CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

This Confidential Private Placement Memorandum (the "**Memorandum**") describes the offering of Units (as defined below) of membership interests in St. Cloud Apartments Portfolio, LLC, a Delaware limited liability company (the "**Company**").

The Company is offering up to One Thousand Two Hundred Ten (1,210) Class A Units (the "**Units**") at a purchase price of $1,000.00 per Unit for a Grand Total of $1,210,000.00.

FUNDING PROCEDURES

$1,000 per Unit Subscribed is Due Immediately with each Investor's Subscription Materials

	Per Unit	Minimum Offering	Maximum Offering
Unit Purchase Price	$1,000.00	1,034 Units	1,210 Units
Commissions (1)	0	0	0
Proceeds to the Company (2)	$1,000.00	$1,034,000.00	$1,210,000.00

(1) The offering is being made directly by the Company through the efforts of the Manager and its principals without the assistance of any broker or sales agent.

(2) Before deducting organizational and offering expenses payable by the Company. See "Estimated Sources and Uses of Proceeds".

The securities being sold pursuant to this offering involve a high degree of risk. (See "Risk Factors").

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF ST. CLOUD APARTMENTS PORTFOLIO, LLC AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. FURTHERMORE, THESE UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE, NOR HAS ANY SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Memorandum is September 6, 2022.

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Minimum Offering – 1,034 Units

Maximum Offering – 1,210 Units

Purchase Price - $1,000.00 per Unit

Minimum Subscription – 25 Units ($25,000.00)

The Company, a Delaware limited liability company, is a newly formed single-purpose entity specifically organized to raise funds to purchase, develop, own, and operate the following multifamily apartment complexes:

- 18-unit, multifamily apartment complex located at 1011 5th Avenue S, St. Cloud, Minnesota 56301 (the "**Bridgeport Apartments**"); and
- 22-unit, multifamily apartment complex located at 315 4th Avenue S, St. Cloud, Minnesota 56301 (the "**North Campus Apartments**").

Collectively, the Bridgeport Apartments and the North Campus Apartments shall be referred to as the "**Portfolio**" or the "**St. Cloud Portfolio**".

The Company is offering up to One Thousand Two Hundred Ten (1,210) Units of limited membership interests, at a purchase price of $1,000.00 per Unit, to provide equity capital for the Company's acquisition of the St. Cloud Portoflio, to fund operations, renovations and for working capital reserves, among other things (the "**Offering**") for a total intended raise amount of $1,210,000.00. The minimum subscription is 25 Units ($25,000.00). For purpose of this Memorandum, the term "we", "us", or "our" shall refer to the Company.

There is a minimum number of 1,034 Class A Units ($1,034,000.00) which are required to be sold in the Offering as a condition to the Company accepting any subscription for Class A Units. The Manager (as defined below) may undertake an initial closing, and any subsequent closings, of the Offering and purchase the St. Cloud Portfolio with less than the maximum Offering proceeds.

The Company may cancel or modify the Offering, reject purchases of Units in whole or in part, waive conditions to the purchase of Units, and accept purchases of less than required minimum purchase.

The initial Class B Member of the Company is St. Cloud Apartments Managers, LLC, a Delaware limited liability company (the "**Class B Member**"). The initial manager of the Company is Yieldwink Realty, LLC, a Delaware limited liability company (the "**Manager**" or "**Yieldwink**"). Jasdeep "Jesse" Khera is an affiliate of both the Class B Member and the Manager. The Class B Member may have other investments in same or similar market as the St. Cloud Portfolio (*See* "Management" and "Conflicts of Interest").

Pursuant to the Purchase and Sale Agreement dated April 14, 2022, by and between Goldsher Group, LLC (hereinafter, "Goldsher") and Lund 4th Apts LLC and Lund 5th Apts LLC (the "**Seller**") (collectively, the "**Purchase and Sale Agreement**"), Goldsher has the contractual right to purchase the Portfolio, which right can be (and will be) assigned to an affiliate of the Company. The scheduled closing date for the purchase of the Portfolio is on or before October 1, 2022, which closing may be extended an additional thirty (30) days pursuant to the Purchase and

Sale Agreement. Following the purchase, the Company intends to commence operations. (*See* "The Portfolio").

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM OR PROVIDED, UPON REQUEST, BY THE MANAGER. YOU MAY NOT RELY ON ANY SUCH OTHER INFORMATION OR REPRESENTATION.

THE OFFERING OF SECURITIES DESCRIBED HEREIN HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). THE OFFERING IS MADE PURSUANT TO SECTION 4(2) OF THE SECURITIES ACT AND REGULATION D THEREUNDER, WHICH EXEMPTS TRANSACTIONS NOT INVOLVING A PUBLIC OFFERING FROM SUCH REGISTRATION. FOR THIS REASON, YOU MAY BUY UNITS ONLY IF YOU MEET CERTAIN MINIMUM SUITABILITY QUALIFICATIONS DESCRIBED IN THIS MEMORANDUM. (SEE "INVESTOR SUITABILITY REQUIREMENTS"). YOU MAY BUY UNITS ONLY FOR INVESTMENT PURPOSES AND NOT FOR RESALE.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

THIS MEMORANDUM AND ITS EXHIBITS ARE PROVIDED TO YOU IN CONFIDENCE IN CONNECTION WITH THIS OFFERING. YOU MAY NOT USE OR REPRODUCE ANY OF THIS MATERIAL FOR ANY OTHER PURPOSE, AND YOU MUST RETURN ALL OF THIS MATERIAL TO US UPON REQUEST.

THIS OFFERING INVOVLES SIGNIFICANT RISKS AND UNCERTAINTIES, INCLUDING THE FOLLOWING:

THERE IS CURRENTLY NO MARKET FOR THE UNITS AND NONE IS EXPECTED TO DEVELOP. WE DO NOT HAVE ANY OBLIGATION TO MAKE A MARKET IN THE UNITS. YOU MAY ACQUIRE UNITS ONLY FOR INVESTMENT PURPOSES AND NOT FOR RESALE. IN ADDITION, TRANSFER OF UNITS IS RESTRICTED BY LAW AND BY THE OPERATING AGREEMENT OF LIMITED LIABILITY COMPANY, AND THE RESTRICTIONS ARE SIGNIFICANT. YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE YOUR INVESTMENT AT A TIME WHEN YOU MAY DESIRE TO DO SO AND THEREFORE YOU MAY BE REQUIRED TO BEAR THE ECONOMIC RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS OFFERING INVOVLES TRANSACTIONS BETWEEN THE COMPANY AND MANAGER AND/OR MEMBERS OF THE MANAGER AND/OR PRINCIPALS THAT CREAT CONFLICTS OF INTEREST. THE COMPANY WILL PAY THE MANAGER SUBSTANTIAL FEES. NONE OF WHICH RESULTED FROM ARM'S LENGTH NEGOTIATIONS.

YOU SHOULD NOT RELY ON ANY FINANCIAL PROJECTIONS OR OTHER ESTIMATES CONTAINED IN THIS MEMORANDUM BECAUSE THEY ARE SUBJECT TO NUMEROUS UNCERTAINTIES. WE DO NOT REPRESENT TO YOU THAT ANY PROJECTED RESULTS WILL BE REALIZED IN WHOLE OR IN PART.

YOU SHOULD NOT CONSTRUE THE INCLUSION OF THE INFORMATION SET FORTH HEREIN AS IMPLYING OR INDICATING IN ANY MANNER THAT THE COMPANY'S INVESTMENT PROGRAM WILL BE COMPARABLE TO THOSE OF OTHER INVESTMENTS PROJECTS OF THE PRINCIPALS DISCUSSED HEREIN OR THAT THE RESULTS ACHIEVED BY THE COMPANY WILL IN ANY WAY RESEMBLE OR BE COMPARABLE TO THOSE ACHIEVED BY SUCH OTHER INVESTMENT PROJECTS. INVESTORS IN THE COMPANY WILL NOT BE ACQUIRING ANY INTEREST IN SUCH OTHER INVESTMENT PROJECTS DESCRIBED HEREIN.

THERE ARE MATERIAL INCOME TAX RISKS ASSOCIATED WITH THIS OFFERING. WE HAVE NOT RECEIVED AND DO NOT INTEND TO APPLY FOR AN ADVANCE RULING FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX MATTERS DESCRIBED IN THIS MEMORANDUM. THE ABSENCE OF A RULING EXPOSES YOU TO GREATER RISK THAN IF A RULING WERE OBTAINED.

IN VIEW OF THE FOREGOING AND THE OTHER MATTERS SET FORTH IN THIS MEMORANDUM, YOU SHOULD CONSIDER AN INVESTMENT IN THE COMPANY ONLY IF YOU HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT AND YOU CAN AFFORD TO ASSUME A HIGH DEGREE OF RISK, INCLUDING TOTAL LOSS OF YOUR INVESTMENT. ANY INVESTMENT YOU MAY DECIDE TO MAKE MUST BE BASED ENTIRELY ON YOUR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING.

YOU SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL OR TAX ADVICE. YOU SHOULD CONSULT YOUR OWN ATTORNEY, ACCOUNTANT OR OTHER ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THIS INVESTMENT AND ITS SUITABILITY FOR YOU.

THE UNITS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENTS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

HOW TO REVIEW THIS OFFERING

The **Offering Package:** This Offering includes several documents, all of which collectively comprise the "**Offering Package**". Each document provided by the Manager contains information the Manager deems relevant to an Investor's decision to invest and has the specific purpose described below:

This **Memorandum** and its Exhibits are important to an understanding of the Units being offered and the Company objectives. This Memorandum is the disclosure document required by the Securities and Exchange Commission ("**SEC**") and/or applicable State securities agency for a private placement Offering, as described in SEC's Guide 5 for real estate securities offerings. This Memorandum describes such things as the structure of the Company, projected distributions to Investors, compensation to the Manager, the risks of investing, potential conflicts of interest, and a summary of how the Company will be operated, among other things. The rest of the documents comprising the Offering Package are identified as "**Exhibits**" to this Memorandum. Each of the Exhibits identified herein are either attached (if hard copy) or will be provided electronically by the Manager, and each Exhibit is hereby incorporated by reference as if fully set forth herein.

The **Company Operating Agreement** (the "**Operating Agreement**") is <u>Exhibit A</u> to this Memorandum. The Agreement describes how the Company will be run. The Operating Agreement is the governing document for Company operations and describes in detail the rights and duties of the Members and the Manager, how meetings and votes of the Members will be conducted, how and when cash distributions will be made, where the Company books and records will be kept, how disputes will be resolved, allocation and taxation of Profits and Losses, and how the Company will ultimately be dissolved. The Agreement is the contractual, enforceable contract between the Members and the Manager as to operation of the Company. Each Member must review and sign the Operating Agreement, thereby agreeing to be bound by its terms.

The **Subscription Booklet** ("**Subscription Booklet**") is <u>Exhibit B</u> to this Memorandum. Each investor must review, complete, and return the Subscription Booklet to the Manager in order to invest. The Subscription Booklet contains the Investor's representations and warranties as to its qualifications and suitability to invest in this Offering and the amount the Investor is planning to invest, and the Manager's acknowledgment of the investment.

The **Investment Summary** is <u>Exhibit C</u> showing details about the properties and members of the management team.

SUITABILITY STANDARDS

INVESTMENT IN THE UNITS INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR PERSONS OF SUBSTANTIAL FINANCIAL RESOURCES WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENTS AND WHO CAN AFFORD TO RISK LOSING THEIR ENTIRE INVESTMENT.

The Units lack liquidity, as compared to other securities investments, since there is not expected to be any public market for the Units and the sale and transfer of the Units will be restricted by the Operating Agreement (as defined below), and applicable federal and state securities laws. Accordingly, an investment in the Units is suitable only for persons of substantial financial means who have no need for liquidity with respect to this investment.

An investment in these Units should be considered long-term in nature. Investors should be in a financial position that will enable them to hold these Units for approximately five (5) years, however depending on market conditions, the investment may be sold earlier or held for longer. Investors should be prepared to leave their investment in the Company indefinitely until the Properties are sold. Investors should be aware that there might be adverse tax consequences of selling their Units prior to the dissolution of the Company.

The Units may be purchased only by Accredited Investors (as defined below) and up to thirty-five (35) unaccredited but sophisticated investors. Investors who are residents of certain states may be required to meet stringent suitability standards. The Manager has the discretion to reject or accept any subscription, in whole or in part, for any Units. The acceptance of a subscription for Units by the Manager does not constitute a determination by the Manager that an investment in the Units is suitable for a prospective investor.

General Solicitation

This offering is in accordance with the exemption from securities registration allowed under Regulation D, Rule 506(b) and general solicitation is not permitted. Accredited investors can participate in the offering, provided they meet the suitability requirements as set out below. Only up to thirty-five (35) unaccredited but sophisticated investors may participate. Both accredited and unaccredited investors must complete the Investor Questionnaire.

Investor Qualifications

<u>Accredited Investor Requirements</u>

Investors who wish to purchase Units as an "accredited" investor ("**Accredited Investor**") must meet one of the following Suitability Standards as defined by SEC Rules 501 and 506; 17 CFR 230.501(a):

- A natural person whose individual net worth or joint net worth with that person's spouse, at the time of the purchase of the Units, exceeds One Million Dollars ($1,000,000), disregarding any positive equity in their personal residence. Note, however, that any loans against the personal residence taken out within the sixty (60) days prior to a subscription and any negative equity in the personal residence, (as determined by the Investor), must be considered in the calculation of net worth; or

- A natural person who had individual income in excess of Two Hundred Thousand Dollars ($200,000) in each of the two most recent years or joint income with that person's spouse in excess of Three Hundred Thousand Dollars ($300,000) in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- A bank, insurance company, registered investment company, business development company, or small business investment company; or
- An employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of Five Million Dollars ($5,000,000); or
- A charitable organization, corporation, or partnership with assets exceeding Five Million Dollars ($5,000,000); or
- A director, executive officer, or Manager of the company selling the securities;
- A business in which all the equity owners are accredited Investors; or
- A trust with assets in excess of Five Million Dollars ($5,000,000) that was not formed to acquire the Units.

Non-U.S. Persons

The Manager may accept investments from non-U.S. Persons as defined under Rule 902 of Regulation S. The Manager, for such investors, will rely on the exemption afforded under Regulation S of the Securities Act.

Self-Directed IRA Account Holders

For an entity such as an Individual Retirement Account (IRA) or Self-Employed Person (SEP) Retirement Account, all of the beneficial owners must meet one of the above standards in order to be deemed an Accredited Investor. If the beneficial owners do not meet one of the above standards, then the IRA or the SEP shall be treated as one of the thirty-five (35) non-accredited, sophisticated investors. The beneficial owners may be either natural persons or other entities if they each of them meet one of the definitions above.

Investment Unsuitable for 1031 Exchange

The Units being offered in this investment are ineligible for a 1031 exchange (unless considered by the Manager on a case-by-case basis which may materially change the landscape of this investment. An investor who may be interested in purchasing or subsequently disposing of their Units by means of a tax-deferred exchange should NOT invest in this Offering without first seeking approval by the Manager.

Restrictions Imposed by the USA PATRIOT Act; Foreign Investors

Investor Identification Program

To help the government fight the funding of terrorism and money laundering activities, Federal law requires the Manager to obtain, verify, and record information that identifies each Person who subscribes to this Offering. The Manager may ask for subscriber's name, address, date of birth, state and country of residence, and other information that will allow them to identify you (and every Investor whom your funds represent). The Manager may also ask to see your driver's license or other government-issued identifying documents. If you are a non-US Person (i.e., someone who is not a U.S. citizen, a U.S. resident alien, or a person living in the U.S. at the time of Subscription), additional identification information issued by your country of residence will be required. If you are unable or unwilling to provide all of the requested information, the Manager may deny your Subscription to this Offering.

