Agreement) of all outstanding investments of the Fund, if to the extent that the Manager has reserved Unfunded Commitments for future call beyond the Investment Period, the fee base shall include such Unfunded Commitments. In all cases, the Asset Management Fees will be payable monthly, and all Capital Commitments for calculating the Asset Management Fee will be deemed made as of the Initial Closing. The Manager may reduce or waive Management Fees at his discretion.

Property Management, Construction and Broker Fees. The Manager and/or its affiliates shall receive a market rate property management fees and costs, to be paid monthly, for investments owned and operated by the Fund. The Property Management fee shall be equal to 5% of gross revenues derived with respect to each such property. In addition, the Manager and/or its affiliates shall receive market rate fees and costs for any construction, construction management and real estate brokerage fees with respect to such services provided to each such property.

Parallel Fund

The Manager may, in its discretion and to the extent permitted by applicable law, create or sponsor partnerships or other vehicles that will be formed for participating pro-rata and Pari Passu in the portfolio companies of the Fund. ("Parallel Fund"). The Parallel Fund may consist of certain investors who for a variety of reasons may not wish to participate in the investments through the Fund. Any costs associated with the formation and administration of a Parallel Fund will be paid by the investors in
the Parallel Fund. It is the intention of the Manager that the Manager of the Fund will also act as the Manager of the Parallel Fund; provided, however, if such an arrangement were to become prohibited or result in a conflict of interest, a separate Manager will be established. The Parallel Fund will contain the similar economic terms, rights, restrictions and obligations for its investors as are applicable to Investors in the Fund. Like the restrictions on transfer of Interests in the Fund, investors in the Parallel Fund will not have the right to transfer their interest in the Parallel Fund without the consent of the Manager, except in certain limited circumstances to permitted transferees. No Parallel Fund shall at any time sell, exchange, transfer or otherwise dispose of an interest in a portfolio company that was acquired as a co-investment with the Fund unless (i) the Fund and the Parallel Fund sell, exchange, transfer or otherwise dispose of, at substantially the same time, their interest in such portfolio company, and the aggregate amount of such interest sold, exchanged, transferred or otherwise disposed of by the Fund and the Parallel Fund is allocated among the Fund and the Parallel Fund pro rata in proportion to the aggregate amounts respectively invested by the Fund and the Parallel Fund on such portfolio company; and (ii) the terms of such rate, exchange, transfer or other disposition, except to the extent necessary to address regulatory or other legal considerations, are substantially the same as those applicable to such rate, exchange, transfer or other disposition by the Fund at such time.

**Special Purpose Vehicles**

Where the Manager deems it appropriate, the Fund may use special purpose entities as subsidiaries, including corporations, limited liability companies and limited partnerships to make and hold investments. The Manager may also cause the Fund to invest through corporations, limited liability companies, limited partnerships, joint ventures (both with third parties and affiliates of the Manager), or other arrangements in which the Fund has an economic interest and where such arrangements are reasonably expected to preserve in all material respects the overall economic relationship of the Members.

**Co-Investment Opportunities**

To the extent that the Manager determines that any Fund investment requires co-investment by third parties, the Manager may offer, but is not required to offer, to the Manager and all Members the opportunity to co-invest on a side-by-side basis with the Fund and the Parallel Fund in such investment. The Manager shall have the right, in its sole discretion, to accept all, none or any portion of such Member's' capital for such co-investment opportunity and may offer all or any portion of such co-investment opportunity to any third parties, and the terms offered to such third parties may be different than the co-investment terms offered to electing Members.
With regard to any co-investment comprised of electing Members, the Manager, in its discretion, shall be entitled to receive from the participating Members: (i) an asset management fee computed in the same manner as the Asset Management Fee and (ii) a carried interest computed in the same manner as that of the Fund. The Fund and the co-investing Members will participate in the distributions from each co-investment Pari Passu in proportion to the relative capital invested by the Fund and each of them in the co-investment.

| Potential Sale of Assets to the Fund | The Manager, in its discretion, may consider purchasing assets of the Manager’s affiliates and other funds established by the Manager at “fair market value” if such investments satisfy the investment criteria of the Fund. |
| Sale of Fund Investments to Affiliates or other Manager Funds | The Fund may, in certain instances, if determined appropriate by both the Manager, sell Fund or properties to either Affiliates of the Manager or to other funds established by the Manager. |
| Transferability of Membership Interests | Interests in the Fund may not be directly or indirectly sold, transferred, assigned, pledged or encumbered in whole or in part (whether voluntarily, involuntarily or by operation of law) without prior written approval of the Manager, which may not be unreasonably withheld in the case of transfers to affiliates of the Member. The transferability of Interests is also restricted because of the lack of registration under the Securities Act. |
| Redemption | Members will have the right to request a Redemption at any time provided that the Member notifies Manager in writing, with 90 day notice of redemption, although shorter term requests will be considered in cases of financial hardship or emergencies. The Manager shall have no obligation to grant any particular Redemption request and shall retain sole discretion as to whether or not to redeem any Unit, however; will endeavor to manage the Fund in such a way as to accommodate requests as consistently as possible. In the event a request for redemption is granted, the Member shall forfeit all unrealized gains and undistributed returns. Further, in the event a redemption is granted, Manager shall have the option to acquire any redeemed Units at the price redeemed. |
| Manager’s Redemption Option | The Manager or the Fund shall have the right to unilaterally redeem (cash out) a Member’s investment by providing thirty (30) days’ notice to the Member. In the event the Manager or Fund elects to redeem a Member’s investment, the Member shall receive a sum which is equivalent to a seventeen percent (17%) annualized return on the Member’s investment inclusive of all |
distributions and/or returns made to member over the life of the fund

Transferability of Manager’s Interest and Removal of Manager

Assignment and Withdrawal. Except in the case of (i) transfers in whole or in part to affiliates of the Manager, (ii) the transfer of up to thirty percent (30%) of the ownership interests in the Manager to members, officers, directors or employees of the Manager, and (iii) in certain cases for estate planning purposes, the Manager may not voluntarily withdraw or transfer its interest in the Fund, and the ownership interest in the Manager may not be transferred, unless Members representing at least a majority of all Capital Commitments of the Members (other than affiliates of the Manager) in the Fund, calculated on an aggregate basis, have consented and the transferee assumes its predecessor's liability. The Manager will be deemed to have involuntarily withdrawn upon the occurrence of any of the following events: (a) in the case of a corporate Manager, the involuntary revocation of its charter, (b) in the case of a Manager which is a partnership or limited liability company, the death, involuntary dissolution, or bankruptcy of all the general partners of such partnership (or members of such limited liability company), the making of an assignment for the benefit of creditors, filing of a voluntary petition in bankruptcy or adjudication of bankruptcy, or (c) any other event which constitutes an event of withdrawal under Delaware law.

Removal for Cause. Two or more Members representing at least two thirds majority of all Capital Commitments of the Fund may remove the Manager for Cause in accordance with the mechanics set forth in the Fund Agreement. In determining the amount of Capital Commitments voting on a for Cause removal, the Capital Commitment of the Manager and its affiliates shall be disregarded. For such purposes, "Cause" shall mean any of the following acts or omissions by the Manager with respect to its rights, duties or obligations, or any of its Subsidiaries: (i) a Material Breach; or (ii) the commission of gross negligence, fraud, or willful misconduct, in each case which could reasonably be anticipated to result in material damage to the Fund. Notwithstanding the foregoing, any such act or omission shall only constitute a "Cause Event" if the Manager has not cured such act or omission with full restitution made to the Fund within thirty (30) days after the Manager becomes aware of such act or omission (provided that in the case of an alleged commission of a Material Breach, breach of fiduciary duty or gross negligence, such cure period shall run from the date the Manager receives notice of such alleged act from any Unaffiliated Fund Member, provided, further, that such cure period shall be extended for an additional thirty (30) days so
long as the Manager is diligently pursuing a cure and has made full restitution to the Fund.

The Manager may also be removed without cause by the written consent of two or more Members representing at least eighty percent (80%) of all Capital Commitments of the Fund in accordance with the mechanics set forth in the Fund Agreement.

Replacement. If the Manager is removed, a replacement manager may be coordinated with the approval of the Members owning at least 75% of the Capital Commitments of Members.

Fund Structure

The Fund intends to utilize a tax-efficient structure to minimize tax liabilities and U.S. tax return filing obligations for certain members. The Fund will be classified as a "partnership" for federal income tax purposes. The Fund will own substantially all its investments indirectly through one or more holding companies. The Fund does not anticipate holding any of its investments directly or indirectly through a subsidiary real estate investment trust (a “Subsidiary REIT”).

Tax Considerations and Unrelated Business Taxable Income (UBTI)

The Fund, as presently structured, is intended to be treated as a partnership for U.S. federal income tax purposes. Provided that the Fund is treated as a partnership for federal income tax purposes, the Fund generally will not be subject to federal income tax, and each member of the Fund will be required to include in computing its federal income tax liability its allocable share of the items of income, gain, loss, deduction and credit of the Fund, regardless of whether any distributions have been made by the Fund to that member. It is expected that the Fund will generate Unrelated Business Taxable Income ("UBTI") to tax-exempt investors. The Manager will not be liable for the recognition and reporting of UBTI by any investor with respect to an investment in the Fund. Each member should consult with its own tax advisor regarding the federal, state, local and foreign tax considerations applicable to an investment in the Fund.