Foreign investors (i.e., non-U.S. Persons) should inquire of the Manager for a complete list of identifying information that will be required specifically of them. Additionally, foreign investors may be required to complete a supplemental offeree questionnaire and/or subscription agreement.

Prohibited Transactions with Certain Foreign Investors

The Units may not be offered, sold, transferred or delivered, directly or indirectly, to any Person who:

- Is named on the list of "specially designated nationals" or "blocked persons" maintained by the U.S. Office of Foreign Assets Control ("**OFAC**") at http://www.ustreas.gov/offices/enforcement/ofac/sdn/ or as otherwise published from time to time; and
- (1) An agency of the government of a Sanctioned Country, (2) an organization controlled by a Sanctioned Country, or (3) a person residing in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC. A "**Sanctioned Country**" shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at the following location http://www.ustreas.gov/offices/enforcement/ofac/sdn/ or as otherwise published from time to time.

In addition, Units may not be offered, sold, transferred or delivered, directly or indirectly, to any Person who:

- Has more than fifteen percent (15%) of its assets in Sanctioned Countries; or
- Derives more than fifteen percent (15%) of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries.

NOTE: IF YOU ARE A NON-U.S. PERSON, THE MANAGER IS REQUIRED TO CHECK YOUR NAME(S) AGAINST THESE LISTS. IF YOU DO NOT MEET THE

REQUIREMENTS DESCRIBED ABOVE, DO NOT READ FURTHER AND IMMEDIATELY RETURN THIS MEMORANDUM TO THE COMPANY OR THE APPLICABLE MEMBER OF THE SELLING GROUP. IN THE EVENT YOU DO NOT MEET SUCH REQUIREMENTS, THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL INTERESTS TO YOU.

ERISA Considerations

The Company will accept investments by employee benefit plans subject to ERISA, including Individual Retirement Accounts ("**IRAs**"). ERISA rules state that, unless exempt, when benefit plans own twenty-five percent (25%) or more of the total value of any class of interests offered by the company, the interests may be deemed a "**Plan Asset**", which could subject the company to additional fiduciary responsibilities, independent auditing, and reporting requirements. However, the Manager believes that the assets of the Company will not constitute Plan Assets within the meaning of the Department of Labor Regulations under an exemption available when fifty percent (50%) or more of the assets owned and operated by the Company are real estate investments.

Subscriptions Subject to Review and Acceptance by the Manager

The Manager will review the documents provided by prospective purchasers of Units (hereinafter "**Investor**" or "**Investors**") to ensure that:

- Each Investor has testified that it meets the Suitability Standards established by the Company set forth in this Section;
- Each Investor has executed and returned the signature and contact information pages of the Operating Agreement; and
- Each Investor has completely filled out the Subscription Booklet and that the information provided is consistent with previous information provided to the Manager by the Investor.

Documents presented by Investors who do not meet the Suitability Standards established by the Manager, or which have not been properly completed, will be promptly rejected or returned for correction, as applicable. Prior to acceptance, the Manager reserves the right to refuse a subscription from any prospective Investor at the Manager's sole discretion and/or to request additional information to verify an Investor's suitability for the Offering.

The Manager will indicate acceptance of the Subscription in writing by returning a copy of the "Receipt and Acknowledgement" page from the Subscription Booklet for subscribers.

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SUMMARY

The following discussion provides a summary of certain of the disclosures, discussions and other information contained elsewhere in this Memorandum. This summary is not intended to be a complete statement of all material terms and conditions of this offering and is qualified in its entirety by the more detailed information contained in this Memorandum.

The Company

The Company is a Delaware limited liability company formed on August 8, 2022. The Company was formed to acquire, operate, improve, and hold for investment the St. Cloud Portfolio. Each purchaser of the Units (each a "**Purchaser**" or "**Class A Member**" and collectively "**Purchasers**" or "**Class A Members**") will acquire Units subject to the Operating Agreement (*See* "Summary of the Operating Agreement" and the Operating Agreement attached hereto as Exhibit A).

The proceeds of this Offering will be used for the purchase of the St. Cloud Portfolio (*See* "Estimated Sources and Uses of Proceeds").

Capitalization

The intended capitalization of the Company (assuming the sale of all the Units offered hereunder), is as follows:

	NUMBER OF UNITS	TOTAL CAPITAL
Class A Units	1,210	$1,210,000.00
Class B Units	100	$100.00

(1) Units may be sold in amounts which represent fractions thereof in the sole discretion of the Manager.

(2) The Manager will also receive certain fees from the Company as the manager of the Company (*See* "Compensation and Fees").

The Portfolio

The Bridgeport Apartments

The Bridgeport Apartments consists of a multi-family residential apartment complex containing 18 units located in Stearns County, Minnesota. (*See* "Description of the Portfolio"). Goldsher has the contractual right to acquire the Bridgeport Apartments from the Seller as part of the $3,015,000.00 purchase price, and will assign the contract to an affiliate of the Company. Prior to closing, Goldsher will assign the Purchase and Sale Agreement to an affiliate of the Company. (See "Financing the Portfolio" and Figure 1 below).

The Company plans to commence operating and capital improvements of this property sometime after closing. The total renovation cost of the improvements is estimated to be approximately $200,000.00 The contemplated renovations include interior and exterior enhancements. Renovations will include replacing all kitchens and bathrooms, water line, drywall, repave parking lots, electrical system, plumbing, signage, security camera installation, and amenity/picnic area improvements, and other deferred maintenance items as needed.

The North Campus Apartments

The North Campus Apartments consists of a multi-family residential apartment complex containing 22 units located in Stearns County, Minnesota. (*See* "Description of the Portfolio"). Goldsher has the contractual right to acquire the North Campus Apartments from the Seller as part of the $3,015,000.00 purchase price, and will assign the contract to an affiliate of the Company. Prior to closing, Goldsher will assign the Purchase and Sale Agreement to an affiliate of the Company. (See "Financing the Portfolio" and Figure 1 below).

The Company plans to commence operating and capital improvements of this property sometime after closing. The total renovation cost of the improvements is estimated to be approximately $200,000.00 The contemplated renovations include interior and exterior enhancements. Renovations will include replacing all kitchens and bathrooms, water line, drywall, repave parking lots, electrical system, plumbing, signage, security camera installation, and amenity/picnic area improvements, and other deferred maintenance items as needed.

Financing the Portfolio

The Company is in the process of obtaining a loan from a lender in the amount of approximately 80% (the "**Loan**"), which will be obtained in the name of the Company. The Loan will be secured by a first lien security deed on the good and marketable fee simple title to the Portfolio and any other collateral as required by the Lender. The maturity date for the Loan is seven (7) years from the closing date. The Loan has an interest rate of approximately 5.4% with an amortization of 30 years and is a traditional term loan.

The Loan shall be non-recourse to the Company including for (i) Lender's customary carve-outs, including fraud or intentional misrepresentation, gross negligence or willful misconduct, removal or disposal of any property within the Portfolio after default, etc., and (ii) in the event of a voluntary bankruptcy or like proceeding or involuntary proceeding initiated or participated in by a party related to the Company or any guarantor or key principal, the Loan will be recourse to the guarantor.

Lender is expected to require the Portfolio to be managed by a property management company, which is expected to be Yieldwink Realty, LLC (the "**Property Manager**") on the Closing Date. *See* "Debt Financing and Available Cash" and "Conflicts of Interest."

The Offering

The Company intends to sell up to 1,210 Class A Units in the Company. The purchase price for one (1) Unit of the Company is $1,000.00. Total Offering Proceeds are $1,210,000.00

although the Manager may increase or reduce the Offering as necessary in its sole and absolute discretion.

All costs of the Offering will be paid by the Company, except that each subscriber will be responsible for the costs associated with their own attorneys and tax advisors. The Company intends to begin accepting subscriptions for the Units on or about September 6, 2022. The Offering is expected to continue until the earlier of (i) the date all of the Units are sold, or (ii) the Closing Date. However, the Company may extend or close the Offering in its sole discretion. The Manager may undertake an initial closing, and any subsequent closings, of the offering and purchase the Portfolio. The Company may cancel or modify the Offering, reject purchases of Units in whole or in part, waive conditions to the purchase of Units, and accept purchases of less than the required minimum purchase. In addition, the Company may reduce the price of the Units if the Company determines it is appropriate to do so to accomplish the goals of the Offering.

Management of the Company

<u>Generally</u>

Yieldwink Realty, LLC, a Delaware limited liability company, serves as the Manager of the Company. The Manager is a previously formed company to manage the St. Cloud Portfolio in the Manager's sole discretion. The day-to-day operation decisions of the Company will be made by the Manager. The Manager is collectively owned by (personally or through one or more of their legal entities as the case may be):

- Jasdeep "Jesse" Khera
- Peter Hansen
- Tammy Eisenberg, Esq.
- Vinod Chand
- Manjinder Singh

<u>Biographies of Manager and Advisors</u>

Jasdeep Khera- Jasdeep (Jesse) Khera is the founder of Yieldwink, LLC and Goldsher Group, LLC. As the founder, he leads fundraising, deal origination, and property development. Prior to this venture, his role was as a Vice President at a $2B private credit firm based out of New York City. Mr. Khera advised over 10,000 financial advisors in the Midwest and New York City area on alternative investments. Prior to that role, he was an Advisor Consultant at the largest privately-held, $200B mutual fund firm based in Jersey City, NJ. He also has experience in actuarial-risk sales at a Fortune 500 company. It was as a financial wholesaler that Jesse determined there must be a more efficient way for investors to access alternative investments. Mr. Khera holds a BS in Economics from the City College of New York.

Peter Hansen- Peter Hansen brings in over 30 years of global entrepreneurial experience. Mr. Hansen has co-founded several businesses around the world and served as CEO of businesses in real estate & property development, technology, and private equity. In recent years Mr. Hansen's focus has shifted to strategy consulting, guiding start-ups and early-stage businesses to launch, scale, and prosper. Mr. Hansen also brings in a wealth of boardroom experience-- he is serving as a mentor and non-executive director of several start-ups and established businesses on three different continents, bringing a global perspective to the table. Mr. Hansen holds an MBA from Swinburne University of Technology, Melbourne, Australia.

Tammy Eisenberg, ESQ Tammy Eisenberg joins the Yieldwink team as the Legal and Compliance Advisor. Ms. Eisenberg is currently the Head of Holding Company Compliance at a financial services company based in NYC. Having previously worked for world-renowned banks and financial organizations, she brings 20+ years of legal and compliance expertise to the Yieldwink platform. Ms. Eisenberg obtained her J.D. from the Widener University Commonwealth Law School.

Vinod Chand- Vinod Chand is a 30-year veteran of the hospitality, food service, and commercial real estate industry. Mr. Chand's leadership skills are supported by his multilingual skills paired with his unique talent in uniting staff under a singular vision. Mr. Chand's portfolio includes 23 KFC franchised restaurants, 2 restaurants in mid-town Manhattan and the Citi-Corp building. He has also developed two hotel properties in Manhattan, NY: a 128-room Hotel Indigo in Financial District and a 166-room Marriott hotel in Times Square, New York. Mr. Chand holds an MBA in Business and Economics from Punjab University, India.

Manjinder Singh- Manjinder Singh, CPA is a seasoned hedge fund CFO. Mr. Singh serves as the CFO and COO for Snowcat Capital Management, a hedge fund focusing on distressed assets and special opportunities. Prior to this role, Mr. Singh serves as the VP of Finance at Tricadia Capital Management, a senior fund accounting at Mariner Investment Group, and a Senior audit associate at Grant Thornton. Mr. Singh holds a BBA in Accounting from Baruch College.

Use of Proceeds

We will use the net proceeds of this Offering, after payment of certain Offering and organizational expenses, to purchase the St. Cloud Portfolio, provide working capital for the Company, and pay any costs and expenses incurred in connection with the acquisition of the Portfolio. Any excess proceeds will be used as working capital (*See* "Estimated Sources and Uses of Proceeds").

Compensation and Fees

As described in Section 9.9 of the Company Agreement, the Manager shall receive: (i) an acquisition fee of two percent (2.0%) of the purchase price upon closing of any property within the Portfolio and (ii) an ongoing annual equity placement fee of two percent (2.0%) of the total equity raised by the Company paid monthly during Company ownership of the Portfolio.

Property Manager shall receive a property management fee (the "**Property Management Fee**") equal to seven percent (7.0%) of all monthly gross receipts arising from the St. Cloud Portfolio.

"Operating Agreement" shall mean the Operating Agreement of the Company (*See* Exhibit A).

Distributions

Distributions of Cash Flow. Distributions of Cash Flow shall be made at such times and in such frequency as Manager may determine in its sole discretion. Distributions made pursuant to this Section shall be made to the Members in the following order of priority:

(a) First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Preferred Return) an annualized cumulative, non-compounding Preferred Return of eight percent (8.0%), calculated on the Unreturned Capital Contribution of each Class A Member;

(b) Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Preferred Return), until each Member's Unpaid Class A Preferred Return for any year that has gone unpaid has been returned; and

(c) Thereafter, eighty percent (80.0%) of the Cash Available for Distribution shall be distributed to the Class A Members, pro rata, based on each Class A Member's Percentage Interest *pari passu* with the distribution to the Class A Members, twenty percent (20.0%) of the Cash Available for Distribution shall be distributed to the Class B Member

"**Capital Contributions**" means the cash or property contributed to the Company by a Member pursuant to Code Section 721.

"**Cash Flow**" shall mean, for a given period, the amount by which Operating Revenue exceeds Operating Expenses, all determined in accordance with cash basis accounting principles, consistently applied.

Distributions of Cash from Refinancing, Sale or Other Disposition When distributed from time-to-time, distributions of cash from refinancing, sale, or other disposition shall, after payment of any debts of the Company then due and the establishment of reasonable and necessary reserves, as determined by the Manager in good faith, be distributed to the Members, in accordance with the following:

Distributions of Cash from Refinancing. First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A initial contribution) as a return of capital until each Member's Unpaid Class A initial contribution has been reduced, in whole or in part; Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) at a rate of 8% preferred return; Third, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return), until each Member's Unpaid Class A Priority Return for any year that has gone unpaid has been satisfied; and Fourth, with the remainder to be split in accordance with (c) above.

Distributions of Cash from Sale or Other Disposition. First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) until each Member's Unpaid Class A initial contribution has been reduced to zero, if any; Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) at a rate of 8% preferred return; Third, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return), until each Member's Unpaid

Class A Priority Return for any year that has gone unpaid has been satisfied, if any; and Fourth, with the remainder to be split in accordance with (c) above.

"**Capital Transaction**" shall mean any (i) sale or other disposition of any property within the Portfolio or substantially all of the assets of the Company outside the ordinary and customary course of business of the Company, (ii) payment, on account of a casualty, for the Portfolio or substantially all of the assets of the Company to the extent such assets are not replaced or repaired, (iii) refinancing of any indebtedness incurred by the Company, and (iv) similar items or transactions relating to the Portfolio or substantially all of the assets of the Company, the proceeds of which under generally accepted accounting principles are deemed attributable to capital.

"**Fair Market Value**" means that term as defined in Regulations Section 1.704-1(b)(2)(iv)(h).

"**Gain**" and "**Net Loss**" mean, respectively, the following amounts as designated on the Company's informational tax return filed for federal income tax purposes, as determined by the tax attorney(s) or accountant(s) employed by the Company: (i) ordinary income, (ii) ordinary loss, plus net long-term capital loss, net short-term capital loss, and Section 1231 loss; and (iii) net long-term capital gain, net short-term capital gain, and other net gain under Section 1231. In the event that property is reflected on the books of the Company (as maintained in accordance with Regulations Section 1.704-1(b)(2)(iv)) at a book value that differs from the adjusted tax basis of such property, Net Income, Gain and Net Loss (or item thereof) shall be determined by reference to the book value of such property. Such allocation of book values shall be made in accordance with Regulations Section 1.704-1(b)(2)(iv)(g).

No distributions will be made unless each receipt of the Company exceed expenses, fees and additions to reserves, except for tax distributions.

Allocations of Profits Gains and Losses

If the amount of Net Loss and Loss for any Adjustment Period that would otherwise be allocated to a Member hereunder would cause or increase a deficit balance in such Member's Capital Account to an amount in excess of the sum of such Member's share of Minimum Gain as of the last day of such Adjustment Period, then a proportionate part of such Net Loss and Loss equal to such excess shall be allocated proportionately first to the other Members in an amount up to, but not in excess of, the amount that would cause or increase a deficit balance in each of such Member's Capital Accounts to an amount equal to the sum of their respective shares of Minimum Gain as of the last day of such Adjustment Period. For purposes of this Section 6.8(a), each Member's Capital Account shall be computed as of the last day of such Adjustment Period in the manner provided in the definition of Capital Account, but shall be reduced for the items described in Section 1.704-1(b)(2)(ii)-(d)(4), (5) and (6) of the Treasury Regulations interpreting the IRC.

Notwithstanding any provision in the Operating Agreement to the contrary, if any of the Members, as of the last day of any Adjustment Period, has a deficit balance in its Capital Account that exceeds the sum of its share of Minimum Gain as of such last day, then all items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and Gain) for such Adjustment Period shall be allocated to such Members in the amount and in the proportions required to eliminate such excess as quickly as possible. For purposes of this Section, a Member's Capital Account shall be computed as of the last day of an Adjustment Period in the manner provided in the definition of Capital Account.

Notwithstanding any provision in the Operating Agreement to the contrary, if there is a net decrease in the Minimum Gain during any Adjustment Period, then all items of gross income and Gain of the Company for such Adjustment Period (and, if necessary, for subsequent Adjustment Periods) shall be allocated to each Member in proportion to, and to the extent of, an amount equal to the greater of (i) the portion of such Member's share of the net decrease that is allocable to the disposition of Company property subject to one or more nonrecourse liabilities of the Company or (ii) the deficit balance in such Member's Capital Account (determined before any allocation for such Adjustment Period) in excess of the sum of such Member's share of the Minimum Gain as of the close of such Adjustment Period. The items required to be allocated to the Members under this Section 6.8(c) shall be determined in accordance with Section 1.704-2(f) of the Treasury Regulations.

Notwithstanding any other provision contained herein, any item of Company loss, deduction or IRC Section 705(a)(2)(B) expenditure that is attributable to a nonrecourse liability of the Company for which any Member bears the economic risk of loss (e.g., a Member or an Affiliate makes the nonrecourse loan to the Company) shall be allocated to the Member or Members who bear the economic risk of loss with respect to such liability to the extent required in Section 1.704-2(i) of the Treasury Regulations interpreting the Code.

"**Adjustment Period**" shall mean a period of time as follows: The first Adjustment Period shall commence on the date hereof and each succeeding Adjustment Period shall commence on the date immediately following the last day of the immediately preceding Adjustment Period; each Adjustment Period shall end on the earliest to occur after the commencement of such Adjustment Period of (i) the last day of each Fiscal Year as now exists or as may, from time to time, be selected by the Sponsor, (ii) a Capital Date, (iii) the day immediately preceding the date of the "liquidation" of a Member's Membership Interest in the Company (within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations), (iv) the day immediately preceding the date of an increase in the Membership Interest of a Member, or (v) the date on which the Company is terminated under Section 10.1 of the Operating Agreement.

“**Capital Accounts**" shall mean the capital accounts established by the Company for each Member pursuant to Section 5.5 hereof. Capital Accounts shall be determined and maintained throughout the full term of the Company for each Member in accordance with the rules of this definition. The balance of each Member's Capital Account, as of any particular date, shall be an amount equal to the sum of the following:

"**Minimum Gain**" shall mean, as of any particular date, an amount determined with respect to the Company on such date in accordance with Section 1.704-1(b)(4)(ii)(c) of the Treasury Regulations interpreting the IRC.

"**Treasury Regulations**" shall mean the Income Tax Regulations promulgated under the IRC, as such regulations may be amended from time to time including corresponding provisions of succeeding regulations.

Risk Factors and Federal Income Tax Consequences

An investment in the Company involves a high degree of risk. We cannot assure you that the income we anticipate receiving from the properties within the Portfolio will be attained, that the level of expenses we are anticipating will not be exceeded, that the properties within the Portfolio will appreciate in value, or that expected tax benefits will be realized.

An investment in the Company involves additional risks because, among other things, (i) we have not yet purchased the Portfolio, (ii) the Company will face competition from comparable facilities that currently exist and others that may be developed in the future, which could constrain the rents we charge, and (iii) we may experience cost overruns and other unanticipated difficulties in the construction/renovation of the Portfolio.

Many of the factors that may affect the Company and the Portfolio are subject to change or are not within our control. We cannot currently ascertain the extent to which such factors could adversely affect the Company. In addition, an investment in the Company will subject you to tax risks, to risks related to your dependence on management and the lack of liquidity in your investment, and to risks arising from certain conflicts of interest that may affect the Class B Member. See “Risk Factors,” “Federal Income Tax Considerations” and “Conflicts of Interest”.

FORWARD LOOKING STATEMENTS

This Memorandum includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are usually accompanied by words such as “believes,” “anticipates,” “plans,” “expects” and similar expressions. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about the Company, the Portfolio, the Class B Member, and the Manager that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors are discussed in “Risk Factors” above and elsewhere in this Memorandum.

COMPANY

Limited Liability Company. The name of the Company is St. Cloud Apartments Portfolio, LLC, a Delaware limited Liability Company. The principal executive office of the Company is the address of the Portfolio, unless changed by the Manager, in its sole and absolute discretion, with written notice given to the Member(s) of such change. The Company commenced on filing of its Articles of Organization and shall be perpetual unless sooner terminated under the provisions found in Section 3 of the Operating Agreement.

History of the Company. The Company is a newly formed specifically for the purposes stated herein and in the Investment Summary and has no experience raising and investing funds in any company or Portfolio or in any investments of the type contemplated by this Offering; however, the principals of the Manager have extensive experience acquiring, managing, and disposing of multifamily properties. Please see their experience summary in the Investment Summary (*See* Exhibit C).

Financial Statements of the Company. The Company is newly formed and does not have an audited financial statement. The Manager will obtain unaudited financial statements for the Company at the end of the fiscal year for distribution to the Class A Members.

Financial Statements of the Manager. The Manager will not make its financial statements available for the Class A Members to review.

Manager. The initial Manager of the Company is Yieldwink Realty, LLC, a Delaware limited liability company. The address where all correspondence for the Manager should be sent to the following address: 191 Peachtree Street NE, Suite 2600, Atlanta, GA 30303. The Manager shall receive an ongoing annual equity placement fee of two percent (2.0%) of the total equity raised by the Company paid monthly during Company ownership of the St. Cloud Portfolio payable to the Manager in monthly installment.

Members. The Company will have the following classes of interests as further described below:

Class A Member. The Company will sell investment Class A Units to Investors to raise capital for organization of the Company, Portfolio expenses including the down payment, due diligence, loan fees, and closing costs, necessary for acquisition of the Portfolio, and repairs and maintenance. Investors who acquire the Units in the Company will become Members of the Company.

Class B Member the Class B Member (or its partners and their affiliates, or others whom the Manager may admit as Members) will own Class B Units in the Company. The Class B member shall retain ownership of One Hundred Percent (100%) of the total Class B Units in the Company.

Financing

The Manager intends to obtain a mortgage loan in the approximate amount of $2,320,000.00. However, the Manager reserves the right to accept a loan on different terms or from a different lender if necessary. The actual dollar amount the Manager will need to raise is dependent on the final loan amount approved by the lender. The Manager will provide an updated loan term sheet if one becomes available during the course of the Offering. The proceeds from the sale of Units to Members will be used to pay for the remaining balance of the purchase price plus the costs of purchase, renovations and Manager’s fees as described in the Company Operating Agreement.

Investment Objective

The primary investment objective of the Company is to acquire, finance, manage, and dispose of properties within the Portfolio in such a manner as to provide its Members with a return on their investment. The Manager anticipates that the Company will own the Portfolio for approximately five to ten (5-10) years prior to selling it. See the *Investment Summary* attached hereto as <u>Exhibit C</u> for a summary of the Manager’s investment strategies for the Portfolio.

Limited Voting Rights of Class A Members

The Units offered for sale to prospective Investors of the Company via this Memorandum have limited voting rights. There are limited events on which the Members can vote.

An investment objective of the Company is to provide the Class A Members with an investment that requires minimal involvement in property or asset management. The Company policy will be for the Manager to make all decisions regarding the Portfolio on behalf of the Company.

Manager shall manage all business and affairs of the Company unless it resigns or is removed in accordance with Section 9.2 of the Operating Agreement. The Manager shall direct, manage, and control the Company to the best of its ability and shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things that the Manager shall deem to be reasonably required to accomplish the business and objectives of the Company. The rights and duties of the Manager are described in Section 7 of the Operating Agreement.

Depreciation Method to Be Used

The Company will apply the current cost recovery depreciation rules to the improved portion of each property within the Portfolio according to the relevant Internal Revenue Code sections, namely: straight-line, using a 27.5- year useful life for residential property and thirty-nine (39) years for non-residential property; however, the Manager may elect an accelerated depreciation option if appropriate for the Company. The Manager may elect to use the cost segregation method of depreciation for any personal property associated with real property it acquires on behalf of the Company, which allows the Company to use a shorter useful life for certain Assets.

Company is Self-Liquidating

An investment objective of the Company is to manage the Company so that it will be self-liquidating. The Company policy will be to dissolve the Company at such time as the property/properties within the Portfolio have been sold, unless all of the Members have elected to continue the Company.

Below is a summary of expected loan terms only. These terms, including but not limited to the Loan Amount and Interest Rate, are subject to change pending an executed loan agreement.

DEBT FINANCING AND AVAILABLE CASH

Debt Financing

ST. CLOUD PORTFOLIO LOAN INFORMATION		
First Loan Amount		The total amount of the first Loan Principal to be obtained by the Company is expected to be approximately $2,320,000.00.
Collateral		The Loan shall be secured by, among other things, (a) a first priority deed to secure on the Portfolio and good and marketable fee simple title to the Portfolio; (b) a first priority security interest in in all personal property associated with the Portfolio, (c) assignment of leases and rents (and all security deposits and proceeds) in the Portfolio, and (d) assignment and subordination of all management, leasing, maintenance and other contracts associated with the ownership and operation of the Portfolio.
Non-Recourse Loan		The Loan shall be non-recourse to the Company including for (i) Lender's customary carve-outs, including fraud or intentional misrepresentation, gross negligence or willful misconduct, removal, or disposal of the Portfolio after default, etc., and (ii) in the event of a voluntary bankruptcy or like proceeding or involuntary proceeding initiated or participated in by a party related to the Company or any guarantor.
Loan Interest Rate		An initial rate of approximately 5.4% shall apply to the Loan.
Existing Loan Term		The Existing Loan is a traditional term loan.
Payments		Payments Loan will be payable monthly (Part Dutch).

Use of Available Cash

The Operating Agreement authorizes the Manager, without first obtaining Member approval, to raise more funds through the sale of additional equity interests in the Company and to use such funds to support any purpose considered appropriate to the Company’s business plan. The Class A Member may retain and disburse to the Company otherwise distributable cash for any purpose the Manager determines to be in the best interest of the Company, such as undertaking necessary repairs, making discretionary capital improvements, funding marketing programs, covering operating deficits, prepaying debt, or increasing reserves.

DESCRIPTION OF THE PORTFOLIO

The St. Cloud Portfolio includes two multi-family residential apartment complexes located in St. Cloud, Minnesota. Each property is well located in one of the most desirable areas of each city, and each property offers excellent potential after a well-implemented value-add strategy. Below is a thorough description of each of the two properties. The Manager intends to make capital improvements to the St. Cloud Portfolio. Additional information is provided in the Investment Summary attached hereto as Exhibit C. The Company has the right to purchase the Bridgeport Apartments and the North Campus Apartments for a total purchase price of $3,015,000.00. The Closing Date which is scheduled for approximately October 1, 2022, may be extended an additional thirty (30) days pursuant to the Purchase and Sale Agreement.

Information on Bridgeport Apartments

The Bridgeport Apartments is an 18-unit multifamily property. The property's unit mix includes three- and four-bedroom apartments and townhomes. After acquiring the property in its current condition, the Company plans to repave surface parking lot, roof maintenance, cosmetic exterior renovations, interior renovation, change water line, replace HVAC, paint interior and exterior, and any other deferred maintenance or repairs.

Information on North Campus Apartments

The North Campus Apartments is a 22-unit multifamily property. The property's unit mix includes three- and four-bedroom apartments and townhomes. After acquiring the property in its current condition, the Company plans to repave surface parking lot, roof maintenance, cosmetic exterior renovations, interior renovation, change water line, replace HVAC, paint interior and exterior, and any other deferred maintenance or repairs.

MANAGEMENT

The Company will be managed by the Manager under the terms of the Operating Agreement. The Manager will be managed by its members under the terms of the Limited Liability Operating Agreement of the Manager which is <u>not</u> available for review by Class A Members.

MANAGER OF THE COMPANY MANAGER

The following sets forth certain information about the management of Yieldwink Realty, LLC, the Company's Manager.

Manager is Member-Managed. The Manager of the Company is a member-managed Delaware limited liability company. As such, the affairs of it, and the affairs of the Company (by proxy), shall be subject to the provisions contained in the Manager's own operating agreement for the Yieldwink Realty, LLC operating agreement. That operating agreement is a private document for its Members only. The Manager shall manage the St. Cloud Portfolio and may distribute Class A Units and Class B Units as it determines in its sole discretion. The operating agreement for the Class B Member is for its members only as well. The Class B Member, or its affiliates, may contribute to the Company and receive Class A Units as well as Class B Units.

Indemnification The Operating Agreement provides for the Company to indemnify the Manager and the Class B Member and its members, managers and officers for liabilities incurred by or claims made against the Class B Member in connection with the business of the Company, except for such liabilities arising out of the gross negligence or willful misconduct of the Manager. Amounts to be indemnified include judgments, fines, settlements, litigation expenses and reasonable attorneys' fees, which may be paid as incurred. Thus, the Company, the St. Cloud Portfolio, and their respective revenues and assets, may be reached to indemnify the Manager and its members, managers and officers.

TO THE EXTENT THAT ANY INDEMNIFICATION PROVISIONS IN THE OPERATING AGREEMENT PURPORT TO INCLUDE INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT, IN THE OPINION OF THE SECURITIES AND EXCHANGE COMMISSION SUCH INDEMNIFICATION IS CONTRARY TO PUBLIC POLICY AND THEREFORE UNENFORCEABLE.

Fees and Other Compensation The following table is a summary of the compensation, fees and distributions that the Manager, Class A Members, and the Class B Member shall receive in connection with this offering, the acquisition, operation and disposition of the Portfolio and the formation, operation and liquidation of the Portfolio and the Company. We determined the amount of the compensation, fees and distributions to the Manager and/or Class B Member without arm's length negotiation. The summary provided below of certain provisions of the Operating Agreement is qualified in its entirety by the more specific provisions of the Operating Agreement. You should not rely on the summary but should carefully review all of the terms of the Operating Agreement.