Use of Alternative Vehicles

The Manager may cause the Fund to create, in its discretion, alternative investment vehicles (including potentially an offshore investment vehicle) that will invest proportionately in real estate assets on substantially the same terms and conditions as the Fund per unit of investment, subject to applicable legal, tax or regulatory considerations, and will generally share proportionately in expenses. In addition, if the Fund or any investor encounters legal, tax or regulatory impediments to the investment in a potential investment or in the Fund, the Manager may hold the asset outside the Fund in (or permit the investors to hold their interest in the Fund through) an alternative entity organized by the Manager and having investment objectives,
economic terms, conditions and management substantially identical, to the extent practicable, to those of the Fund, but that would not encounter (or would appear to mitigate) such legal, tax or regulatory impediments. Such an entity for an investor may include a group trust or an offshore vehicle. Such alternative vehicles are different from and unrelated to the Parallel Fund described above.

**ERISA**

The Fund does not intend to have 25% or more of the Capital Commitments made by "benefit plan investors," including employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), IRA's or other "plans" subject to Section 4975 of the Code, or entities that hold the plan assets of such plans. Thus, in reliance on the less than 25% "benefit plan investors" exception under the applicable ERISA regulations, the Fund does not intend for the Fund's assets to be treated as "plan assets" under ERISA. However, if necessary to avoid the Fund's assets being treated as "plan assets" under ERISA, the Fund will have the right to take advantage of another plan assets exception, such as the "venture capital operating company" or "real estate operating company" exceptions, or to take whatever other action it deems necessary to avoid its assets being treated as "plan assets" under ERISA.

**Exculpation; Indemnification**

**Exculpation.** The Manager, its affiliates and the Investment Committee, its officers, employees, members, managers and agents (the "Indemnified Parties") shall not have any liability to the Fund or its Members for any action (or inaction) which is undertaken (or omitted) in connection with such Indemnified Party's performance of its duties under the Fund Agreement or to the Manager or its affiliates in connection with the Fund's business, except that each Indemnified Party shall be liable for its own gross negligence, fraud, willful misconduct or an uncured material breach of applicable law or of the Fund Agreement, or any agreement between the Fund and any affiliates of the Manager, that results in material damage to the Fund or a Member. Notwithstanding anything to the contrary in the preceding sentence, in no event will the Manager or any member of the Investment Committee have any personal liability, except for losses to the extent attributable to the Manager’s or such Investment Committee member’s actual and intentional fraud.

**Indemnification.** The Indemnified Parties shall be indemnified by the Fund against losses, judgments, expenses, etc. with respect to actions taken on behalf of the Fund, except to the extent that such losses, judgments or expenses were the direct result of such Indemnified Party's gross negligence, fraud, willful misconduct or a material uncured breach of applicable law or of the Fund Agreement, or any agreement between the Fund and any affiliates of the Manager that results
in material damage to the Fund or a Member. Any such indemnity shall be paid from the Fund's assets, capital contributions of the members, or the return of member distributions (on a Pari Passu basis and in reverse order (and in the proportions) that such distributions were previously made) that were made within two years of the payment of the distribution or alternatively, from any available insurance that may be procured and provide coverage to the Indemnified Parties. The Fund will be obligated and liable to pay indemnification obligations pursuant to the governing documents for one or more of the subsidiaries to be established by the Fund, and the Fund shall be obligated to make capital contributions (on such pro rata basis) to such subsidiaries as necessary to pay such indemnification obligations.

**Expense Advancement.** Indemnification expenses shall be advanced and paid when due (even if prior to a final determination of availability of indemnification), provided that (I) the claimant is not a Member (other than the Manager with respect to any interest it owns as a Member or a Member with respect to his or her position on the Investment Committee) and (ii) the claimant covenants to repay such funds advanced if it is finally determined that indemnification is not available for such claimant.

**Insurance.** At the Fund’s expense, the Manager may cause the Fund to purchase insurance coverage for acts for which indemnification would be available, including coverage for the Indemnified Parties.

**Reliance on Professionals.** The Manager, its officers, and members of the Investment Committee shall have no liability for acts taken upon the advice of counsel that such acts were permissible under governing documents and applicable law. To the extent any decision or determination has been made in reliance upon such advice, such decision or determination shall be deemed to have been made without gross negligence, bad faith, or breaching any provision of law or the Fund Agreement for purposes of applying the provisions of the Fund Agreement.

**Member Withdrawal Rights**

Any Member may elect to withdraw from the Fund (including Limited Partners subject to the Bank Holding Company Act of 1956), and upon demand to the Manager shall withdraw from the Fund, if either such Member or the Manager shall obtain an opinion of counsel to the effect that it is more likely than not that such Member is prohibited by applicable statutes, rules or regulations, or the issuance of a court order, from making additional investments, or continuing its participation, in the Fund.
### Books and Records
Members or their authorized representatives shall at all reasonable times and for any purpose reasonably related to the business and affairs of the Fund and their interest therein have access to the Fund's books and records. Each Member may, once during the term of the Fund and at such Member’s own expense, cause an audit of the Fund’s books upon reasonable notice.

### Reports
The Fund’s books shall be kept on the accrual basis of accounting for tax purposes and on a cash basis for determining distributions with annual, quarterly and special reporting requirements as set forth in the Fund Agreement.

### Side Letters
The Manager may, in its sole discretion, enter into agreements on behalf of the Fund that modify or supplement a Member’s rights and obligations with respect to its investment in the Fund (each such agreement, a "Side Letter"). The Manager may grant concessions to any unaffiliated investor in Side Letters without offering them to other Members, in its sole and absolute discretion.

### Amendments
The Manager, without the approval of any Members, in order to:
(a) add to the Manager's duties or surrender any right or power granted to it; (b) cure ambiguities, make corrections, comply with changes in the law, or otherwise clarify terms; (c) delete or add any provision requested by any federal or state "blue sky" agency to the extent deemed to be for the benefit or protection of some or all of the members; (d) effectuate the admission or withdrawal of Members in accordance with the Fund's terms; or (e) improve, upon advice of counsel, the Fund's position in (i) satisfying 1940 Act exemptions, (ii) qualifying for ERISA plan asset exemptions, (iii) sustaining its tax positions or those of any of its members (including with respect to UBTI), (iv) avoiding publicly traded partnership status, or (v) preventing the Member's' final capital accounts from deviating from the intended priority cash distributions described in "Distributions" above.

The Manager, upon the approval of Members representing at least a majority of the Capital Commitments of the Members of the Fund (other than affiliates of the Manager), in any manner other than to: (a) increase the capital commitments of the Members; or (b) alter the economic interest of a Member in the Fund from that described in "Distributions" above, absent unanimous consent of the Members.

### Use of Professionals and Service Providers
The Manager may, in its sole discretion, engage affiliated or Services Providers outside professionals and service providers on behalf of and at the expense of the Fund on arm’s-length terms.
When affiliates are engaged, the transaction shall be on arm’s-length terms. No professional or other service provider will be disqualified from providing services to the Fund or its affiliates because of the provision of services by such professional or service provider to the Manager or its affiliates, whether related to the Fund’s business or other activities.

**Governing Law**

The internal laws of the State of Delaware shall govern the Fund.

**CERTAIN INVESTMENT CONSIDERATIONS**

Prospective Investors should carefully consider the following risk factors, together with all the other information, including all other risk factors and conflicts of interest relating to an investment in the Fund, including those in this Memorandum, before deciding to subscribe for Interests. Because of these factors, as well as other risks inherent in any investment, there can be no assurance that the Fund will be able to meet its investment objectives or otherwise can successfully carry out its investment program. The risks described below are not the only risks relating to an investment in the Fund and other risks also may adversely affect an investment in the Fund.

**General Investment Risks**

Forward Looking Information. This Memorandum includes forward-looking statements that involve risk and uncertainty including, without limitation, risks involved in the real estate industry. Sentences or phrases that use the words such as "expects," "believes," "anticipates," "hopes," "plans," "may," "can," "will," and others, are often used to flag forward-looking statements, but their absence does not mean a statement is not forward-looking. Such statements reflect the Fund's current opinion and are designed to help readers understand the Fund’s thinking. By their very nature, however, such statements are subject to certain risks and uncertainties that could cause actual results to differ materially and adversely from those illustrated herein. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Fund undertakes no obligation to release publicly any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

Unpredictability of Distributions. Although Investors are entitled to an 7% cumulative, annually compounded return on their unreturned aggregate capital contributions, there can be no guarantee that the cumulative return will ever be paid.

*Target Returns.* Although the Fund's objective is to generate an overall rate of return of 17% there can be no assurance that the Fund will be able to achieve such a return.

*Lack of Operating History.* The Fund is a newly organized entity and accordingly, has no operating history upon which prospective Investors can evaluate the Fund's likely performance. Although the Fund’s management team has experience in acquiring, developing, asset managing, operating, financing and disposing of real estate and is currently managing similar funds, there can be no assurance that the performance of those activities will be reflective of the future performance of this Fund.

*Competition for Investments.* The activity of identifying, completing, and realizing attractive acquisitions of real estate assets in the Fund's targeted property types is highly competitive. The Fund
will compete for these opportunities with many other real estate investors, including public and private REITs, other real estate funds, and institutional investors. These competitors may have more experience, more resources and may be willing to accept more risk than the Fund. This competition may increase prices, reduce returns, and eliminate investment opportunities.

There can be no assurance that the Fund will be able to locate and acquire investments that satisfy its investment objectives.

**Lack of Diversification.** The lack of diversification of the Fund investments may arise in several different ways. The Fund’s investments, while limited to real estate in the United States, will focus on the Eastern portion of the U.S. This lack of geographic diversification could increase the risk of the Fund depending on pricing and other economic factors in those parts of the country. In addition, to the extent the investments involve multiple properties in a specified location, diversity is also impacted. There is no certainty as to the number of investments the Fund will make or the diversification of the Fund's assets. A limited degree of diversification increases risk because, therefore, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, the diversification of the Fund's investments could be even further limited to the extent the Fund invests a significant portion of its capital in a transaction and is unsuccessful in refinancing a portion of that investment.

**Investment Policies and Strategies.** The Fund may not meet its stated investment strategy and goals, and the Manager has the right to vary from its strategy and policies if it determines it is in the best interests of the Fund, subject to the terms of the Fund Agreement.

**Investor Failure to Fund Capital Commitment.** If one or more Investors fail to fund their capital commitment obligations when due, the Fund's ability to complete its investment program or otherwise to continue operations may be substantially impaired. A default by one or more Investors who have made Commitments could limit the Fund's opportunities for investment diversification and reduce returns to the Fund.

**Reliance on Key Persons.** The ability of the Manager to manage the Fund’s affairs currently depends on the management team. There can be no assurance that the members of the management team will remain affiliated throughout the term of the Fund or otherwise can continue to carry on their current duties throughout such term. The inability to recruit and hire replacement or additional key personnel as needed could have a material adverse effect on the Fund's operations.

**Co-Investments.** This Fund may co-invest with other parties, including the Manager, its affiliates, any other funds sponsored by the Manager or its affiliates when and on such terms as the Manager deems appropriate. In such co-investment transactions, the terms of investment of the Fund, the Manager or its affiliates may not be identical, and may include situations where the Manager or its affiliates receive returns or fees from such other parties which differ from those received from the Fund. Co-investment opportunities may not be determined through arm’s length negotiations with the Fund. The Fund will not be obligated to provide co-investment opportunities (or provide any concessions granted to any other Investor upon becoming a Member) to any Investor because such opportunity was made available to any other Investor.

**General Economic and Other Conditions.** The Fund's property values may be adversely affected from time to time by such matters as changes in general economic, industrial and commercial conditions, changes in taxes, prices and costs and other factors of a general nature that are beyond the control of the Fund. The values are also impacted by the availability and cost of credit, the U.S. mortgage market and
global economic issues.

**Limited Right to Remove the Manager.** The power of the Investors to remove the Manager is limited. Removal for "cause" requires approval of Members holding at least 50% of the Interests of all Members (other than affiliates of the Manager). The Manager may also be removed without cause by the consent of Members holding at least eighty percent (80%) of the Capital Commitments of all Members (other than affiliates of the Manager); provided that the Manager under such circumstances shall have the right to discuss the reasons for the removal and suggest a solution all in accordance with the Fund Agreement.

**Absence of Recourse against the Manager.** The Fund Agreement limits the circumstances under which the Manager, and its respective affiliates, and their respective officers, directors, members, Members, shareholders, employees, and consultants or agents can be held liable to the Fund or its Investors. Thus, Investors may have a more limited right of action in certain cases than they would in the absence of this provision.

**Lack of Control by Investors.** Investors will not have an opportunity to evaluate the investments made by the Fund or the terms of any investment. Investors should expect to rely solely on the ability of the Manager and the Investment Committee to make appropriate investments for the Fund and to appropriately manage and dispose of the investments. The business of the Fund will generally be managed by the Manager who will have significant discretion in managing the Fund’s business. The rights and obligations of Investors will be subject to the limitations set forth in the Fund Agreement and except for the rights specifically reserved to them by the Fund Agreement and applicable law, Investors will have no part in the management and control of the Fund.

**Lack of Marketability.** There are significant restrictions on the ability to sell or transfer an Interest in the Fund. There is no public market for the Interests and, in addition, the Interests are being sold in reliance upon exemptions from registration under the Securities Act and applicable state securities laws. Thus, the Interests may not be sold unless they are subsequently registered under the Securities Act and applicable state securities law, if so required, or unless an opinion of counsel or other evidence satisfactory to the Manager is obtained that states that registration is not required. In addition, any sale, transfer, assignment or pledge of an Interest in the Fund must be approved by the Manager, which will not be unreasonably withheld. Because of those restrictions, Investors may not be able to liquidate their investment in the case of emergency or otherwise. The restrictions may also influence the price an Investor would receive if a transfer were to occur.

**Liability of Members for Repayment of Certain Distributions.** Under Delaware law (applicable to an investment in the Fund), if an Investor has knowingly received a distribution from the Fund at a time when its liabilities exceed the fair market value of its assets after giving effect to the distribution, the Investor is liable to the Fund for a period of three years thereafter for the distribution. If the Fund is otherwise unable to meet its obligations, the Investors may, under applicable law, be obligated to return, with interest, cash distributions previously received by them to the extent such distributions are deemed to constitute a return of their capital contributions or are deemed to have been wrongfully paid to them. In addition, an Investor may be liable under applicable Federal and State bankruptcy or insolvency laws to return a distribution made during the Fund's insolvency.

**Conflicts of Interest.** An investment in the Fund involves several inherent or potential conflicts of interest, which prospective Investors should carefully consider before subscribing for Interests.

The Manager may make, or cause its affiliates to make, short-term loans to or from the Fund. The terms of such loans will not be determined through arm's-length negotiations and such loans will bear interest
rates in line with the market rates for such loans as determined by the manager.

Investors should note that the Manager will receive investment management fees and has the right to not take such management fees, in whole or in part, as to any quarter and to defer such management fees to such other periods as the Manager may determine. The Manager and its affiliates will also receive other fees about services provided to the Fund and the respective properties including, without limitations, market rate fees for property management, construction and construction management and real estate brokerage fees.

The Principal and, at their option Members, may make advances to the Fund prior to the Initial Closing to assist in the financing of an investment of the Fund. As described in Section VIII, this bridge financing may be secured or unsecured financing and will be treated as either equity or debt and will result in an 7% return to the participants.

The principals and senior executives of the Manager also provide services other affiliates of the Manager. The principals and senior executives of the Manager may devote significant time in the future to the management of their other existing investments and professional activities. No restrictions are placed upon the Manager or its affiliates with respect to existing real estate investments or non-real estate investments separate and apart from the Fund. Further, the Manager and its affiliates and principals may purchase property that meets the Fund's investment criteria to complete a like-kind exchange with respect to any properties owned by the Manager or its affiliates and principals. See Section VIII. "Summary of Fund Terms- Manager Exclusivity."

Management of Portfolio Companies. The Manager will engage affiliates of the Manager to manage certain operations of the investments under management agreement(s) from which they will be paid a fee for its management and/or administrative services. Accordingly, Investors must carefully evaluate the personal experience and business performance of such management team.

Lack of Sufficient Funding. The success of the Fund and the Manager’s ability to implement its business strategy are dependent upon the Fund's ability to raise capital. If the Fund is unable to raise sufficient capital, it may not be able to carry out all its planned acquisitions. If that were the case, the Fund would have to be more reliant upon outside financing or third parties to complete its business plan. As an alternative, the Fund may reduce the number of planned acquisitions and thereby limit its diversification.

Risks Inherent in Real Estate Investments Generally

General Risks. The Fund will be subject to risks incident to the ownership of real estate, including: changes in general economic or local conditions that reduce the attractiveness of the Fund's properties; fluctuation in occupancy rates, operating expenses and rental schedules; costs associated with the need to periodically repair, renovate and re-lease space, withdrawal of residents and difficulty replacing residents; resident defaults; changes in supply or demand of competing properties in an area, such as an excess supply resulting from over-building; changes in interest rates, zoning and other governmental regulations and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive; increases in maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur as other circumstances such as market factors and competition cause a reduction in revenues from such properties; inflation; changes in tax laws and rates.

Economic Conditions. An extraordinary market downturn began in mid-2008, credit markets tightened, property transaction volumes slowed dramatically and real estate values experienced significant
downward pressures. As the real estate market has recovered and credit has become more available, real estate has more recently been experiencing rising prices. These factors have made the valuation of real estate investments more difficult. Because there is a significant uncertainty in the valuation of, or in the stability of the value of, certain of the Fund’s possible investments, fair values of such investments as reflected in the Fund’s results of operations may not reflect the prices that the Fund would obtain if such investments were sold. Thus, there can be no assurance that real estate prices will stabilize in the near term or that the Fund will be able to select real estate investments that will generate the returns the Fund is targeting. If the next cycle in the real estate market is a downward turn, the Fund may also be required to hold illiquid investments for several years before any disposition can be effected at acceptable pricing.