TYPE OF COMPENSATION	AMOUNT OR METHOD OF CALCULATING COMPENSATION

Offering Stage	
Reimbursement of organizational and offering expenses	All amounts advanced by the Class B Member or the Manager in connection with organization the Company and conducting the offering. See “Estimated Sources and Uses of Proceeds”
Acquisition Stage	
Acquisition Fee	The Class B Member will receive two percent (2.0%) of the purchase price at the Closing Date of each property in the St. Cloud Portfolio.
Company Stage	
Equity Placement Fee	The Manager shall be entitled to receive an ongoing annual equity placement fee of two percent (2.0%) of the total equity raised by the Company paid monthly during Company ownership of the Portfolio payable to the Manager in monthly installments.
Distributions of Cash Available for Distribution	First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Preferred Return) an annualized cumulative, non-compounding Preferred Return of eight percent (8.0%), calculated on the Unreturned Capital Contribution of each Class A Member; Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Preferred Return), until each Member’s Unpaid Class A Preferred Return for any year that has gone unpaid has been returned; and Thereafter, eighty percent (80.0%) of the Cash Available for Distribution shall be distributed to the Class A Members, *pro rata*, based on each Class A Member’s Percentage Interest *pari passu* with the distribution to the Class A Members, twenty percent (20.0%) of the Cash Available for Distribution shall be distributed to the Class B Member.
Distributions of Cash from Refinancing	First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A initial contribution) as a return

	of capital until each Member's Unpaid Class A initial contribution has been reduced, in whole or in part; Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) at a rate of 8% preferred return; Third, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return), until each Member's Unpaid Class A Priority Return for any year that has gone unpaid has been satisfied; and Fourth, with the remainder to be split in accordance with Section 5.1.3 of the Company Operating Agreement.
Portfolio Disposition (In Whole or In Part) and Company Dissolution	
Distributions of Cash from Sale or Other Disposition	First, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) until each Member's Unpaid Class A initial contribution has been reduced to zero, if any; Second, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return) at a rate of 8% preferred return; Third, to the Class A Members (to be shared among them in proportion to their respective Unpaid Class A Priority Return), until each Member's Unpaid Class A Priority Return for any year that has gone unpaid has been satisfied, if any; and Fourth, with the remainder to be split in accordance with Section 5.1.3 of the Company Operating Agreement.
Distribution Upon Termination of the Company	Upon the final termination of the Company, the Manager shall take account of all of the Company's assets and liabilities. The assets may be liquidated as promptly as is consistent with obtaining a reasonable value therefor, and the proceeds therefrom together with assets distributed in kind, to the extent thereof, shall be applied and distributed in the following order: (i)To the payment of debts and liabilities of the Company which are then due (other than any loans or advances that may have been

	made by any of the Members to the Company) and the expenses of liquidation. (ii)To the setting up of any reserves which the Manager may deem reasonably necessary for any contingent or unforeseen liabilities or obligations or debts or liabilities not yet payable by the Company which have arisen out of or in connection with the Company. Such reserves may be held for disbursement by the Manager or delivered to an independent escrow holder, designated by the Manager, to be held by such escrow holder for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, debts or liabilities, and, at the expiration of such period as the Manager shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided. (iii) To the repayment of any unpaid loans or advances which are then due and which have been made by any of the Members to the Company, including any accrued but unpaid interest thereon, in proportion to the loan amounts, up to the full amounts thereof, and then any other loans or advances, including any accrued but unpaid interest thereon, in proportion to the loan amounts, up to the full amounts thereof. (iv) Thereafter, in accordance with distributions of cash from refinancing, sale or other disposition, the distribution described here shall occur by the end of the taxable year of Company dissolution, or, if later, within ninety (90) days after the date of such dissolution.

CONFLICTS OF INTEREST

Various conflicts of interest may arise from the Company's relationship with the Manager or the Class B Member. Due to these conflicts, the Class B Member's interest may not always coincide with your interest with respect to the Company.

The Class B Member may have different financial incentives and motivations than you due to the fee payable to the Class B Member. The Class B Member shall be entitled to an acquisition fee. See "Fees and Other Compensation". The amounts of this fee has been set by the Class B Member and the Manager.

The Manager may have different financial incentives and motivations than you due to the management fee payable to the Manager. The Manager shall be entitled to ongoing equity placement fees. See "Fees and Other Compensation". The amounts of this fee have been set by the Manager, who has a financial interest in setting the highest supportable fees for the services it will provide. Moreover, since the equity placement fee is based on the total equity raised by the Company without regard to the Company's, profitability, and is payable before the payment of distributions to the Members, the Manager may not have the same financial focus on net income and profits as you may have.

The Property Manager may be an affiliate of St. Cloud Apartments Managers, LLC and/or the Manager. The possibility exists property management agreement was not made at arms' length. As described under "Compensation and Fees," the Property Manager Yieldwink Realty, LLC, will receive a property management fee of seven percent (7.0%) of gross receipts arising from the Portfolio. The magnitude of this compensation has been determined without the benefit of arms' length bargaining. However, in the opinion of the Manager, the fees to be paid to the Property Manager as the property manager under the circumstances presented are no less favorable than the charges which would be paid under the same or similar circumstances in the local area.

The Manager of the Company is a Member-Managed Delaware limited liability company of which certain members may also a principal or member of other real estate investment companies, and he may take on additional business responsibilities, all of which could create conflicting demands on the Manager's time and resources and could therefore adversely affect the attention it gives to, and the decisions it makes for, the Company. The Operating Agreement expressly permits the Manager and Members of the Class B Member to engage in activities in addition to its activities in managing the Company, including activities that may directly compete with the Company's business, such as owning and operating properties of the same type and in the same general market area as the Portfolio. As a result of these provisions and the fact that the Operating Agreement does not permit the Class A Members to remove the Manager, the Company could experience conflicts of interest with respect to various business activities and opportunities.

The Class A Members will have very limited voting rights. Pursuant to the Operating Agreement, the Class A Members will have no voting rights, except as required by law or the Operating Agreement. Any decision made by the Manager may not be in the best interest of the

Class A Members and, even if that decision is determined to be in the best interests of the Class A Members, may be contrary to the decision that the Class A Members would have made and may negatively affect the Class A Members' interests.

ESTIMATED SOURCES AND USES OF PROCEEDS

SOURCES OF CAPITAL

Gross Offering Proceeds	$1,210,000.00

USES OF CAPITAL

Equity	$[DOLLARS].00
Closing Costs	$[DOLLARS].00
Cap Ex	$[DOLLARS].00
Cash Reserves	$[DOLLARS].00
Total	$1,210,000.00

The foregoing represents the Company's best estimate of the Company's use of the proceeds of the offering based on present planning and business conditions. For a more complete presentation of the Company's financial projections, See Exhibit C. The Company may change its use of the proceeds as unanticipated events or occurrences, such as revised Loan Amount increased expenses, increased competition or business opportunities may cause the Company to redirect its priorities and reallocate the use of proceeds.

FINANCIAL PROJECTIONS

Financial projections were prepared for the Company, without review by any accounting firm, and are included in the Exhibit C (the "**Financial Projections**"). The Financial Projections have been prepared by the Company. The Financial Projections are based on assumptions provided by the Manager concerning facts and events over which the Company, the Manager and their respective affiliates may have no control. These assumptions relate to, among other things, market rental conditions, rental growth rates, rental premiums available for upgraded apartment units, continuing occupancy rates, operating costs for the Portfolio, property tax rates, credit risks of tenants, cost of financing, the availability of buyers for the Portfolio, rate of occupancy of the Portfolio (which may be adversely affected by various local factors) increases in operating expenses, and sales price for the Portfolio.

The Financial Projections also assume the applicability of certain provisions of the federal income tax laws and certain state and local tax laws, which are based on the tax laws and regulations that are currently in effect. In as much as changes may occur in the federal income tax laws, as well as state and local tax laws, no assurance can be given that the tax consequences assumed in the Financial Projections will apply.

The Financial Projections represent predictions of future events that may or may not occur. It is probable that some of the assumptions on which the Financial Projections are based will not materialize and that unanticipated events and circumstances will occur. Therefore, there can be no assurance that the Financial Projections or any of the related assumptions will constitute accurate reflections of the actual income or expenses that will be incurred by the Company, and the Financial Projections should not be relied upon to indicate actual results that will be obtained. Any variation in the actual performance of the Company from the assumptions used in the Financial Projections could have an adverse effect on the Class A Members.

THE COMPUTATIONS AND TAX CONSEQUENCES SET FORTH IN THE FINANCIAL PROJECTIONS, INCLUDING ANY ANALYTICAL PRESENTATIONS CONTAINED THEREIN, AND THE VARIOUS SCHEDULES, FORECASTS AND STATEMENTS CONCERNING TAX CONSEQUENCES, ARE BASED ON ASSUMPTIONS CONCERNING FACTS AND EVENTS OVER WHICH THE COMPANY, THE MANAGER AND THEIR RESPECTIVE AFFILIATES MAY HAVE NO CONTROL. SEE "RISK FACTORS."

EACH PROSPECTIVE INVESTOR, AT HIS, HER OR ITS OWN EXPENSE, SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF HIS, HER OR ITS OWN LEGAL COUNSEL, TAX COUNSEL AND/OR ACCOUNTANT WITH RESPECT TO HIS, HER OR ITS INVESTMENT IN THE COMPANY.

RISK FACTORS

The purchase of Units involves substantial risk. We identify and discuss below certain risk factors that we believe are illustrative of the various risks involved in this particular investment and in this type of investment. You should consider carefully the following risk factors, while keeping in mind that these represent only some of the risks to which you will be exposed if you invest in the Company. We will provide you with any information you may wish to consider in making your decision whether or not to invest, and we are available to discuss with you all concerns you may have about this prospective investment.

Risks of Real Estate Ownership

Investment in the Company will expose you to the risks inherent in owning real property, including the following risks, among others:

Direct competition or even general economic trends could reduce the net income and value of the Portfolio or even result in the loss of the Portfolio to foreclosure. The Portfolio could experience adverse changes in occupancy rates, rent schedules and/or operating expenses. Competition from existing or future comparable properties in the Portfolio's market area could result in significantly lower revenues than have been projected. Other factors outside our control could also adversely affect the income or the value of our Portfolio. Such factors may include, for instance:

- unfavorable trends in the national, regional or local economy;
- increased levels of construction activity in the Portfolio's market area;
- government restrictions and requirements (such as zoning restrictions, life safety, ADA requirements, or seismic upgrading requirements);
- latent physical defects and retroactive changes to building codes;
- federal and local rent controls or other regulations;
- changes in real property tax rates and assessments;
- adverse environmental conditions identified at the Portfolio;
- damage to or destruction of the Portfolio, or other catastrophic or uninsured losses; or
- reduced availability and/or increased cost of financing.

Certain expenditures associated with the Portfolio (principally mortgage payments and real estate taxes) would not be decreased by events adversely affecting the income received from the Portfolio. If income from the Portfolio is less than debt service and other required expenses, we could face foreclosure of any loans secured by the Portfolio or be forced to sell the Portfolio on disadvantageous terms, resulting in a loss of some or all of the value of your investment and the possibility of adverse income tax consequences.

A failure to manage the Portfolio effectively could reduce our income and the value of the Portfolio. Our financial success will depend largely on the successful operation of the

Portfolio at or near projected rentals and occupancy levels. This, in turn, will depend largely on Property Manager's management skills in setting rents, identifying prospective tenants, screening tenants and selecting and performing improvements. If the managers fail to perform their management responsibilities effectively, we may be unable to attract or retain a sufficient number of tenants (or a sufficient number of financially responsible tenants) to meet the occupancy and rent levels needed for successful operation of the Portfolio.

Factors beyond our control may adversely affect the sales price of the properties within the Portfolio as well as the timing or terms of any sale. The sale price of a property within the Portfolio will depend not only on its operating history and its then-current income level, but also on the tax treatment then in effect for real estate investments, demographic trends in the area, available credit and potentially many other factors that we cannot control or presently anticipate. We cannot assure you that we will realize any profits from the sale of the Portfolio. Investments in real estate are less liquid than some alternative investments, and there is no assurance that at any particular time there will be a ready sales market for the Portfolio. Various market and other circumstances that we cannot control may make it difficult or impractical to sell the Portfolio when we would prefer, or might be compelled, to do so. Finally, although our preference will be for "all cash" sale of the Portfolio, the market conditions at the time of any sale may compel us to accept a purchase proposal that provides for deferred payment of a portion of the purchase price, possibly for a period of years. Any such seller-financed sale will extend the period during which the Company will have an interest in the Portfolio while it collects the balance of the sale proceeds. Under such circumstances, we will also have the risk of being unable to collect some or all of the deferred payments.

You could lose some or all of your investment if the Portfolio suffered an uninsured or underinsured loss. While we intend to carry reasonable amounts of comprehensive insurance, including casualty, liability and extended coverage insurance, there are certain risks which may be uninsurable or not insurable on terms which we believe are economical. Such risks may include, for instance, earthquakes and floods or certain types of liability claims. Your investment could be lost, or its value significantly reduced, in the event of such an uninsured or underinsured casualty or liability loss. In this regard, you should bear in mind that the insurance market can be cyclical and that a recent trend has been toward reductions in coverage and even in availability, combined with increases, including very significant increases, in premiums. As a result, if a property within the Portfolio, the Company were to experience a casualty or liability loss, the risk that the loss will be uninsured or underinsured is greater currently than it has been historically, and that risk may be increasing.

You could lose some or all of your investment if, as the result of the discovery of hazardous substances on the Portfolio, we were to become required under environmental protection laws to pay clean-up or other remediation costs. Hazardous substances, wastes, contaminants or pollutants, or sources thereof, defined by present and future state and federal laws and regulations, could be discovered on the Portfolio, either during our ownership or after sale to a third party. If such substances are discovered or placed on the Portfolio during our ownership, the Company may be required to remove the substances and clean up the Portfolio and could be subjected to full recourse liability for the entire cost of any such removal and clean-up, even if the cost of such removal and clean-up exceeded the value of the Portfolio. In addition, we could incur liability to tenants and other users of the Portfolio, or users of neighboring property, including liability for consequential damages. We could also be exposed to the risk of lost revenues during any clean-up. Should we fail to remove the substances or sources and clean up the Portfolio, federal, state or local environmental agencies could perform such removal and clean-up, and impose and subsequently foreclose liens on the Portfolio for the cost thereof. We could find it difficult or impossible to sell or refinance the Portfolio prior to, during or even following any such clean-up. If such substances are discovered after the Portfolio (in whole or in part) is sold, the Company could be liable to the purchaser if we knew or had reason to know that such substances or sources existed. In such case, we could also be subject to the costs described above.

Risks of Property Renovation

We intend to undertake renovation of the properties. Such activities will expose you to regulatory and construction risks that would not be present if we acquired a property that was fully developed and not in need of renovation, including the following risks, among others:

Construction cost overruns, which are not uncommon, can cause the Company to expend more in the renovation of the Portfolio than budgeted, with a resulting decrease in the net returns from the Portfolio. The purchase of land for construction or the undertaking of significant renovations involves more risks than the purchase of completed property not in need of such development and/or construction. These added risks include construction delays and cost overruns over the projected amount. Some of the potential causes of construction delays are labor disputes, adverse weather conditions, governmental orders or delays, unavailability of materials or labor, or the financial insolvency of the general contractor or subcontractors. In particular, construction cost overruns due to increases in the prices of materials and labor, and to other factors, are not uncommon, and certain construction costs which typically constitute a substantial portion of a construction budget may be beyond the Company's control. For example, construction period interest can increase if completion is delayed, and city or county development (impact) fees cannot always be estimated accurately. If these or other construction costs were to exceed amounts budgeted for the Portfolio renovation, the Company could be required to request an increase in the Loan, which might not be granted, or to locate alternative or supplemental construction financing or additional equity, which might not be obtainable. A failure to secure the needed financing could force the Company to abandon the Portfolio and might subject the Portfolio to the risk of foreclosure by the construction lender. The provision of such financing could also increase the continuing debt service of the Portfolio, adversely affecting the operating results and increasing the risks associated with leverage. (See "Risks of Debt Financing" below.)