**Lack of Liquidity of Investments.** The Fund's real estate investments will generally be highly illiquid compared to other asset classes. Given the nature of real estate investments, the Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices within any given period, or may otherwise be unable to complete any exit strategy for its investments. In some cases, the Fund may be prohibited by contract from selling investments for a period, or there may be contractual rights or obligations that may otherwise significantly affect price and/or liquidity. In addition, it is expected that investments will not be sold until several years after they are made. The types of investments held by the Fund may be such that they require a substantial length of time to liquidate. In the event a loan repayment or other funding obligation arises at a time in which the Fund does not have sufficient cash assets to cover such payment, the Fund may have to liquidate certain investments at less than their expected returns to satisfy the obligations related to other properties thereby, resulting in lower realized proceeds to the Fund than might otherwise be the case.

**Due Diligence and Analytic Risks.** There is generally limited publicly available information about real properties, and the Fund must therefore rely on due diligence conducted by the Manager and/or its affiliates about its acquisitions. Should the Manager's and/or its affiliates' pre-acquisition evaluation of the physical condition of each new investment fail to detect certain defects or necessary repairs, the ultimate investment cost could be significantly higher than originally expected. Furthermore, should the Manager’s estimates of the costs of improving, repositioning or redeveloping an acquired property prove too low, or its estimates of the time required to achieve target occupancy prove too optimistic, the profitability of the investment may be adversely affected.

**Joint Venture Risks.** Instead of making investments directly, the Fund may join other parties to make investments through Memberships, joint ventures, corporations, companies or other entities. Such investments may involve risks not present in wholly-owned investments, including for example, the possibility that a co-venturer or Member of the Fund might commit fraud, become bankrupt, or may have economic or business interests or goals which are inconsistent with those of the Fund, or that such Member or co-venturer may be in a position to take action contrary to the instructions or the requests of the Fund or contrary to the Fund's policies or objectives or otherwise have certain rights with respect to the investments, which may limit the Fund's ability to protect its position and make decisions with respect to its investments. In addition, in certain circumstances, the Fund may rely upon the joint venture Member for operational expertise, which reliance may ultimately not be justified. Furthermore, if such co-venturer or Member defaults on its funding obligations, it may be difficult for the Fund to make up the shortfall from other sources. Any default by such co-venturer or Member could have an adverse effect on the Fund, its assets, and the interests of the Investors. In addition, the Fund may be liable for actions of its co-venturers or Members. While the Manager will attempt to limit the liability of the Fund by reviewing qualifications and previous experience of co-venturers or Members, such action may not be sufficient to protect the Fund from liability or loss.

**Resident Default.** An individual resident default should not have a significant impact on the overall
financial condition of an investment; however, a resident’s default will impact cash flow and cause the Fund to incur legal costs and other costs not likely to be recouped. An unanticipated termination of a lease will also disrupt occupancy.

**Non-Renewal of Leases.** The Fund’s investments will be subject to the risks that, upon expiration, leases may not be immediately renewed or be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions, may be less favorable than current lease terms. In the event of any of these circumstances, cash flow from the Fund’s real estate investments and, therefore, the value of an investment in the Fund, could be adversely affected.

**Fixed and Variable Cost Risks.** Many costs associated with a real estate investment, such as debt service and real estate taxes, are not reduced even when a property is not fully occupied, or other circumstances cause a reduction in income from the investment. These fixed costs intensify the risk to the Fund of an unanticipated delay in achieving target occupancy of a new or redeveloped property. Some costs associated with a real estate investment, such as maintenance and repairs, may be subject to cost increases beyond the control of the Fund. Variable rate debt in a time of rising interest rates could also result in unanticipated cost increases.

**Leverage Risks.** A portion of the purchase price of each of the Fund’s investments is expected to be financed. Debt financing in respect of the Fund’s portfolio is not expected to exceed 75% of the aggregate value of all Fund investments as a group determined at the time of acquisition. The degree of leverage could have important consequences to Investors, including limiting the ability of the Fund to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes and making the Fund more vulnerable to a downturn in business or the economy generally. Further, the Fund may enter a credit facility to finance investments or pay expenses. Thus, the Manager may assign certain of the Fund’s rights with respect to Investor Capital Commitments, including the right to draw down such Capital Commitments. The use of a credit facility secured by such Capital Commitments will not be included in the leverage test for the Fund.

**Loan Default Risks.** The mortgage loan documents for the Fund’s properties will generally contain customary covenants, such as requirements relating to the maintenance of the property securing the debt, restrictions on pledging and creating other liens on the property, restrictions on incurring additional indebtedness, restrictions on transactions with affiliates and in some cases periodic satisfaction of financial ratios. Failure by the Fund to make timely payments of principal and interest on mortgage loans or to observe these loan covenants could result in the declaration of a default by the lender. The consequences of a declaration of default include foreclosure of the mortgage, resulting in loss of both the property and the income it produces, the incurrence of substantial legal costs, the imposition of a deficiency judgment if the foreclosure sale does not result in proceeds sufficient to satisfy the mortgage, and potential adverse tax consequences to the Investors. In addition, if any loan contains cross-default provisions with other properties, a default under one loan could result in default under other loans and impact other properties.

**Refinancing Risks.** Mortgage loans on the Fund’s properties may be subject to relatively short maturities, which may require refinancing before the properties are disposed of. There is no assurance that replacement financing can be obtained or, if it is obtained, that interest rates and other terms would be as favorable as for the original loans. Inability to refinance a loan on favorable terms may compel the Fund to attempt to dispose of the property or other properties on terms less favorable than might be obtained later.

**Americans With Disabilities Act.** Under the Americans with Disabilities Act of 1990, as amended (the
"ADA"), all public accommodations and commercial facilities must meet certain Federal requirements related to access and use by disabled persons. Compliance with the ADA requirements could involve removal of structural barriers from certain disabled persons’ entrances and expanded access to amenities. Other Federal, State and local laws may require modifications to or restrict further renovations of properties with respect to such access. Noncompliance with the ADA or related laws or regulations could result in the imposition of governmental fines or the institution of claims by private plaintiffs. Costs such as these, as well as the general costs of compliance with these laws or regulations, may adversely affect the value of the Fund's properties.

**Zoning and Environmental Laws.** Governmental zoning and land use regulations may exist or be promulgated that could have the effect of restricting or curtailing certain uses of existing structures, or requiring that such structures be renovated or altered in some fashion. Such regulations could adversely affect the value of any of the Fund’s properties. In recent years, the value of real estate has also sometimes been adversely affected by the presence of hazardous substances or toxic waste on, under, or in the environs of the real estate. A substance (or the amount of a substance) may be considered safe at the time the real estate is purchased but later classified by law as hazardous. Under environmental laws, owners of properties have been liable for substantial expenses to remedy chemical contamination of soil and groundwater at their real estate even if the contamination predated their ownership. Although the Fund will exercise reasonable efforts to assure that no real estate is acquired that gives rise to such liabilities, environmental contamination cannot always be detected through readily available means, and the possibility of such liability cannot be excluded.

**Risk of Uninsured Losses.** While the Fund intends to carry customary comprehensive liability and casualty insurance, certain disaster insurance (such as earthquake, wind and flood insurance) may not be available or may be available only at prohibitive cost. In addition, losses may exceed insurance policy limits, and policies may contain exclusions with respect to various types of losses or other matters. Consequently, all or a portion of the Fund’s properties may not be covered by disaster insurance, and insurance may not cover all losses. Manager, in Manager’s discretion shall have the right to elect not to purchase certain coverages for certain risks and/or assets and elect the Fund to self-insure if in Manager’s discretion, it is determined that coverage cannot be obtained on commercially reasonable terms.

**Manager Carried Interest.** The existence of the Carried Interest may influence the Manager to expose the Fund to more risk than it otherwise would, because the Carried Interest will entitle the Manager to compensation only after the Fund has provided the Members with a specified return with respect to an investment. The Manager is subject to all or a portion of the Carried Interest to the extent that the Members upon liquidation do not receive cash distributions at least equal to the Preferred Return plus any Unreturned Capital Contributions.

**Lack of Outside Due Diligence.** Because the Manager and the Issuer have elected not to utilize a managing broker-dealer for this offering, Investors will not have the benefit of an independent due diligence review and investigation of the type normally performed by an independent underwriter about a registered, firm commitment offering of securities. Investors will be required to conduct their own due diligence prior to making a commitment.

**Risks of Investing in Target Sectors**

In addition to the general risks of investing in real estate, each of the Target Sectors has specific risks.

**Generally,** While the Manager believes that each of the Fund's Target Sectors has attractive demographics and characteristics, such demographics and characteristics may change materially, which could materially
and adversely affect the Fund's operating results.