Development and renovation can expose the Company to the costs and risks of construction defects, which may also adversely affect the financial performance of the Portfolio. The Company will be subject to the risk of construction defects, which can arise from inadequate construction plans and specifications, poor workmanship or defective materials. Correction of serious defects can be costly and time consuming. Moreover, certain defects may not become apparent until after the expiration of any contractors' or suppliers' warranties. To mitigate against defects discovered after the expiration of the construction warranties, the Company may seek to obtain a builder's liability policy on the Portfolioif economically feasible. However, there is no assurance that the Company will obtain such a policy, or, if it does, that the policy will protect the Company sufficiently against latent defects. Moreover, even when the costs ultimately are borne by an insurer, contractor or supplier, correction can be time consuming and therefore can result in reduced revenues from the Portfolio.

Risks of Debt Financing

We expect to use mortgage indebtedness to provide a significant portion of the purchase price of the Portfolio. An investment in the Company therefore will expose you to risks that would not be present if we did not use debt financing for the Portfolio, including the following risks, among others:

If we fail to make the required debt service payments for the Portfolio, we could lose that property within the Portfolio to foreclosure. While the failure by any business to cover its operating expenses exposes its owners to the risk of creditor claims, a failure to pay the required debt service of real estate-secured loans increases the risk of such claims because of the specific contractual and statutory remedies afforded to secured lenders, including the right to foreclose on the real estate. Our cash flow could be insufficient to make the debt service payments required to avoid foreclosure on the Portfolio.

We also could lose the Portfolio to foreclosure if we are unable to refinance the Portfolio's mortgage debt, or sell the Portfolio, by the maturity date of the debt. The Loan is only for five years and does not provide for full amortization of principal prior to maturity. Our ability to repay any such loans at maturity will depend on our ability to obtain adequate replacement financing or to sell the affected Portfolio, which in turn will be dependent upon prevailing economic conditions in general and the value of the Portfolio. A failure to repay the balance of the Loan by its maturity date could result in foreclosure of the Portfolio.

Mortgage loans can include financially burdensome prepayment provisions, which could limit our ability to refinance such debt before maturity and could adversely affect the returns received on the sale of the Portfolio. The Loan requires payment of a prepayment premium or penalty in order to repay the loan before its maturity if the prepayment occurs after default or prior to permitted defeasance date. Such provisions may prohibit us altogether from prepaying certain loans for specified periods. If, while such provisions are in effect, more attractive financing were to become available for the Portfolio — for instance, as the result of a general decline in interest rates — the existence of such provisions could financially restrain us from pursuing such better financing. Similarly, if better financing were available at the time we wished to sell the Portfolio, the existence of such provisions could reduce the net proceeds we would otherwise receive, because the purchaser either might insist on using its own financing (in which case paying off the existing loan would require us to pay the premium or penalty out of the sales proceeds) or might discount the purchase price as a condition of assuming the then less advantageous debt.

The guarantor of the Loan may not be able to satisfy their obligations, which could lead to a default under the Loan. The Lender has required certain individual to guarantee the obligations under the Loan in the event of a default occurring as a result of certain carve-outs to the otherwise recourse provisions and environmental indemnification under the Loan. Such guarantor has similar and substantial guarantee obligations on various real estate projects in which affiliates of St. Cloud Apartments Portfolio, LLC are owners. If such guarantor were to become unable to satisfy their obligations under this guarantee, a default may result under the terms of the Loan, which could lead to a foreclosure on the Property securing the Loan.

Risks Related to Our Organizational and Management Structure

You will have very limited power to participate in or influence the management of the Company, even as to fundamental matters such as the purchase, development and sale of the Portfolio. The Manager, will have the exclusive right to manage the day-to-day operations of the Company and the Portfolio and to make virtually all decisions for the Company without the need to obtain your approval. For example, the Operating Agreement expressly permits the Manager to raise additional funds through the sale of more Units and, subject to certain limitations, to apply such additional capital, along with operating cash flow, the proceeds of sale or refinancing of the Portfolio, to acquire or develop new projects rather than distribute such capital, cash flow or proceeds or loan payments to the Purchasers. You should not purchase Units unless you are willing to entrust to the Manager essentially all aspects of the management of your investment in the Company.

We may use the Company's cash profits (in excess of those needed to pay the Purchaser's tax liabilities) for reinvestment or other purposes rather than to make cash distributions to the Purchasers. The Operating Agreement does not require us to make cash distributions. We will have significant discretion under the Operating Agreement to use the Company's cash profits not for distribution but rather for capital improvements, creation or enhancement of reserves, or any other expenditure we determine appropriate.

Our operating results could be impaired if, due to a depletion of our working capital reserves, we become unable to undertake important property maintenance or improvements or even are prevented from paying required operating expenses. Our initial working capital will be limited. To the extent such reserves are depleted and not replenished from operating cash flow or net sales or refinancing proceeds, we could require additional capital to properly maintain and improve the Portfolio or to cover operating cash deficits if the operating expenses at the Portfolio were to exceed revenues. If additional capital were required, a failure to secure it could result in a reduction in the value, or even a foreclosure and loss of the Portfolio. As discussed below, our ability to secure additional capital will be limited.

We may be unable to secure additional needed capital because the Class B Member(s) has no obligation to fund any such capital needs and our ability to raise any needed additional capital is limited. The Operating Agreement does not impose on the Class B Member any obligation to fund any additional capital needs of the Company. The Operating Agreement authorizes us to seek to raise any additional capital we may need through loans or by selling, to the Class A Member or to third parties, additional equity interests in the Company. However, such efforts may not be successful.

Your ownership interest in the Company could be disproportionately diluted or impaired if we were to sell additional equity interests. As noted above, the Operating

Agreement authorizes us to sell additional equity interests in the Company to third parties in order to raise additional capital for operations or for new acquisitions or development projects. Under the Operating Agreement, such additional equity interests might be sold for a price less than the price for Units in this Offering and might have terms that give the purchasers of the additional equity interests financial or other rights superior to the corresponding rights of the Units outstanding at the time the additional equity interests are sold. For instance, such interests might give their holders a specified Preferred Return that must be paid before any return is paid on your Units. As a result, the sale of such additional equity interests could subordinate your ownership interest in the Partnership or dilute your ownership interest disproportionately to the amount of new capital raised thereby. Under the Operating Agreement, you will not have preemptive rights to purchase, on a pro rata or any other basis, any additional equity interests in the Company that we may offer or sell in order to raise new capital.

Due to various transfer restrictions imposed by the Operating Agreement and securities laws, you may not be able to sell your Units when you wish to, or at all. Because the Units are being offered pursuant to exemptions from registration under the Securities Act and applicable state securities laws, you will be permitted to transfer your Units only if the Units are registered under such laws (which is not expected) or an exemption from such registration is available.

There will be little opportunity for you to sell your Units until the Company is liquidated. It is not expected that any public resale market for the Units will develop, and the Operating Agreement places substantial restrictions on the transfer of any Units. As a result, it is unlikely that you will be able to sell your Units, and the only likely liquidity for your Units will be when we sell or refinance the Portfolio (if we elect to distribute the proceeds rather than investing them in a new project) or when the Partnership liquidates.

You are not assured of a return of your investment, and under certain circumstances you could be required to return distributions made to you. The Company's operating revenues and net refinancing and sales proceeds must be applied first to its expenses, and any amounts realized on liquidation of the Company must be used first to satisfy all creditors, before any remaining revenues, proceeds or liquidation amounts may be made available to the Purchasers. Accordingly, there is no assurance that you will receive any return on your investment or even recover all or any portion of that investment. Moreover, although as a limited partner your financial risk will generally be limited to your invested capital, certain laws intended to protect creditors could require you to return some or all of a distribution if, at the time the distribution was made, the Company's liabilities exceeded the value of its assets or it was otherwise insolvent.

We will be dependent on the Manager. The Company will be highly dependent on the efforts of the members of the Manager. While we believe that the Manager could find replacements for its members, the loss of their services could have a material adverse effect on the Manager and thus on the Company and your investment.

Because the Portfolio is expected to rely heavily on residential tenants, a local or regional event could have adverse consequences the Portfolio and our overall results. An event affecting only the local area, such as a local or regional economic downturn, a major hurricane, terrorist attack or other catastrophic event, could materially adversely affect the Portfolio while not adversely affecting the performance of investments in residential buildings located elsewhere in the country. An investment in the Company exposes you to greater risks than would be the case if we were to own a larger number of projects and/or projects located in diverse market areas.

Because our business will consist entirely of owning and developing real estate, you will not have the protection that might be afforded by ownership in a company with greater asset diversification. Our only asset will be the Portfolio. We will not own real estate of a different type (such as property that is primarily or exclusively commercial) or any non-real estate investment assets other than relatively modest short-term investments of working capital and reserves. For all these reasons, an investment in the Company will not provide you with the benefits that may come from greater investment diversification, which can reduce overall risk by balancing the financial losses of one investment asset or category of investment assets against possible financial gains in another asset or asset category.

Tax Risks

THE DISCUSSION SET FORTH HEREIN IS NOT ADVICE INTENDED TO BE RELIED UPON AND USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING ANY PENALTIES IMPOSED ON THE TAXPAYER. THIS SECTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS CONTEMPLATED BY AND DESCRIBED IN THIS MEMORANDUM. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE BASED ON HIS OR HER PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE INCOME AND OTHER TAX CONSEQUENCES OF PARTICIPATION IN THIS INVESTMENT.

General. There are risks associated with the federal taxation of the purchase of a Unit. You should carefully read “Federal Income Tax Consequences” before making an investment in the Units.

Taxable Income in Excess of Cash Receipts. It is possible that a Purchaser’s taxable income resulting from his or her Units will exceed its share of cash attributable thereto. This may occur because cash flow from the Portfolio may be used to fund nondeductible operating or capital expenses of the Portfolio or to amortize principal on mortgage indebtedness. Thus, there may be years in which a Purchaser’s tax liability exceeds his or her share of cash from the Portfolio. The same tax consequences may result from a sale or transfer of Units, whether voluntarily or involuntarily, and may produce ordinary income or capital gain or loss. If this were to occur, a Purchaser would have to use funds from other sources to satisfy his or her tax liability. See “Federal Income Tax Consequences.”

Risk of Audit. An audit of the tax returns of a Purchaser could result in the challenge to, and disallowance of, some of the deductions claimed in such returns. No assurance or warranty of any kind can be made with respect to the deductibility of any items in the event of either an audit or any litigation resulting from an audit. An audit could arise as a result of an examination by the

IRS or any state or local taxing authority of tax returns filed by the Manager, or the Purchaser or any information returns filed by the Company.

Changes in Federal Income Tax Law. The discussion of tax aspects contained in this Memorandum is based on law presently in effect and certain proposed Treasury Regulations. Nonetheless, purchasers should be aware that new administrative, legislative or judicial action could significantly change the tax aspects of an investment in the Units. Any such change may or may not be retroactive with respect to transactions entered into or contemplated before the effective date of such change and could have a material adverse effect on an investment in an Interest.

State and Local Taxes. In addition to the federal income tax consequences, a prospective Purchaser should consider the state and local tax consequences of an investment in an Interest. Such taxes may include, without limitation, income, franchise and excise taxes. Prospective purchasers must consult with their own tax advisors concerning the applicability and impact of any state and local tax laws.

Accuracy-Related Penalties and Interest. In the event of an audit that disallows a Purchaser's deductions, Purchasers should be aware that the IRS could assess significant penalties and interest on tax deficiencies. The Code provides for penalties relating to the accuracy of tax returns equal to 20% of the portion of the underpayment to which the penalty applies. The penalty applies to any portion of any understatement that is attributable to (i) negligence or disregard of rules or regulations, (ii) any substantial understatement of income tax, or (iii) any substantial valuation misstatement. A substantial valuation misstatement occurs if the value of any property (or the adjusted basis) is 200% or more of the amount determined to be the proper valuation or adjusted basis. This penalty generally doubles if the property's valuation is overstated by 400% or more. In addition to these provisions, the Jobs Act of 2004 imposes a 20% accuracy-related penalty for (i) listed or (ii) reportable transactions having a significant tax avoidance purpose. This penalty is increased to 30% if the transaction is not properly disclosed on the taxpayer's federal income tax return. Failure to disclose such a transaction can also prevent the applicable statute of limitations from running in certain circumstances and can subject the taxpayer to additional disclosure penalties ranging from $10,000 to $200,000, depending on the facts of the transaction. Similarly, any interest attributable to unpaid taxes may not be deductible for federal income tax purposes. See "Federal Income Tax Consequences."

Because the Company will elect to be classified for tax purposes as partnerships with "flow through" tax treatment, you could receive, in any given year, an allocation of taxable income in excess of the cash distributed to you in that year. Under applicable tax law, each member in a limited liability company which is taxable as a partnership is required to take into account, in computing the partner's individual income tax liability, his or her distributive share of the partnership's income, gain and loss for any taxable year, without regard to the amount, if any, of cash distributions the partner received from the Company in that year. Because the Company will elect to be treated as "flow through" entities for tax purposes (either as partnerships or as entities that are disregarded for tax purposes), all of the Company's income, gain and loss will be allocated to the Company's Purchasers under the tax allocation provisions of the Operating Agreement. Accordingly, you could be allocated Company profits in a year such that the resulting tax liability will exceed the cash, if any, the Company distributes to you in that year. Similarly, the taxable income allocated to you upon a sale or foreclosure of the Portfolio could generate tax liability for you in excess of the cash, if any, you receive as a result of such event. If and when your tax liabilities exceed your cash distributions from the Company, you will need to pay any resulting income taxes from your personal resources.

If you are allocated any tax losses from your investment, your ability to use such losses to offset other taxable income will be limited. We do not anticipate that the Company will generate significant tax losses, although we do expect that depreciation and other deductions from operating the Portfolio, the Company will reduce the amount of taxable income that would otherwise be allocated to a Purchaser. However, in the event you are allocated any tax losses, your ability to use such losses will be limited by applicable income tax law. For example, any such losses allocated to you generally will be considered “passive losses,” therefore, because you will not be considered an “active participant” in the Company, applicable tax law generally will prohibit you from using such losses to offset “non-passive income” or “portfolio income” such as salary, dividends and interest income, or the tax liability resulting therefrom.

Future changes in income tax laws could prevent you from realizing whatever tax treatment you have assumed will apply to your investment. Tax laws are revised frequently. Even when such changes are not given retroactive effect, they can significantly affect the tax treatment for at least the remaining period of a long-term or illiquid investment, such as an investment in the Units. Future tax law changes could materially adversely affect the tax consequences of your investment.

United States Income Tax Considerations for Foreign Investors

The federal income tax treatment applicable to a nonresident alien or foreign corporation investing in the Company is highly complex and will vary depending on the particular circumstances of such investor and the effect of any applicable income tax treaties. Each foreign investor should consult his own tax advisor as to the advisability of investing in the Company. This Memorandum does not address the United States income tax considerations for foreign investors. **THEREFORE, INVESTORS ARE URGED TO CONSULT THEIR OWN TAX COUNSEL REGARDING BOTH THE U.S. TAX CONSEQUENCES OF THIS INVESTMENT IN UNITS AND THE NON-U.S. TAX CONSEQUENCES OF THIS INVESTMENT IN UNITS.** In general, non-U.S. investors should consider the following matters when seeking professional guidance. First, any money and the fair value of any property received by a “non-resident alien” or foreign corporation in exchange for an interest in all or part of an interest in a partnership (including the Partnership) is treated, to the extent attributable to U.S. real property interests, as an amount received from the sale or exchange in the U.S. of that property. Since the company is not publicly traded, the rule applies without exception. FIRPTA (Foreign Investment in Real Property Tax Act) is a United States tax provision that imposes income tax on foreign persons disposing of United States real property interests. Tax is imposed at regular tax rates for the type of taxpayer on the amount of gain considered recognized. Purchasers of real property interests (including Units in the Purchasers) are required to withhold tax on payment for the property. Withholding may be reduced from the standard 10% to an amount that will cover the tax liability, upon application in advance of sale to the Internal Revenue Service. FIRPTA overrides most nonrecognition provisions as well as those remaining tax treaties that provide otherwise. The Code requires that all persons, whether foreign or domestic, must pay income tax on dispositions of interests in U.S. real estate (U.S. real property interests). Domestic persons are subject to this tax as part of their regular income tax.