Federal Income Tax Risks

Generally, the income tax aspects of an investment in the Fund are complicated, and each Investor should review them with their own professional advisors familiar with the Investor's personal income tax situation and with the income tax laws and regulations applicable to the Investor and investment Memberships. The Fund expects to be treated as a Membership for Federal income tax purposes, with the result that the Investors, not the Fund, will be taxed on the Fund’s recognized income and gain. Investors will have this income tax liability even in the absence of cash distributions and thus may have taxable income and income tax liability arising from their investments in the Fund in years when they receive no cash distributions from the Fund. If this occurs, the tax on such profits will be an out of pocket cost of the Investors. In addition to Federal income taxes, each Investor may incur income tax liabilities under the State or local income tax laws of certain jurisdictions in which the Fund will operate and/or own assets, as well as in the jurisdiction of that Investor’s residence or domicile. State and local income tax laws vary from one location to another, and Federal, State and local income tax laws are both complex and subject to change. In addition, special income tax considerations may apply to qualified employee benefit plans and other tax-exempt entities.

No assurance can be given that the Fund's interpretation of the existing Federal income tax laws and Treasury Regulations for any given year will not be challenged by the Internal Revenue Service (the "IRS"), resulting in any increase in taxable income or a decrease in allowable deductions.

Tax Shelter Registration. The Fund has determined the Membership is not a tax shelter under the applicable tax shelter registration rules. Accordingly, the Fund will not register the Membership with the IRS as a tax shelter.

Company Organization Fees, Start-up Expenditures and Syndication Expense. The Fund will pay certain expenses about its organization and start-up. Except for a limited amount of expenses (up to $5,000) which may be deducted currently, any expenses paid by the Fund that constitute organizational and start-up must be capitalized, but may be amortized upon proper election of the Fund over a period of not less than 180 months. Examples of organizational expenses of the Fund include organizational activities of the Fund, legal fees and other services incident to the Fund such as the preparation of the Membership Agreement and related documents, accounting fees for establishing an accounting system, and necessary filing fees. Examples of start-up expenses include wages and other expenses incurred prior to commencing its development activities. Expenses incurred about the sale of the Interests (for example, promotional expenses and most of the printing costs, and professional fees incurred about the preparation of this Memorandum) are treated as syndication expenses and are not deductible by the Fund. Such costs must be capitalized.

Changes in the Law- Recent Legislation. In recent years, numerous changes to the Code have been enacted. These changes have affected marginal tax rates, personal exemptions, itemized deductions, depreciation and amortization rates, and other provisions of the Code. There can be no assurance that the present federal income tax treatment of an investment in the Fund will not be adversely affected by future legislative, judicial or administrative action. Any modification or change in the Code or the regulations promulgated thereunder, or any judicial decision, could be applied retroactively to an investment in the Fund. In view of this uncertainty, prospective Investors are urged to consider ongoing developments in this area and consult their advisors concerning the effects of such developments on an investment in the Fund considering their own personal tax situations.
Risk of Audit. Information returns filed by the Fund are subject to audit by the IRS. An audit of the Fund’s return may lead to adjustments, in which event the Members may be required to file amended personal federal and state income tax returns. In addition, any such audit may lead to an audit of an Investor’s individual tax return, which may lead to adjustments other than those relating to such Investor’s investment in the Fund. The costs of such audit and adjustments would be borne by the affected Members. The tax treatment of items of Fund income, loss, deductions, and credits will be determined at the Fund level in a unified Fund proceeding at which the Manager, as the "tax matters Member" of the Fund, might represent some or all the Members.

No Internal Revenue Service Rulings. The Fund will not seek rulings from the IRS with respect to any of the Federal income tax considerations discussed in this Memorandum. Thus, positions to be taken by the IRS as to tax consequences could differ from positions taken by the Fund.

Unrelated Business Taxable Income. Due to the Fund’s investment strategy and use of leverage, tax exempt Investors will likely have Unrelated Business Taxable Income ("UBTI") (subject to tax at corporate rates) from investments that are acquired by the Fund. UBTI can also be generated by any fees for services paid to the Fund, although loan commitment fees and changes interest should not generate UBTI. Certain investments may have UBTI from sources such as parking revenue and services provided to tenants or borrowers, and other investments that the General Member determines to cause the Fund to acquire may be the type that generate primarily UBTI. The Manager will not be liable for the recognition and reporting of any UBTI by an Investor with respect to an investment in the Fund, and potential tax exempt Investors can expect some or all their profits from the Fund to be UBTI. Further, if certain charitable remainder trusts have UBTI, they must pay an excise tax equal to 100% of the UBTI. Each Investor should consult with its own tax advisor regarding the Federal, State, local and foreign tax considerations applicable to an investment in the Fund.

Section 470 of the Code. An investment in the Fund entails certain tax risks, including the possibility that, under Section 470 of the Code, deductions or losses of the Fund, if any, allocated to the Investors, may not be deductible if the Fund’s investments are leased to tax-exempt entities.

Section 1031 of the Code. Section 1031 of the Code currently provides that under certain conditions no gain or loss is recognized if a taxpayer (i) transfers property held for productive use in a trade or business, or for investment, and (ii) subsequently receives like-kind property to be held either for productive use in a trade or business, or for investment. The availability of Section 1031 "like-kind exchanges" increases the marketability of properties which the Fund plans to acquire. Therefore, the repeal or significant amendment of Section 1031 of the Code could have an adverse effect on the marketability of the Fund’s properties.

Filings and Information Returns. The Manager will use reasonable commercial efforts to cause all tax filings to be made in a timely manner (taking permitted extensions into account); however, investment in the Fund may require the filing of tax return extensions and filing in multiple jurisdictions by Members if composite state returns are not filed by the Fund. If the Fund cannot deliver a Schedule K-1 to the Members by the 15th day of the fourth month after its taxable year (generally April 15th of each calendar year if the Fund’s taxable year is the calendar year) and is required to extend the filing date for the Fund, Members may have to file one or more tax filing extensions. Although the General Member will attempt to cause the Fund to provide Members with estimated annual Federal tax information prior to April 15th if the Fund’s taxable year is the calendar year, the Fund may not be able to obtain annual Federal tax information from all assets by such date. Moreover, although estimates will be provided to the Members
by the Fund in good faith based on the information obtained from the Fund's assets, such estimates may be different from the actual final tax information and such differences could be significant, resulting in interest and penalties to the Members due to underpayment of taxes or loss of use of funds for an extended period due to overpayment of taxes.

**Other Potential Tax Risks.** In evaluating an investment in the Fund, a prospective Investor should also consider, in addition to the above potential tax consequences, the following tax consequences (amongst others): (i) the possibility that there may be a recapture of depreciation so that upon a sale of Interests, or of a Fund real estate investment, a portion of the gain may be taxed as ordinary income tax rates; (ii) the possibility that his or her income tax liability resulting from a sale of a Fund investment (including a sale or disposition resulting from the foreclosure or other enforcement of a security interest) or from a sale or other disposition (e.g., by gift) of his or her Interests may exceed his or her share of the cash proceeds therefrom (whether or not distributed), and to the extent of such excess, the payment of such income taxes will be an out-of-pocket expense; (iii) the possibility that in connection with the reduction or compromise of a debt obligation of one or more of the Fund's investments, the Investors may be required to recognize debt forgiveness income without a corresponding distribution; (iv) the possibility of tax liability on the Fund's current operating income in excess of amounts that the Manager deems advisable to distribute; (v) the possibility that foreign, State or local income tax treatment may be adverse; (vi) the possibility that there may be adverse changes in the income tax laws and their interpretation; and (vii) the possibility that the mortgage interest of the Fund might not be allowable as a deduction to some or all of the Investors. Moreover, there is uncertainty concerning certain other of the income tax aspects of an investment in the Fund, and there can be no assurance that some of the deductions claimed or positions taken by the Fund may not be successfully challenged by the IRS. The Fund will consider taking all deductions and positions for which there is support, even though it may be aware that the IRS might not agree. See Section XI. "Certain Tax Considerations" for a discussion of these and other tax risks.

**Diverse Investor Group.** The potential Investors could include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. Thus, decisions made by the Manager may be more beneficial for one type of Investor than for another type of Investor. In selecting investments, the Manager considers the investment objectives of the Fund not the investment objectives of any Investor individually.

**Other Regulatory and Legal Risks**

**Federal and State Securities Laws; Absence of Regulation Applicable to the Fund.** The Fund has not registered this offering under the Securities Act in reliance on the exemptive provisions of Section 4(2) of the Securities Act and Regulation D promulgated by the SEC. The Fund also has relied on exemptions from securities registration requirements under applicable State securities laws. Investors in the Fund, therefore, will not receive any of the benefits that registration may be deemed to afford. Given the planned nature of the Fund's investments, or pursuant to certain available exemptions, the Fund will not therefore be required to register as an "investment company" under the Investment Company Act of 1940 and investors in the Fund will not have the protections that may be deemed to be afforded to investors under such act.

**Liquidity of Interests.** Investors should be aware of the long-term nature of this investment. There is not now and will not be a public market for the Interests. Because the Interests have not been registered under the Securities Act or under the securities laws of any State or foreign jurisdiction, the Interests are "restricted securities" and cannot be resold in the United States except as permitted under the Securities Act and applicable State securities laws, pursuant to registration there under or exemption from such
registration. It is not contemplated that registration under the Securities Act or other securities laws will ever be effected. The Interests may also not be sold or otherwise transferred without the consent of the Manager and compliance with the Fund Agreement. Accordingly, an Investor may not be able to liquidate his, her or its investment in the Fund in the event of an emergency or for any other reason, and an Investor's Interests due to the illiquid nature of the Interest and the limitation on transfer may not be acceptable as collateral for loans. Limitations on the transfer of the Interests may also adversely affect the price that an Investor might be able to obtain for Interests in a private sale.

**ERISA and Pension Plan Investors.** Special considerations apply to employee benefit plans subject to ERISA and other retirement plans and arrangements (such as Individual Retirement Accounts) subject to Section 4975 of the Code. Fiduciaries investing the assets of such a plan in the Interests should satisfy themselves that the investment is consistent with their fiduciary duties under ERISA, including the requirement to diversify the plan's assets, to take into account the liquidity needs of the plan and to comply with plan documents. In addition, fiduciaries should confirm that the investment will not constitute a non-exempt prohibited transaction under ERISA or the Code. Fiduciaries who fail to satisfy their fiduciary duties or who cause a plan to participate in a prohibited transaction can be subject to liability for plan losses, in addition to civil and criminal penalties.

The Manager intends to rely on exceptions provided by Department of Labor regulations so that the Fund will not hold the "plan assets" of a plan or arrangement that is subject to ERISA or to Section 4975 of the Code. Despite this intention, there is no assurance that the Fund will be successful in satisfying the requirements for a plan assets exception under such regulations, in which case the Manager would become a fiduciary and the Fund would be subject to significant restrictions which could adversely affect its operations and investments. Also, if the Manager relies on the plan asset exemption for a "venture capital operating company" or a "real estate operating company", the requirements that must be satisfied in order to maintain such qualification could affect the Fund's choice of investments which could reduce the potential returns to Investors.

Fiduciaries investing the assets of an employee benefit plan or other arrangement that is subject to ERISA and Section 4975 of the Code are advised to consult with their own counsel regarding these and other ERISA risks. See Section X. "Certain Legal Matters-ERISA Considerations."

**CERTAIN LEGAL MATTERS**

**Securities Act of 1933; Other Laws**

The Interests have not been and will not be registered under the Securities Act, the securities laws of any State in the United States or the securities laws of any other jurisdiction, and the Fund does not intend to register the Interests under such laws, unless required to do so. The Interests offered hereby are being offered in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder and other exemptions of similar import in the laws of the states and other jurisdictions where the Offering will be made.

**Investment Company Act of 1940**

The Fund does not expect to be required to register as an investment company under the Investment Company Act of 1940 (the "'40 Act") The Fund will be relying on an exemption from the '40 Act under Section 3(c)(1) and the Parallel fund, if created, would likely be relying on an exemption under Section 3(c)(7) of the '40 Act. The Manager reserves the right to have either or both funds rely on the '40 Act exemption under Section 3(c)(5) in the future if necessary or desirable.
**Investment Advisers Act of 1940**

The Fund intends to structure its investments to avoid the need for the Manager or its affiliate to register as an investment adviser under the Investment Advisers Act of 1940, as amended.

**Anti-Money Laundering and Similar Regulations**

The Manager may be required to comply with Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act") and any relevant regulations and any other applicable U.S. or other laws or regulations, including regulations promulgated by the Department of Treasury’s Office of Foreign Assets Control ("OFAC"). The Fund and the Manager may be required to obtain a detailed verification of the identity of each Investor in the Fund, the identity of any beneficial owner of any such Investor, and the source of funds used to subscribe for Interests in the Fund. Each prospective Investor shall be required to represent that it is not a prohibited person (a "Prohibited Person"), as defined by the USA PATRIOT Act, United States Executive Order 13224, and other relevant legislation and regulations.

Should a prospective Investor or Member refuse to provide any information required for verification purposes, the Fund may refuse to accept a subscription or may cause the redemption of the Interests held by any such Member. The Fund and the Manager may at any time request such additional information from prospective Investors or Members as is necessary in order to comply with the USA PATRIOT Act, United States Executive Order 13224, and other relevant U.S. or other anti-money laundering legislation and regulations, including regulations promulgated by OFAC.

The Fund, by written notice to any Member, may redeem the Interests held by such Member for an amount equal to such Member's unreturned capital contributions if the Manager reasonably deems it necessary to do so in order to comply with any legal requirements, including the USA PATRIOT Act, United States Executive Order 13224, and any other relevant anti-money laundering legislation and regulations, including regulations promulgated by OFAC, applicable to the Fund, the Manager or any of the Fund's other service providers, or if so ordered by a competent U.S. or other court or regulatory authority.

**ERISA Considerations**

*Fiduciary Investment Considerations under ERISA and the Code*. Members whose Interests in the Fund is held by a pension plan, 401(k) plan, individual retirement account ("IRA") or other vehicle subject to ERISA will be subject to the fiduciary responsibility and prohibited transaction requirements of ERISA, and/or related provisions of the Code. The following is a summary of some of the material fiduciary investment considerations that may apply to such Investors under ERISA and the Code. This summary is based on the fiduciary responsibility provisions and prohibited transaction restrictions of ERISA, relevant regulations and opinions issued by Department of Labor and court decisions thereunder, and on any other pertinent provisions of the Code, relevant regulations, published rulings and procedures of the IRS, and related court decisions.

*This summary does not include all of the fiduciary investment considerations relevant to Investors subject to ERISA and/or Section 4975 of the Code and should not be construed as legal advice or a legal opinion. Prospective Investors should consult with their own counsel on these matters.*
This summary is based on provisions of ERISA and the Code as of the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to ERISA and the Code. No assurance can be given that future legislation, administrative regulations or rulings in court decisions will not significantly modify the requirements summarized herein. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release and neither the Manager nor the Fund assume any responsibility to notify Members of any such actual or potential changes.

Fiduciary Considerations. Before authorizing an investment in the Fund, fiduciaries of a “benefit plan investor” (as defined in the Plan Asset Regulation as modified by Section 3(42) of ERISA) that are subject to ERISA should consider: (i) the fiduciary standards imposed by ERISA; (ii) whether an investment in the Fund satisfies the prudence and diversification requirements of ERISA, including whether the investment is prudent in light of limitations on the marketability of the Fund Interests; and (iii) whether such fiduciaries have authority to make the investment under the appropriate plan investment policies and governing instruments. Accordingly, when considering an investment of benefit plan investor assets in the Fund, each benefit plan investor fiduciary should consider the effect of the investment on any applicable fiduciary standards of conduct, prohibited transaction rules, valuation requirements, reporting and disclosure requirements and other related requirements. The sale of Fund Interests to a benefit plan investor is in no respect a representation by the Manager or the Fund that this investment meets all relevant requirements with respect to investments by benefit plan investors generally or any particular benefit plan investor or that this investment is appropriate for a benefit plan investor generally or any particular benefit plan investor.

Definition of Plan Assets. ERISA and the Code impose various duties and restrictions with respect to the investment, management and disposition of plan assets. ERISA and the Code do not, however, define the term "plan assets," particularly in the context of pooled investment funds and other vehicles in which a plan may invest. DOL has, however, published regulations relating to the definition of "plan assets," pursuant to which the assets of an entity in which a plan or plans acquire an equity interest will or will not be deemed "plan assets" (i.e., the "Plan Asset Regulation"). The Plan Asset Regulation generally provides that when a plan (including an IRA) acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the '40 Act, the plan's assets will include both the equity interest in the entity and an undivided interest in each of the underlying assets of the entity (i.e., the "Look-Through Rule") unless it is established that either (1) the participation in the entity by "benefit plan investors is not "significant," or (2) the entity qualifies as an "operating company." Participation by benefit plan investors will be "significant" unless ownership of each class of equity interests in the entity by "benefit plan investors" has a value in the aggregate of less than 25% of the total value of such class of equity interests that are outstanding (not counting interests held by the Manager of the entity and its affiliates). As defined in the Plan Asset Regulation (as modified by Section 3(42) of ERISA), a "benefit plan investor" includes plans that are subject to Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, other employee benefit and retirement arrangements (e.g. IRAs), as well as entities that hold plan assets (e.g., group trusts and certain funds of funds). In certain circumstances, an investment by an insurance company of the assets of its general account or of a separate account may be treated as investment by a benefit plan investor, to the extent the assets held in such accounts are attributable to employee benefit plans. For purposes of the 25% limit, ownership by benefit plan investors is required to be tested immediately after each acquisition of an equity interest in the entity.