FIRPTA applies in virtually all cases where a foreign owner of a U.S. real property interest disposes of such interest. Provisions of the law which would prevent recognition of gain generally do not apply unless the seller receives a U.S. real property interest in a qualifying nonrecognition exchange.

Foreign persons are generally exempt from U.S. tax on capital gains. Under FIRPTA, however, foreign persons are subject to tax on gains from disposition of U.S. real property interests (USRPIs), which includes interests (Units) in the Partnership. Real property is land, buildings, and land improvements. Generally, whether property is or is not real property is determined under U.S. tax law concepts, not state law. Non-U.S. investors should assume that a sale of the Portfolio or the Units in the Partnership will invoke FIRPTA treatment, that is, plan conservatively. However, the application of these rules may depend considerably on events between now and the disposition date or other liquidity event, and no assurance can be given that FIRPTA rules will or will not apply as a result.

Taxpayers generally must recognize gain upon disposition of property. Where the proceeds are received in more than one year, the gain is recognized proportionately over the years received.

Under general U.S. tax principles, applicable to FIRPTA, gain is the excess of the amount of money or fair market value of property received over the basis of the property exchanged. Where the amount received is subject to a contingency, the amount is not recognized until the contingency is resolved. FIRPTA gain is subject to tax as effectively connected income. Nonresident alien individuals are subject to tax on such income at normal ordinary income and capital gains tax rates, as they may apply. However, the deduction for personal exemptions, certain adjustments to gross income, and most itemized deductions are not allowed. Foreign corporations are subject to tax on such income at regular corporate income tax rates. Branch profits tax may apply, subject to the branch termination exception. The Alternative Minimum Tax may apply.

Buyers of U.S. real property interests are required to withhold a percentage of the full sales price on ANY purchase of a USRPI, subject to only four exceptions. Withholding is not required in several specific instances not expected to apply here. For a fuller explanation, reference is made to the full text of FIRPTA, and to the guidance provided by the Internal Revenue Service at:

http://www.irs.gov/businesses/small/international/article/0,,id=105000,00.html

To the extent withholding is required, the amount of withholding may be reduced below 10% of the full price only upon certification by the IRS that a reduced amount applies. Such certification is permitted only if the seller applies to the IRS for reduced withholding by filing Form 8288-B no later than the closing date of the sale. The certification will specify the proper amount of withholding, subject to the stated closing price. Penalties apply to a purchaser who fails to withhold, file Form 8288 with the IRS, or pay the required withholding within 20 days of the sale.

Other Risks

You should not rely on any projected operating or investment results or other estimates contained in this Memorandum because they may not be accurate. Any financial projections or other estimates of future results contained in this Memorandum are based on numerous assumptions, all of which are subject to uncertainty. In the case of any estimates of future operating, investment or other financial results, any projected revenues may not be achieved and any projected expenses (including, among others, Company expenses, and investigation and acquisition expenses, Portfolio operating expenses and the expenses of this offering) may be exceeded. Moreover, numerous other factors, such as increases in market interest rates above present levels, could adversely affect the value of the Portfolio, and also adversely affect the potential return on your investment, even if we achieve or exceed the projected or estimated operating results.

This Offering has not been subjected to an independent underwriter's "due diligence" examination of the type that is typically relied upon by investors in underwritten securities offerings. This offering is being made directly by the Company, the Manager, and the Class B Member and, without the involvement of any independent underwriter. Therefore, you do not have the benefit of the type of "due diligence" examination of the Company and Class B Member, and the terms and conditions of this investment, that would be conducted by an unaffiliated security professional and its legal and financial advisors if this were an underwritten securities offering.

The minimum sale of Class A Units is less than amount needed to fund acquisition and operation. The minimum number of 1,034 Class A Units ($1,034,000.00) which must be sold pursuant to the Offering in order for the Company to accept any subscription is less than amount needed to fund acquisition and operation of the Project. Therefore, it is possible that the Company may not raise the amount of capital it is anticipating pursuant to this Offering in which case the Company will be required to seek alternate sources of capital or engage in a new offering in order to proceed with the purchase of the Project or to have sufficient funds to operate the Project in accordance with its plans. There can be no assurance that the Company will be able to raise additional capital or that any future offering will not be on terms that are more favorable to investors in such future offering than the terms of this Offering.

FINANCIAL PROJECTIONS

Financial projections were prepared for the Company, without review by any accounting firm, and are included in the Investment Summary (the "**Financial Projections**"). The Financial Projections have been prepared by the Company. The Financial Projections are based on assumptions provided by the Manager concerning facts and events over which the Company, the Manager and their respective affiliates may have no control. These assumptions relate to, among other things, market rental conditions, rental growth rates, rental premiums available for upgraded apartment units, continuing occupancy rates, operating costs for the Portfolio, property tax rates, credit risks of tenants, cost of financing, the availability of buyers for the Portfolio, rate of occupancy of the Portfolio(which may be adversely affected by various local factors) increases in operating expenses, and sales price for the Portfolio.

The Financial Projections also assume the applicability of certain provisions of the federal income tax laws and certain state and local tax laws, which are based on the tax laws and regulations that are currently in effect. In as much as changes may occur in the federal income tax laws, as well as state and local tax laws, no assurance can be given that the tax consequences assumed in the Financial Projections will apply.

The Financial Projections represent predictions of future events that may or may not occur. It is probable that some of the assumptions on which the Financial Projections are based will not materialize, and that unanticipated events and circumstances will occur. Therefore, there can be no assurance that the Financial Projections or any of the related assumptions will constitute accurate reflections of the actual income or expenses that will be incurred by the Company, and the Financial Projections should not be relied upon to indicate actual results that will be obtained. Any variation in the actual performance of the Company from the assumptions used in the Financial Projections could have an adverse effect on the Class A Members.

THE COMPUTATIONS AND TAX CONSEQUENCES SET FORTH IN THE FINANCIAL PROJECTIONS, INCLUDING ANY ANALYTICAL PRESENTATIONS CONTAINED THEREIN, AND THE VARIOUS SCHEDULES, FORECASTS AND STATEMENTS CONCERNING TAX CONSEQUENCES, ARE BASED ON ASSUMPTIONS CONCERNING FACTS AND EVENTS OVER WHICH THE COMPANY, THE MANAGER AND THEIR RESPECTIVE AFFILIATES MAY HAVE NO CONTROL. SEE "RISK FACTORS."

EACH PROSPECTIVE INVESTOR, AT HIS, HER OR ITS OWN EXPENSE, SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF HIS, HER OR ITS OWN LEGAL COUNSEL, TAX COUNSEL AND/OR ACCOUNTANT WITH RESPECT TO HIS, HER OR ITS INVESTMENT IN THE COMPANY.

FEDERAL INCOME TAX CONSEQUENCES

The following is only a summary of certain tax considerations material to an investment in Units in this offering. Because this summary cannot practicably set forth all aspects of federal, state and local tax law that might affect a Member, you should review the Operating Agreement and consult your own tax counsel as to the consequences of an investment in the Company. This summary, except as expressly noted, addresses only federal income tax consequences and only for an investor in the offering who is an individual and a citizen or resident of the United States. It does not address the tax consequences, federal or otherwise, to special types of investors (*e.g.*, foreign persons or entities, pension plans and other tax- exempt entities).

The following is a summary of certain United States federal income tax considerations for a prospective investor who or that would be a "U.S. Holder" (as defined below) of acquiring, owning and disposing of Units. For purposes of this summary, a "**U.S. Holder**" means and includes a person who or that purchases Units pursuant to this Offering and who or that, for United States federal income tax purposes, is (and would be) a "United States person" (within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "**Code**")) – that is, either: (i) a citizen or resident of the United States; (ii) a corporation or partnership, including any entity treated as a corporation or partnership for U.S. federal income tax purposes, created or organized in the United States or under the law of the United States or of any State and the District of Columbia (unless, in the case of a partnership, the Secretary of the Treasury or his delegate provides otherwise by regulations); (iii) any estate (other than a foreign estate, within the meaning of Code Section 7701(a)(31)); or (iv) a trust, if (a) a court within the United States is able to exercise primary supervision over the administration of the trust, and (b) one or more United States persons have the authority to control all substantial decisions of the trust (or, otherwise, a trust that has a valid election in effect under applicable Treasury Regulations to be treated as a "domestic trust"). For purposes of this summary, a prospective investor who or that would not be a U.S. Holder if he, she or it acquired Units pursuant to this Offering is referred to herein as a "Non-U.S. Holder."

This summary of certain United States federal income tax consideration is based upon the Code, final, temporary and proposed Treasury Regulations promulgated thereunder, published rulings and court decisions, all as in effect and existing on the date hereof and all of which are subject to change at any time (and which change may be retroactive or prospective). No rulings have been sought or are expected to be sought from the Internal Revenue Service (the "**IRS**") with respect to any of the tax considerations summarized below, and no assurance can be given that the IRS will not take one or more contrary positions to the any of the conclusions set forth below. Unless otherwise specifically noted, this summary applies only to a U.S. Holder that acquires and becomes the beneficial owner of Units pursuant to this Offering and who or that holds such acquired Units as a "capital asset" within the meaning of Section 1221 of the Code. In addition, the following discussion is based, in part, on the recently enacted Tax Cuts and Jobs Act, H.R.1, that became effective as of January 1, 2018 (the "Tax Act"). The Tax Act, including the provisions relating to entities treated as partnerships, is new and complex. The IRS has not yet issued any guidance on the application of the provisions of the Tax Act, and Congress may be implementing a number of technical corrections to the Tax Act. Thus, any discussion about the Tax Act in this Memorandum is not complete and may be inconsistent with future actions by the IRS and

Congress; accordingly potential investors are urged to consult their individual tax advisors to understand how the Tax Act will apply to them with respect to an investment in the Company.

This summary is for general information only and does not address all of the tax considerations that may be relevant to a prospective investor of Units. This summary further does not address any of the United States federal, state, local and foreign tax considerations or consequences of this Offering that may be relevant to the following persons who or that may be contemplating purchasing or acquiring Units pursuant to this Offering:

- a Non-U.S. Holder (or a person whose status may change from that of a U.S. Holder to a Non-U.S. Holder);
- a financial institution (including a bank);
- a real estate investment trust;
- a personal holding company;
- a tax-exempt organization;
- a retirement plan or individual retirement account;
- a regulated investment company;
- an insurance company;
- a broker or dealer in securities or currencies;
- United States expatriates;
- a person who or that would hold any of the Units in a straddle or as part of a hedging, conversion, constructive sale or other integrated transaction;
- a person whose functional currency is not the United States dollar; or
- any other person who or that may be subject to special tax treatment under the Code.

The Company strongly urges any person who or that is contemplating purchasing any Units pursuant to this Offering and who or that is described above to consult his, her or its own tax advisor(s) regarding the United States federal income tax considerations of this Offering, including potential application of United States withholding taxes and possible eligibility for benefits under applicable income tax treaties, that may be relevant to such person.

Further, this summary also does not address either: (a) the United States federal income tax considerations of this Offering to a direct or indirect stockholder, partner, member, beneficiary or other beneficial owner of an entity that is treated as either a “corporation” (including an S corporation), “partnership” or “trust” (including “grantor trust”) for United States federal income tax purposes; (b) the United States federal estate or gift tax consequences of this Offering (and of the acquisition, holding and disposition of Units); or (c) any state, local or foreign tax consequences of this Offering (and of the acquisition, holding and disposition of Units).

The 33equire33gg summary is not a substitute for careful tax planning, since the tax consequences of an investment in the Company are complex, and may not be the same for all investors. Therefore, each prospective investor should consult with his, her or its own tax advisor concerning the tax considerations and consequences to such investor of his, her or its purchase of Units pursuant to this Offering and of such investor becoming (and being) a Class A Member of the Company.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED BY CODE. THE UNITED STATES FEDERAL INCOME TAX DISCUSSION CONTAINED HEREIN WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE UNITS OFFERED HEREBY. PROSPECTIVE INVESTORS SHOULD SEEK ADVICE FROM THEIR OWN INDEPENDENT TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN THE UNITS OFFERED HEREBY BASED UPON THEIR PARTICULAR CIRCUMSTANCES.

No Opinion

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Company and the ownership and disposition of a Membership Interest. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Partnership Status:

Under current Treasury Regulations relating to the classification of business organizations, an “eligible entity” with at least two members, partners, or other beneficial owners may elect to be classified for United States federal income tax purposes as either an association taxable as a corporation or a “partnership.” In the absence of an affirmative election by such an “eligible entity,” the entity will be treated as a partnership for United States federal income tax purposes.

The LLC Agreement prohibits any transferee of all or any part of a Company interest to become a Member in place of the transferring Member unless and until (among other conditions) the Manager determines that the proposed transfer will not result in the Company not being classified as a partnership for United States federal income tax purposes.

Prospective investors should be aware that under Section 7704 of the Code and the Treasury Regulations thereunder, subject to the “passive income” exception of Section 7704I of the Code and the Treasury Regulations thereunder (“**Passive Income Exception**”), an otherwise “partnership” that constitutes a “publicly traded partnership” is required to be treated as a “corporation” for United States federal income tax purposes. In general, a “publicly traded partnership” is defined as any partnership if interests in such partnership are: (1) “traded on an established securities market,” or (2) “readily tradable on a secondary market (or the substantial equivalent thereof).” Generally, under applicable Treasury Regulations, interests in a partnership are considered “readily tradable on a secondary market (or the substantial equivalent thereof)” if, taking into account all facts and circumstances, the partners are readily able to buy, sell, exchange or redeem their interests in a manner that is economically comparable to trading on an established securities market.

No public trading market in the Units is expected to develop or be maintained. In addition, the Units will not be registered under the Securities Act by reason of specific exemptions under the provisions of the Securities Act, which depend, in part, upon the agreement of the purchasers not to transfer their Units except under certain circumstances. Sales or other transfers of the Units may be made only in compliance with the Securities Act, applicable state securities laws and certain limitations set forth in the LLC Agreement. See "Summary of the Limited Liability Operating Agreement – Transfer of Units." The Units will be "restricted securities" under Rule 144 promulgated under the Securities Act, and the Company will not make information available of such scope and content that the public sale provisions of Rule 144 (even if a trading market existed) would be available. Moreover, given the nature of the Company's anticipated income, the Company may also qualify for the Passive Income Exception. Accordingly, the Company does not believe that it would have to treat itself as a "corporation" under the "publicly-traded partnership" rules of Code Section 7704 and the Treasury Regulations thereunder.

No ruling has been or will be requested from the Service on the issue of whether the Company is a PTP, and no assurance can be given that the Service or a court will concur with the Company's position that it is not a PTP. If, notwithstanding the Company's intended classification and treatment as a "partnership" (and the Class A Members as "partners" of a "partnership") for United States federal income tax purposes, the IRS were to challenge such classification and treatment (and were to ultimately be successful in such challenge) and/or that the Company were to otherwise constitute an association taxable as a corporation for United States federal income tax purposes, then the below summary would not apply to the Company or its Class A Members. Instead, among other things, (i) the Company, itself, would be subject to United States federal income tax on its taxable income and gain; (ii) distributions of money, if any, made by the Company to a Class A Member would be taxable to the Class A Member either as a dividend (to the extent of the Company's current and accumulated earnings and profits) and then as, or, a tax-free recovery of the Class A Member's United States federal income tax basis and, then, as taxable gain for United States federal income tax purposes; (iii) a Class A Member would not be entitled to report any losses or deductions of the Company on such Class A Member's own United States federal income tax returns; and (iv) a change in the Company's status (e.g., from a "corporation" to a "partnership") for United States federal tax purposes could constitute a taxable event.