In the event the investment in the Fund held by benefit plan investors exceeds 25%, the Fund intends to qualify as an "operating company." The Plan Asset Regulation provides that an "operating company" is an entity that is engaged primarily, directly or through a majority-owned subsidiary or
subsidiaries, in the production or sale of a product or service other than the investment of capital. In addition, the Plan Asset Regulation provides that the term operating company includes an entity qualifying as a "venture capital operating company" (a "VCOC") within the meaning of the DOL regulations or an entity qualifying as a "real estate operating company" (a "REOC").

An entity will qualify as a VCOC if: (i) on its initial valuation date and on at least one day during each annual valuation period, at least 50% of the entity's assets, valued at cost, consist of "venture capital investments" and (ii) the entity, in the ordinary course of its business, actually exercises management rights with respect to one or more of its venture capital investments. The Plan Asset Regulation defines the term "venture capital investment" as an investment in an operating company (other than a VCOC, but including a REOC) with respect to which the investor obtains "management rights." "Management rights" is defined to mean "contractual rights directly between the investor and an operating company to substantially participate in, or substantially influence the conduct of, the management of the operating company." The definition of a REOC is similar to the definition of a VCOC, but at least 50% of a REOC's assets must consist of real estate that is managed or developed, and the REOC entity must have the right to substantially participate directly in such management or development.

In order to qualify as a VCOC or REOC, an entity such as the Fund generally must satisfy the 50% test described above on its "initial valuation date," i.e., the date of the first investment of the entity (other than short-term investments pending long-term commitment). Thus, if the Fund intends to qualify as a VCOC at any time, it must do so from the date of its initial long-term investment.

If the assets of the Fund are unable to meet one of the exceptions described above and are deemed to be "plan assets" of a plan that is a Member, Subtitle A and Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code will apply to investments made by the Fund. This would result, among other things, in: (i) the application of the prudence and other fiduciary standards of ERISA (which impose liability on fiduciaries) to investments made by the Fund, which could materially affect the operations of the Fund; (ii) potential liability for persons having investment discretion over the assets of an ERISA-covered plan investing in the Fund should investments made by the Fund not conform to ERISA's prudence and fiduciary standards, unless certain conditions are satisfied; and (iii) the possibility that certain transactions that the Fund might enter into in the ordinary course of its business might constitute "prohibited transactions" under ERISA and the Code. A prohibited transaction, in addition to imposing potential personal liability upon fiduciaries of employee benefit plans, may also result in the imposition of an excise tax under the Code upon disqualified persons with respect to the employee benefit plans.

The Manager intends to either (1) limit investment in the Fund by benefit plan investors to less than 25% (excluding the Interests held by the General Member and its affiliates) of each class of interest in the Fund, or (2) qualify as an "operating company," so that (in either case) the Fund will qualify for an exemption from the Plan Asset Regulation's Look-Through Rule and the underlying assets of the Fund will not be treated as plan assets. If the Fund is relying on the less than 25% exception, the Fund may, in its sole discretion, reject subscriptions for Interests made by benefit plan investors and/or prevent transfers of Interests to the extent that the investment or transfer would result in the Fund exceeding the 25% limit. In addition, because the 25% limit is to be calculated upon every subscription to or transfer, withdrawal or redemption from the Fund, the Fund has the authority to require the redemption of all or some of the Interests held by any benefit plan investor if the continued holding of such Interests, in the opinion of the Manager, would result in the Fund being subject to ERISA. Such redemption could result in a lower than expected return on any such redeemed benefit plan investor's investment in the Fund.
If the General Member operates the Fund so that either (i) the investment by benefit plan investors will at all times meet the 25% test, or (ii) the Fund qualifies as a VCOC, the General Member will not be deemed to be a fiduciary under ERISA solely by reason of its management of the assets of the Fund. While the General Member believes that the Fund will be able to qualify as a VCOC and, if the Fund cannot comply with the 25% test on its initial valuation date, will use its reasonable best efforts to structure the Fund's investments so as to satisfy the VCOC requirements, there is no obligation on the General Member to obtain or maintain such status. Moreover, no assurance can be given that the Fund will be able to continue to qualify as a VCOC at all times after the Fund's initial valuation date inasmuch as this requires a factual determination that depends on the nature of the Fund's investments and the nature of its activities. In the event that the General Member seeks to qualify the Fund as a VCOC, the Fund will seek an opinion from the Fund's counsel as of the Initial Closing concerning the Fund's status with respect to the foregoing.

The application of ERISA, the Code and other relevant laws may be complex and dependent upon the particular facts and circumstances of the fund and of each plan, and it is the responsibility of the appropriate fiduciary of the plan to ensure that any investment in the Interests by such plan is consistent with all applicable requirements. Fiduciaries of benefit plans should consult their legal and other advisors concerning these considerations, and (particularly in the case of non-ERISA plans) concerning any additional Code and State law considerations, before making an investment in the Interests.

CERTAIN TAX CONSIDERATIONS

Introduction

The following is a summary of certain significant Federal income tax considerations of an investment in the Fund. The discussion does not deal with all the potential tax consequences of an investment in the Fund, especially for certain categories of investors that are subject to special rules. Furthermore, the Federal income taxation of Members of a Membership is extremely complex and may involve, among other things, significant issues as to the timing, character, and allocation of gains and losses, various limitations on the deductibility of losses, and relationships between a Member’s investment in the Membership and the Member’s other investments and activities. This discussion is general and necessarily omits discussion of special rules applicable to certain Investors, such as banks, thrifts, insurance companies, dealers and traders in securities that elect to mark their securities portfolios to market and other Investors that do not own their Interests as capital assets. Accordingly, this discussion is not a substitute for careful tax planning, particularly since certain of the Federal income tax consequences of an investment in the Fund will vary depending upon the Investor’s own circumstances. This discussion is based upon the Code, administrative rulings, judicial decisions and Treasury regulations as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect).

THE FUND WILL NOT SEEK ANY TAX RULINGS FROM ANY TAX AUTHORITIES OR OBTAIN TAX OPINIONS FROM ITS ATTORNEYS IN RESPECT OF ANY OF THE MATTERS DISCUSSED HEREIN, EXCEPT AS DESCRIBED HEREIN.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISER REGARDING ALL THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND, WITH SPECIFIC REFERENCE TO
Overview of Fund Structure

The Fund is a Delaware limited liability company that will be classified as a Membership for Federal income tax purposes and not as an "association" taxable as a corporation. In addition, the Fund will not be treated as a publicly-traded Membership.

Taxation of the Fund

The Fund will use the accrual method of accounting to report income and deductions for tax purposes. It will report based on a calendar year, unless required to adopt a different fiscal year for Federal income tax purposes. The Fund will file an annual Federal informational tax return, Form 1065, reporting its operations for each calendar year to the IRS and will provide Members with the information on Schedule K-1 to Form 1065 necessary to enable them to include in their tax returns the tax information arising from their investment in the Fund. Section 6222 of the Code requires that the Members file their returns in a manner consistent with the treatment of Membership items on the Fund return, unless a statement is filed with the IRS identifying the inconsistency.

In general, the Fund will not itself be a taxable entity for Federal income tax purposes. Rather, the Fund's items of income, gain, loss, deduction and credit (if any), and the character of such items (e.g., as interest or dividend income, or as investment interest deductions), will generally flow through to the Investors, with each Investor reporting its distributive share of the items on such Investor’s Federal and applicable State and local income tax returns for the taxable year which includes the end of the Fund's year. The Investors will be taxed on Membership income regardless of whether they receive distributions from the Fund. Thus, it is possible that an Investor could incur income tax liability with respect to its share of the income of the Fund without receiving a distribution from the Fund to pay such liability. In general, cash distributions from the Fund to an Investor (including a deemed distribution from a reduction in the Investor’s share of Membership liabilities) will not be taxable except to the extent distributions during a year exceed the Investor’s share of the Fund's taxable income for the year and the Investor's adjusted tax basis in its Interest.

Taxation of the Investors

In General, the taxable income and tax losses of the Fund will be allocated among the Members in accordance with the Fund Agreement. Under Section 704(b) of the Code, a Membership’s tax allocations generally will be respected for Federal income tax purposes if they have "substantial economic effect" or they are in accordance with the Members’ interests in the Membership. If a Membership’s allocations do not comply with Section 704(b) of the Code, the IRS may reallocate Membership tax items in accordance with the interests of the Members in the Membership. The Manager expects that the Fund’s tax allocations will comply with the requirements of Section 704(b) of the Code.

A Member’s tax liability with respect to the Fund for any year may exceed the amount of cash distributed to such Member for that year for several reasons, including if a large portion of the Fund’s cash flow is devoted to the amortization of the principal on indebtedness which is not a deductible expense by the Fund. If the tax liability exceeds the amount of cash distributed, then a Member may be required to make an out-of-pocket expenditure to cover its tax liability. Conversely, if the cash distributed by the Fund for any year exceeds the taxable income of the Fund for that year, the excess will be treated as a return of capital for Federal income tax purposes to the extent of the Member’s adjusted basis in its Interest in the Fund. The tax basis of a Member in its Interest will be reduced (but not below zero) (1) to the extent that
cash distributions are treated as a return of capital and (2) to the extent that any tax losses are allocated to the Members. Because of such basis adjustments, any tax that is avoided in the early years of a Member's investment in the Fund may become due later through the realization of gain upon the sale of assets of the Fund, the liquidation of the Fund or the sale of Interests.

The income from any investments will be derived directly by the Fund from its ownership percentage in the Portfolio Companies and allocable to the Member's in accordance with the Fund Agreement.

The Fund may generate income that will be taxed at varying Federal tax rates (applicable state taxes will be in addition to the Federal tax). Ordinary income is taxed at ordinary rates up to 39.6% for individuals and 35% for corporations. Additionally, certain Members who are individuals, estates or trusts will be required to pay a 3.8% Medicare tax on, among other things, distributions treated as dividends on and capital gains from the sale or other disposition of Interests, subject to certain exceptions.

If property is sold as a long-term gain, under current tax laws, long term capital gains tax rates range between 0%- 20% depending on the taxpayer's level of income.

Also, a 25% depreciation recapture tax rate applies to the portion of the gain attributable to depreciation recapture on real property. If a sales contract includes the sale of other assets, such as furniture and equipment, the gain relating to depreciation recapture on those assets would be taxes at the Member’s ordinary income tax rates.

**Income from Sale of Interests by Investor**

Interests are not transferable without the consent of the General Member. In the event a Member does sell its Interest, gain or loss will generally be recognized in an amount equal to the difference between: (I) the sale proceeds plus the Member's share of Fund liabilities of which the Member is deemed to be relieved; and (ii) the Member's adjusted tax basis in the Interest. In general, gain or loss from the disposition of Interests will be treated as capital gain or loss. However, under Section 751 of the Code, any amount received that is attributable to the selling Member's share of the Fund’s “unrealized receivables” (which is defined to include depreciation recapture property to the extent of the recapture thereon) and "inventory items" is treated as an amount received for a non-capital asset and may result in ordinary income. Under this rule, because dealer property held by the Fund would be "inventory" items, a substantial portion of the amount realized on a sale of an Interest could be treated as ordinary income rather than capital gain. Special rules will apply to the disposition of an Interest by a non-U.S. Member.

If Members are admitted in multiple closings, the contributions by later admitted Members that are distributed to earlier admitted Members will be treated as a sale of a portion of their Interest upon which gain equal to prior depreciation allocations may be recognized by the earlier admitted Members. In addition, any interest received from later admitted Members will be taxable upon receipt by earlier admitted Members.

In the unlikely event that fifty percent (50%) or more of the total in the Fund Interests are sold or exchanged within any consecutive twelve (12) month period, the Fund would be considered terminated for federal income tax purposes. A termination of the Fund for federal income tax purposes would cause the Fund's taxable year to end with respect to all Members and could have potentially adverse federal income tax consequences, including a change in the adjusted tax basis of Fund property and the bunching of taxable income within one taxable period. The Fund is empowered, by the Fund Agreement, to prohibit any transfer of interest in the Fund that would cause such termination.
**Election to Step Up the Basis of its Assets when Members Sell Their Membership Interests in the Fund.**

When Members sell or exchange Interests in the Fund, the Transferee Members may have an adjusted basis in the Interests equal to their costs. The Fund does not automatically adjust the tax basis of its property to reflect the change in the Transferee Member's adjusted basis for his, her or its Interest. However, the Fund may elect, in its sole discretion, upon a sale or exchange of a Member's Interest in the Fund to adjust the tax basis of Fund property only for purposes of determining the Transferee Member's share of depreciation and gain or loss from the Fund. The general effect of such an election is that the Transferee Members are treated, for purposes of depreciation and gain or loss, as though they had acquired a direct Interest in the Fund assets, and therefore, a new cost basis for such assets. Any such election made, cannot be revoked without the consent of the IRS. If the Fund chooses not to make the aforementioned election, a Transferee Member may be at a disadvantage in selling their Interest in the Fund since the Transferee ordinarily would obtain no current tax benefit for the excess, if any, of the cost of such Interest over the Transferee's share of the Fund's adjusted basis in its assets.

**Taxation of Members who are Individuals**

*In General.* In the case of Members that are individuals (and trusts or certain types of corporations), the ability to utilize tax losses generated by the Fund (if any) may be limited under the "at risk" limitation in Section 465 of the Code, the passive activity loss limitation in Section 469 of the Code and/or other provisions of the Code. Furthermore, in the case of Members that are individuals or trusts, the ability to utilize certain specific items of deduction attributable to the investment activities of the Fund (as opposed to its activities that represent a trade or business for Federal income tax purposes) may be limited under the investment interest limitation in Section 163(d) of the Code, the 2% floor on miscellaneous itemized deductions (including investment expenses) and/or other provisions of the Code.

It is not possible to predict the extent to which any of the foregoing provisions of the Code will be applicable, since that will depend upon the exact nature of the Fund’s future operations and the individual tax positions of such Members. However, the effect of such provisions could be to cause such Members to realize phantom income from the Fund (income without corresponding tax distributions), particularly in view of the fact that it is likely that most of the Fund's activities will be treated as being investment activities.

It should be noted that for purposes of Section 163(d) of the Code, long-term capital gain is not treated as investment income, even if such gain is attributable to the sale of an investment asset, unless the taxpayer elects to have such gain taxed at the tax rate for ordinary income (rather than at the rate generally provided for long-term capital gain). A Member that is an individual or trust should carefully consider, and consult his or her own tax advisor regarding, whether to elect to treat all or part of the capital gains of the Fund as investment income for purposes of Section 163(d) of the Code in order to prevent such Member's allocable share of the investment interest of the Fund from exceeding such Member's allocable share of the Fund's investment income.

**Alternative Minimum Tax Consequences.**

Members that are subject to the alternative minimum tax (the "AMT") should consider the tax consequences of an investment in the Fund in view of their AMT position, taking into account the
special rules that apply in computing the AMT, including the adjustments to depreciation deductions (if any), the special limitations as to the use of net operating losses and, in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for State and local taxes.

**Taxation of Tax-Exempt Investors**

In General. Tax-exempt organizations generally are subject to Federal income tax on their UBTI at the regular corporate Federal income tax rate. It is likely that the Fund's Investments will generate UBTI for tax-exempt Members. Additionally, a tax-exempt investor will recognize UBTI if it borrows (or is deemed to borrow) the funds used to acquire an Interest in the Fund. The Manager will have no liability for any UBTI resulting from an Investor's acquisition of interests.

If charitable remainder trusts have UBTI, they must pay an excise tax equal to 100% of the UBTI.

**Investor Tax Filings and Record Retention**

The U.S. Treasury Department has adopted regulations designed to assist the IRS in identifying abusive tax shelter transactions. In general, the regulations require Members in specified transactions (including certain Members in Memberships that engage in such transactions) to satisfy certain special tax filing and record retention requirements. The tax law imposes significant monetary penalties for failure to comply with these tax filing and record retention rules.

The regulations are broad and additional transactions not now within the scope of these rules may be added in the future. Although not contemplated now based on the current scope of the rules, it is conceivable that the Fund may enter into such transactions that will subject the Fund and certain Members to the special tax filing and record retention rules. Additionally, a Member's recognition of a loss on its disposition of its Interest could in certain circumstances subject such Member to these rules.

**Administrative Matters**

If the IRS audits tax returns of the Fund, the Manager generally would control the conduct of such tax audit in its capacity as "tax matters Member" of the Fund, which would include the decision as to whether to extend the statute of limitations of the Fund and its Members with respect to such returns. If the IRS were to successfully assert that any adjustment should be made to the returns of the Fund for any taxable year, the Members generally would be required to amend their own tax returns for such year to reflect their share of such adjustment.

**State, Local and Foreign Tax Considerations**

The foregoing discussion does not address the State, local and foreign tax considerations of an investment in the Fund. Prospective investors are urged to consult their own tax advisors regarding those matters and all other tax aspects of an investment in the Fund. It should be noted that the Members may be subject to State, local or foreign income, franchise or withholding taxes in those jurisdictions where the Fund is regarded as doing business. It also should be noted that it is possible that the Fund itself may be subject to State, local or foreign tax in certain jurisdictions.

**Withholding on Foreign Financial Institutions and Non-U.S. Members**

The Foreign Account Tax Compliance Act ("FATCA") is contained in Sections 1471 through 1474 of the
Code (and the Treasury Regulations thereunder) and was originally enacted in 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA will impose a U.S. withholding tax at a 30% rate on dividends paid after June 30, 2014 and on proceeds from the sale of Interests paid after December 31, 2016 to "foreign financial institutions" (as defined under FATCA) and certain other foreign entities if certain due diligence and disclosure requirements related to U.S. accounts with, or ownership of, such entities are not satisfied or an exemption does not apply. If FATCA withholding is imposed, non-U.S. beneficial owners that are otherwise eligible for an exemption from, or a reduction of, U.S. withholding tax with respect to such distributions and sale proceeds would be required to seek a refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. The Fund will not pay any additional amounts in respect of any amounts withheld (under FATCA or otherwise).

ANY PERSON REVIEWING THIS DISCUSSION SHOULD SEEK ADVICE BASED ON SUCH PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.