Taxation of the Class A Members:

The Company will file annually a United States federal partnership information income tax return but will not, as an entity, be subject to United States federal income tax (so long as it is not treated as an association taxable as a corporation for United States federal income tax purposes). Each Class A Member will be required to include his, her or its allocable share of all items of Company income, gain, loss, deduction and credit, if any, in determining the Class A Member's United States federal income tax liability. The Company will furnish annually to each Class A Member a report (Form K-1) of such Class A Member's distributive share for such year of taxable income or loss and/or other tax items for use in the preparation, and filing, of such Class A Member's United States federal income tax return. Each Class A Member will be required either to treat Company items on his, her or its United States federal income tax return consistently with the treatment on the Company return or, if he, she or it takes an inconsistent position, to file a statement identifying the inconsistency. Although the LLC Agreement provides for the making of tax distributions by the Company to the Members if allowable under the Company's loan documents, there is no certainty that the Partnership will have cash available for tax distributions. Since a Class A Member will be required to include on his, her or its personal United States federal income tax return such Class A Member's distributive share of the Company's income and gain without regard to whether there are distributions of cash made to the Class A Members, a Class A Member may be liable for United States federal income tax on that income and gain even though the Class A Member has been distributed no cash or other property from the Company with which to pay such United States federal income tax. Prior to the Company's dissolution and liquidation, the Class A Members will be entitled to receive distributions to the extent of the Company's Cash Available for Distribution and/or "Distributable Property Proceeds" (as defined above), if any – and, then, at such time(s) and in accordance with such priorities as set forth in Article 7 of the LLC Agreement (see "Summary of the Limited Liability Operating Agreement – Distributions."

Taxation of Company Operations – Real Estate Rental Income:

Rental income earned by the Company will be treated as ordinary income and taxable at ordinary income tax rates.

Taxation of Company Operations; Sale or Exchange and Foreclosure:

Gain for United States federal income tax purposes on the Company's sale of the Portfolio will be measured by the difference between the Company's "amount realized" on the sale (including the amount of the indebtedness to which the Portfolio is subject) and the Company's adjusted United States federal income tax basis (in general, the original cost of the Portfolio less accumulated depreciation allowances) in the Portfolio. Consequently, the Company's resulting United States federal income tax gain from the sale (and a Class A Member's distributive share of such gain and the Class A Member's United States federal income tax liability on such gain) may exceed the cash proceeds that the Company receives from the sale (and, thus, the amount of cash which the Company has available to be distributed by the Company as tax or other distributions). Similarly, in the event of a foreclosure on indebtedness encumbering the Portfolio (or, alternatively, a deed in lieu of foreclosure), the Company will realize gain for United States federal income tax purposes in an amount equal to the excess of the outstanding indebtedness over the Company adjusted United States federal income tax basis of the foreclosed Portfolio, in which case a Class A Member's distributive share of such gain and the Class A Member's United States federal income tax liability on such gain, may exceed the amount of cash that the Company has available to distribute to the Class A Member as tax or other distributions).

To the extent that Company assets sold constitute Section 1231 property (*i.e.*, real property used in a trade or business and held for more than one year and depreciable personal property used in a trade or business and held for more than one year), a Class A Member's distributive share of the gains and losses would be combined with any other Section 1231 gains or losses incurred by the Class A Member in that year and the net Section 1231 gain or loss would be treated as long-term capital gain (subject to ordinary income "depreciation recapture", if any) or ordinary loss, as the case may be. Net Section 1231 gains must be treated as ordinary income, rather than capital gains, to the extent of net Section 1231 losses of the taxpayer for the previous five years not previously "recaptured" pursuant to this rule. Also, the amount of any Section 1250 Gain from such a sale for any taxable year would not exceed the net Code Section 1231 gain for such year.

In the event that the Company sells any personal property at a gain, all cost recovery – that is, depreciation or amortization – allowances previously deducted are subject to recapture as ordinary income, to the extent of the gain.

Tax Rates; Capital Gains and Losses and Ordinary Income:

Under current law, long-term capital gains recognized by (and allocated to) an individual in a taxable year is subject to a maximum 20%[1]; however, a rate of 25% applies to any such gain that constitutes "unrecaptured section 1250 gain" – generally, the amount of previously-claimed real property depreciation deductions "recaptured" in any direct or indirect sale or other taxable disposition of such real property ("**Section 1250 Gain**") – United States federal income tax rate. An individual who recognizes (and is allocated) capital losses in excess of capital gains may apply such excess capital losses to offset up to $3,000 of ordinary income, with any remaining unused capital losses permitted to be carried forward indefinitely but not carried back.

In addition, current law also provides that for taxable years beginning after December 31, 2012, individuals (other than non-resident aliens) will be subject to an additional 3.8% United States federal tax on the lesser of (i) their net investment income, and (ii) the excess of their adjusted gross income (determined with certain modifications on account of certain foreign earned income and related deductions) over a threshold amount of $250,000 in the case of a taxpayer filing a joint return or a surviving spouse, $125,000 in the case of a married taxpayer filing a separate return, and $200,000 in all other cases. A similar 3.8% United States federal tax will be imposed on certain trusts and estates in respect of the lesser of their undistributed net investment income and the excess of their adjusted gross income over a prescribed threshold. Net investment income is determined under prescribed rules, including special rules relating to income from passive trades or businesses, trades or businesses of trading in financial instruments or commodities, and in respect of dispositions of interests in partnerships and S corporations. As of the date hereof, Congress is considering legislation that could result in the repeal of the additional 3.8% tax described in this paragraph, but the likelihood and effective date of such repeal is uncertain.

Under the Tax Act, there are seven ordinary income tax brackets for individuals: 10%, 12%, 22%, 24%, 32%, 35% and 37%[2]. Such tax rates expire on December 31, 2025 unless they are otherwise extended or made permanent by Congress.

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[1] Under the Tax Act, long-term capital gain recognized by, and/or allocable to, an individual taxpayer in a taxable year: (a) is taxed at a rate of 20% if the individual has taxable income of over $425,800 for single taxpayers (or: (i) $479,000 for married taxpayers filing jointly, (ii) $452,400 for taxpayers who are heads of household, and (iii) $239,500 for married taxpayers filing separately); (b) 15% for single taxpayers with taxable income between $38,000 and $425,800 for single taxpayers (or: (i) between $77,200 and $479,000 for married taxpayers filing jointly, (ii) between $51,700 and $452,400 for taxpayers who are heads of household, and (iii) between $38,600 and $239,500 for married taxpayers filing separately); and (c) 0% for all other taxpayers.

[2] The 10% tax bracket applies to single taxpayers with taxable income of not more than $9,525, to married taxpayers who are filing jointly with taxable income of not more than $19,050, to married taxpayers who are filing separately with taxable income of not more than $9,525, and to taxpayers who are heads of households with taxable income of not more than $13,600. The 12% tax bracket applies to single taxpayers with taxable income of more than $9.525 but not more than $38,700, to married taxpayers who are filing jointly with taxable income of more than $19,050 but not more than $77,400, to married taxpayers who are filing separately with taxable income of more than $9,525 but not

With respect to a subchapter C corporation, the Tax Act provides that both ordinary income and long-term capital gains recognized by (and allocated to) a subchapter C corporation is subject to a maximum 21% United States federal income tax rate to which a subchapter C corporation's ordinary income is subject. The capital losses of a subchapter C corporation may be offset only against such subchapter C corporation's capital gains, with any unused capital losses carried back and carried forward to other years, subject to certain limitations.

New Pass-Through Entity Deduction:

Under Section 199A of the Code, as the recently enacted by Tax Act, partners and shareholders (other than partners or shareholders that are corporations) of pass-through entities (including partnerships, limited liability companies treated as partnerships, and S-corporations) (each, a "Pass-Through Entity" and, collectively, the "Pass-Through Entities") may be entitled to a 20% deduction on their allocable share of certain income earned by the Pass-Through Entities. The analysis of Section 199A is extremely complex38equireever, it generally applies to Pass-Through Entities that are, first and foremost, engaged in one or more "qualified trades or businesses." For these purposes, a qualified trade or business is any trade or business other than certain specified trades or businesses (e.g. any trade or business involving the performance of services in the fields of health, law, accounting, actuarial service, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employee or owners, or which involves the performance of services that consist of investing and investment management, trading, or dealing in securities, partnership interests or commodities). Because the Tax Act was only recently enacted, and IRS guidance on Section 199A has not yet been issued, there are a number of questions on the operation of Section 199A. There are limitations on the deduction, including limitations determined by reference to a taxpayer's taxable income ($157,500 for members who are individual filers and $315,000 for members who are married and filing jointly) (the "Threshold Amount") and a W-2 wage limitation. Given its complexity, a full discussion of

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more than $38,700, and to taxpayers who are heads of households with taxable income of more than $13,600 but not more than $51,800. The 22% tax bracket applies to single taxpayers with taxable income of more than $38,700 but not more than $82.500, to married taxpayers who are filing jointly with taxable income of more than $77,400 but not more than $165,000, to married taxpayers who are filing separately with taxable income of more than $38,700 but not more than $82,500, and to taxpayers who are heads of households with taxable income of more than $51,800 but not more than $82,500. The 24% tax bracket applies to single taxpayers with taxable income of more than $82,500 but not more than $157,500, to married taxpayers who are filing jointly with taxable income of more than $165,000 but not more than $315,000, to married taxpayers who are filing separately with taxable income of more than $82,500 but not more than $157,500, and to taxpayers who are heads of households with taxable income of more than $82,500 but not more than $157,500. The 32% tax bracket applies to single taxpayers with taxable income of more than $157,500 but not more than $200,000, to married taxpayers who are filing jointly with taxable income of more than $315,000 but not more than $400,000, to married taxpayers who are filing separately with taxable income of more than $157,500 but not more than $200,000, and to taxpayers who are heads of households with taxable income of more than $157,500 but not more than $200,000. The 35% tax bracket applies to single taxpayers with taxable income of more than $200,000 but not more than $500,000, to married taxpayers who are filing jointly with taxable income of more than $400,000 but not more than $600,000, to married taxpayers who are filing separately with taxable income of more than $200,000 but not more than $500,000, and to taxpayers who are heads of households with taxable income of more than $200,000 but not more than $500,000. The 37% tax bracket applies to single taxpayers with taxable income above $500,000, to married taxpayers who are filing jointly with taxable income above $600,000, to married taxpayers who are filing separately with taxable income above $500,000, and to taxpayers who are heads of households with taxable income above $500,000.

newly-enacted Section 199A is beyond the scope of this Memorandum. Prospective investors are strongly urged to consult with their individual tax advisors to assess whether and to what extent Section 199A applies to an investment in the Company.

Limitations on Deduction of Company Losses:

If the Company incurs a loss (including a capital loss) for a taxable year, a Class A Member's ability to deduct the Class A Member's distributive share of such loss may be prohibited or limited by one or more limitations under the Code, among which could include: (i) the tax basis limitation of Code Section 704(d), which would generally prohibit a Class A Member from deducting his, her or its distributive share of Company losses (including capital loss) in excess of such Class A Member's adjusted basis in his, her or its Units, (ii) the "at risk" limitation of Code Section 465, which generally would limit a Class A Member from deducting such Class A Member's distributive share of Company losses on his, her or its United States federal income tax return for any taxable year of the Company to the amount for which such Class A Member is "at risk" with respect to Company activities at the end of the Company's taxable year; and (iii) the "passive activity loss" limitation of Code Section 469, which generally would limit a Class A Member) to applying his, her or its distributive share of Company losses only against the Class A Member's distributive share of future Company income and gain or the Class A Member's income and gain from one or more other passive activities of the Class A Member (except that if the Class A Member disposes all of his, her or its Units and otherwise his, her or its entire Company investment during a taxable year in a fully taxable transaction, then any loss in respect of such investment (including the carryover of any such losses from a prior taxable year) over the net income or gain for such taxable year from all of the Class A Member's other passive activities would be treated as a loss which is not from a passive activity – and, thus, which loss could be applied against any active, investment or other non-passive income or gain of the Class A Member). Finally, under the Tax Act for tax years beginning after December 31, 2017 and before January 1, 2026, if a non-corporate taxpayer incurs an "excess business loss" then this loss shall be disallowed and treated as a net operating loss and carried forward to subsequent tax years. For these purposes, Section 461(l) of the Code generally defines "excess business loss" as the amount by which the taxpayer's aggregate deductions attributable to the taxpayer's trades or businesses exceeds the sum of the aggregate gross income and or gains attributable to those trades or businesses plus an additional $250,000 (or $500,000 in the case of married individuals filing joint returns). As mentioned above, there are several other loss limitation rules (e.g. passive loss limitation, at-risk loss limitation, and basis limitation). Section 461(l) of the Code specifically provides that the "excess business loss" is applied after the application of the passive loss limitation rules. It is not yet clear whether and how the at-risk limitation and/or the basis limitation will affect the calculation

Each of these limitations operates independently, and Company losses allocable to a Class A Member will not be allowed to the extent that they are disallowed under any one or more of these limitations. Each prospective investor should consult with its advisors regarding the application of these limitations to the prospective investor's personal situations.

Limitations on Deductibility of Interest:

Section 163 of the Code allows a deduction for interest other than personal interest. According to the Code, personal interest does not include interest incurred in a trade or business or investment interest. The deductibility of interest paid or accrued on loans incurred by the Company is determined in part on the nature of the loans and the use of the proceeds, i.e., whether such loans are business loans or investment loans.

Business Loans. Effective January 1, 2018, the "earnings stripping" rules of Section 163(j) of the Code were modified. Under the new earnings striping rules of Section 163(j) of the Code, every business is subject to a disallowance of a deduction for net business interest expense generally in excess of the sum of the business's interest income plus 30% of the business's adjusted taxable income (defined as a business's taxable income computed without regard to business interest expense, business interest income, net operating losses, and depreciation, amortization, and depletion). Any business interest amounts disallowed under the provision are carried forward to the succeeding taxable years for an indefinite period of time and are treated as incurred in such succeeding year and subject to the Section 163(j) limitation for that year (subject to certain special rules applicable to partnerships, as more fully discussed below). In the case of a partnership, the business interest limitation of Code Section 163(j) applies at the partnership level and any deduction for business interest is taken into account in determining the partnership's non-separately stated taxable income or loss. This means that the deductibility of a partner's share of a partnership's business interest is determined by reference to the partnership's adjusted taxable income, without regard to the amount of the partners' adjusted taxable income.

Investment Loans. While investment interest is an itemized deduction, it is not a miscellaneous itemized deduction and, therefore, has not be suspended by the Tax Act's suspension of all miscellaneous itemized deductions. However, for noncorporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (i.e., interest expense (including certain short-sale expenses) allocable to investment property). Investment interest is not deductible to the extent that it exceeds the taxpayer's "net investment income" (generally, the excess of (a) the ordinary income derived from investments and the net gain attributable to the disposition of property held for investment over (b) the deductions, other than for interest, that are connected directly with the production of investment income). However, net long-term capital gains and qualified dividend income are excluded from the category of net investment income, except to the extent that a taxpayer elects to reduce his, her, or its net capital gain and qualified dividend income eligible for the maximum rate generally applicable to net long-term capital gains. A U.S. Holder who cannot deduct investment interest currently as a result of the application of Section 163(d) of the Code would be entitled to carry forward such deductions to future years, subject to the same limitation.

Deductibility of Certain Other Expenditures:

Following the enactment of the Tax Act, no miscellaneous itemized deductions are allowed for taxable years beginning after December 31, 2017 and before January 1, 2026. Some of the expenses incurred by the Company may be treated as miscellaneous itemized deductions and, therefore, until January 1, 2026, may not be deductible by the Class A Members.

Class A Members' Adjusted United States Federal Income Tax Basis in Units:

In general, the adjusted United States federal income tax basis of a Class A Member's Units will equal the amount of money contributed by the Class A Member to the Company (including any portion of such contribution(s) used to pay placement fees), (a) increased by the Class A Member's distributive share of the Company's taxable and tax-exempt income and gain, and (b) decreased (but not below zero) by: (x) the Class A Member's distributive share of the Company's taxable losses and deductions, (y) the Class A Member's distributive share of the Company's expenditures not deductible in computing the Company's taxable income not properly chargeable to capital account, and (z) in the case of a distribution not in liquidation of the Class A Member's Units, the amount of money (including the fair market value of any "marketable securities") and the amount of the basis to the Class A Member of distributed property other than money, as determined under Section 732 of the Code. For purposes of the foregoing, (I) any increase in a Class A Member's share of the Company's liabilities as well as any increase in the Class A Member's individual liabilities by reason of the Class A Member's assumption of Company liabilities, all as determined in accordance with Section 752 of the Code and the Treasury Regulations thereunder, would be treated as a contribution of money by the Class A Member to the Company; and (II) any decrease in a Class A Member's share of the Company liabilities as well as any decrease in the Class A Member's individual liabilities by reason of the Company's assumption of such individual liabilities, all as determined in accordance with Section 752 of the Code and the Treasury Regulations thereunder, would be treated as a distribution of money to the Class A Member by the Company. If repayment of the Loan (or some amount thereof) is, and remains, guaranteed by the Guarantor, then the amount of the Loan so guaranteed will not be allocable to a Class A Member nor otherwise reflected in the United States federal income tax basis of the Units and/or Company interest of any Class A Member (including for purposes of the basis limitation referred to in clause (i) of "Limitations on Deduction of Company Losses" above).

Allocations of Company Income and Losses for Tax Purposes:

Under Section 704(b) of the Code, an allocation of income, gain, loss or deduction to a partner will not be given effect for United States federal income tax purposes unless it has "substantial economic effect" or is in accordance with the partner's interest in the partnership, taking into account all facts and circumstances. Generally, an allocation has substantial economic effect if it affects the partners' shares of total partnership income or loss independent of tax consequences.

The IRS has issued Treasury Regulations under Section 704(b) of the CoIhich provide certain rules and examples to assist in determining whether a particular partnership allocation meets the substantial economic effect test. This test involves a two-part analysis. First, the allocation must have economic effect, which means that the allocation must actually affect the dollar amount ultimately received by the partner from the partnership. These Treasury Regulations provide that an allocation generally has economic effect to a partner only if (i) the allocation is reflected as an appropriate increase or decrease in that partner's capital account, (ii) liquidation proceeds are, throughout the term of the partnership, to be distributed in accordance with partners' positive capital account balances, and (iii) following the distribution of liquidation proceeds, the partners are liable to the partnership to restore any deficit balance in their capital accounts. Company allocations will be considered to have economic effect, even in the absence of an obligation to restore negative capital account balances, if the limited liability Operating Agreement contains a "qualified income offset" provision. A qualified income offset provision requires that, in the event of any unexpected adjustment that reduces the Member's capital account below zero, there must be an allocation of income or gain to the Member that eliminates the resulting capital account deficit as quickly as possible.

The second part of the substantial economic effect test involves an inquiry as to whether the economic effect is "substantial." The economic effect of an allocation will be considered substantial if there is a reasonable possibility that the allocation will affect substantially the dollar amounts to be received by the partners from the partnership, independent of tax consequences.

Although the LLC Agreement provides that the provisions of the LLC Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Sections 1.704-l(b) and 1.704-2 (*i.e.*, the Treasury Regulations under Section 704(b) of the Code) and will be interpreted and applied in a manner consistent with such Treasury Regulations, the allocations provided for in the LLC Agreement may nonetheless be determined by the IRS to not satisfy the "substantial economic effect" test. If the IRS were to challenge any one or more of the Company's allocations to any one or more of the Class A Members based on such allocation(s) not having "substantial economic effect" or not being in accordance with the Member's interest in the Company (taking into account all facts and circumstances, as the IRS deems to be relevant) for United States federal income tax purposes, then the IRS could re-allocate the relevant item(s) of income, gain, loss and/or deduction to and among the Members in a manner different than how such item(s) had originally been allocated by the Company and thereby result in either greater United States federal taxable income and/or gain allocable to (and, thus, a greater United States federal income tax liability for and with no change in cash flow to) one or more of the Class A Members and/or reduced United States federal taxable income and/or gain allocable to (and, thus, a reduced United States federal income tax liability for) one or more other of the Class A Members.

The IRS has promulgated Treasury Regulations which set forth special rules pertaining to the allocation of losses or deductions attributable to nonrecourse liabilities (such as depreciation deductions) on the theory that such allocations can never have substantial economic effect and must, therefore, be made in accordance with the partners' interests in the partnership. The Treasury Regulations provide that allocations with respect to nonrecourse deductions will be deemed to be made in accordance with the partners' interests in the partnership if the partnership agreement contains a minimum gain chargeback provision and satisfies certain other conditions set forth in the Regulations.

Company Syndication and Organizational Expenditures:

Under Section 709 of the Code, no deduction is allowed for any amounts paid or incurred to organize a partnership or to promote the sale of (or to sell) an interest in such partnership, except that with respect to certain qualified "organizational expenses" of the partnership, if the partnership so elects, the partnership may deduct for the taxable year in which it begins business, an amount equal to the lesser of: (i) the amount of such expenses, or (ii) $5,000, reduced (but not below zero) by the amount by which such expenses exceed $50,000. Any remaining amount may be amortized ratably over the 180-month period beginning with the month in which the partnership begins business (unless the partnership is liquidated before the end of this period, in which case any remaining unamortized expenses may be deducted to the extent allowable under Code Section 165). Alternatively, "organizational expenses" may be capitalized at the election of the partnership. In general, "organizational expenses" are expenditures which (A) are incident to the creation of the partnership; (B) are chargeable to capital accounts; and (C) are of a character which, if expended incident to the creation of a partnership having an ascertainable life, and would include, for example, legal fees for services incident to the organization of the partnership such as negotiation and preparation of a partnership agreement, accounting fees for services incident to the organization of the partnership, and filing fees. "Organizational expenses" would not include, however, expenses connected with acquiring assets for the partnership or transferring assets to the partnership, expenses connected with the admission or removal of partners other than at the time the partnership is first organized, expenses connected with a contract relating to the operation of the partnership trade or business (even where the contract is between the partnership and one of its members) or "syndication expenses."

On the other hand, "syndication expenses" are neither deductible nor amortizable. In general, "syndication expenses" are expenses connected with the issuing and marketing of interests in the partnership and includes brokerage fees, registration fees, legal fees of the underwriter or placement agent and the issuer (the general partner or the partnership) for securities advice and for advice pertaining to the adequacy of tax disclosures in the prospectus or placement memorandum for securities law purposes, accounting fees for preparation of representations to be included in the offering materials, and printing costs of the prospectus, placement memorandum, and other selling and promotional material.

Moreover, under Section 195 of the Code, "start-up expenses" (e.g. pre-operating expenses that do not qualify as organizational expenses) are deductible in the year in which the partnership begins business in an amount equal to the lesser of: (i) the amount of the start-up expenses with respect to an active trade or business or (ii) $5,000, reduced by the amount by which such start-up expenses exceed $50,000. Any such start-up expenses not deducted may similarly be amortized over a 180-month period or capitalized.

There can be no assurance that the IRS will not challenge the treatment by the Company of its fees, costs and expenditures for United States federal income tax purposes. If such a challenge were successful, it could result in either: (i) the deferral or disallowance of any deduction of any one or more such fees, costs and expenditures that may be claimed by the Company; and/or (ii) the re-characterization of any such one or more fees, costs and expenditures as a non-deductible and/or non-amortizable item (e.g., such as a syndication expense which must be capitalized). In the event of such one or more successful challenges, the net taxable income or loss allocated to one or more of the Members could be increased.

Timing of Deductions and Capitalized Expenses:

The Company will pay certain fees – e.g., a Management Fee – to the Manager, the Property Manager or its affiliates, which are described under "Compensation, Fees and Interests of the Property Manager, the Manager and their Respective Affiliates." An accrual basis taxpayer may not deduct payments for services until such time as those services are actually provided. Moreover, Section 267(a)(2) of the Code provides that an accrual basis partnership may not deduct amounts owed to a cash basis partner or affiliate thereof until actual payment is made. Thus, depending on the Company's tax accounting method, the actual timing of the services being rendered to the Company and payments being made by the Company, these provisions could affect the timing of deductions of payments to be made by the Company.

There is a risk that one or more of the amounts paid by the Company may be treated, in whole or in part, as nondeductible capital expenditures, such as syndication fees, or capital expenditures subject to depreciation or amortization, rather than as immediately deductible or as deductible or amortizable over a period less than the recovery period of its Portfolio. Likewise, amounts which the Company seeks to add to its adjusted basis in its Portfolio may be required to be treated as non-depreciable capital expenditures, such as syndication expenses. Additional or alternative positions may be taken by the IRS to disallow the deduction of fees or to shift a deduction from the year claimed to a different taxable year.

In the event that the IRS should challenge the Company's United States federal income tax treatment of any one or more of the foregoing fees (e.g., as regard to the timing of the Company's deductions in respect thereof and/or that one or more of such fees are not deductible by the Company in the first instance but, instead, must be capitalized), the Company would have the burden of proof as to the relevant facts and there can be no assurance that such burden of proof would be sustained. Counsel to the Company is rendering no opinion with respect to the tax treatment of such fees because the ultimate determination as to their proper treatment rests on factual issues upon which counsel to the Company cannot opine.

Gain or Loss on Sales of Units:

If a Class A Member disposes of all or any portion of his, her or its Units in a taxable transaction, the Class A Member will generally recognize gain or loss equal to the difference, if any, between the amount realized by the Class A Member in such disposition (which would generally include the Class A Member's share of the Company's liabilities at the time of such disposition, as determined in accordance with Code Section 752 and the Treasury Regulations thereunder) and a proportionate share of the Class A Member's aggregate adjusted United States federal income tax basis in his, her, or its entire Company interest allocable to the Units disposed of in such disposition. See "Class A Members' Adjusted United States federal income tax basis in Units" above. Except for any gain or loss attributable to the Company's "inventory items" (as defined in Code Section 751 and the Treasury Regulations thereunder) ("Inventory Items") and the Company's "unrealized receivables" (as defined in Code Section 751 and the Treasury Regulations thereunder) ("**Unrealized Receivables**"), such gain or loss recognized by the Class A Member in such taxable disposition will generally be capital gain or loss if the Units that are disposed of in such taxable disposition was held by the Class A Member as a capital asset and, under the "divided holding period rules" of Treasury Regulations Section 1.1223-3, will be short-term, long-term or some combination of both depending upon the timing of the Class A Member's contributions to the Company. A Class A Member is required to advise the Company of, and the Company will be under an obligation to file certain information returns upon, a Class A Member's disposition of his, her or its Units.

Taxation of Distributions (Including in Liquidation of the Company):

Generally, as opposed to allocations of taxable income and gain to a Class A Member, a Class A Member will only recognize gain, but not loss (except upon a distribution in liquidation of the Class A Member's entire Company interest – which would occur in connection with the Company's liquidation – where the only property distributed to the Class A Member is money, Unrealized Receivables and/or Inventory) on a distribution received from the Company to the extent the Class A Member is distributed: (i) an amount of money, and (ii) unless an exception under Code SectI 731(c) and the Treasury Regulations thereunder were to apply, "marketable securities" (as defined in Code SIion 731(c) and the Treasury Regulations thereunder) ("**Marketable Securities**") having a fair market value that, in the case of (i) and (ii), exceeds the Class A Member's adjusted United States federal income tax basis in such Class A Member's Units. See "Class A Members' Adjusted United States federal income tax basis in Units" above. In general, any such gain so recognized should be treated as capital gain for United States federal income tax purposes, except for the amount of any gain that is required to be treated as ordinary gain under Code Section 751 and the Treasury Regulations thereunder as regard to the portion of the distribution that is attributable to the Company's Inventory Items "which have substantially appreciated in value" ("**Substantially Appreciated Inventory**") and the Company's Unrealized Receivables. Upon a distribution in liquidation of a Class A Member's entire Company interest, the Class A Member will recognize a loss only if the only property distributed to the Class A Member is money, Unrealized Receivables and/or Inventory and to the extent that the Class A Member's adjusted United States federal income tax basis in its entire Company interest (and Units) exceeds the amount of money and the adjusted basis to the Class A Member (as determined under Code Section 732) of any Unrealized Receivables and Inventory distributed to the Class A Members.

In general, in the case of a distribution not in liquidation of a Class A Member's entire Company interest, the adjusted United States federal income tax basis of a Class A Member's entire Company interest (and Units) would be reduced by the amount of money (including the fair market value of any Marketable Securities) and the amount of the basis to the Class A Member of distributed property other than money, as determined under Code Section 732. See "Class A Member's Adjusted United States federal income tax basis in Units" above. Upon the Fund's non-liquidating distribution of any property (other than money) to a Member, the Member's tax basis of such distributed property will generally be the lesser of (a) the Fund's tax basis in such property, or (b) the Member's tax basis in the Membership Interests (as determined in the manner described above). In the case of the Company's liquidating distribution of property (other than money), a Class A Member's United States federal income tax basis in the distributed property will generally be the Class A Member's adjusted United States federal income tax basis in his, her or its Units (reduced by any cash and the adjusted United States federal income tax basis of any Unrealized Receivables and Substantially Appreciated Inventory. The distributed property would generally retain the same character in the Class A Member's hands as it had in the Company's hands, and the Class A Member's holding period in the distributed property would generally include the period during which it was held by the Company.

Section 754 Election-Basis Adjustments:

The Code provides for optional adjustments to the basis of partnership property under Code Section 734 in connection with distributions of partnership property to a partner and under Code Section 743 in connection with transfers of partnership interests, including by reason of death, if the partnership makes the election under Section 754 of the Code ("**Section 754 Election**"). The general effect of the Section 754 Election is that transferees of interests are treated, for purposes of depreciation and gain, as though they acquired a direct interest in the partnership's assets with a new cost basis and the partnership is treated for such purpose, upon certain distributions to partners, as though it had newly acquired an interest in its assets and therefore acquired a new cost basis for such assets. Any such election, once made, may not be revoked without the consent of the IRS. If the Section 754 Election is not made, then, upon a sale by the Company of its Portfolio subsequent to a transfer of Units, taxable gain or loss to the transferee of the Units will be measured by the difference between his, her or its share of the gross proceeds and his, her or its share of the Company's United States federal income tax basis in the sold Portfolio (which, in the absence of a Section 754 election, will be unchanged by the transfer of the Units to the Class A Members), rather than by the difference between the Class A Member's share of the amount realized and the portion of his, her or its purchase price that was allocable to the assets of the Company. As a consequence, such transferee should take into consideration the fact that he, she or it may be subject to tax upon a portion of the proceeds which represents, as to such Class A Member, a return of capital, if the purchase price for his, her or its Units included an amount attributable to unrealized appreciation of the assets of the Company. In the event of such an occurrence, the portion of the purchase price of the Units attributable to the unrealized appreciation would ultimately be taken into account by the Class A Member as a capital loss either upon dissolution of the Company or upon sale of his, her or its Units to the extent it is unrecovered.

In addition, a partnerships is generally required to adjust the basis of its assets in connection with a transfer of an interest in the partnership if the partnership has a substantial built-in loss immediately after the transfer. A substantial built-in loss exists if: (i) the partnership's adjusted basis in its property exceeds the fair market value of the property by more than $250,000 or (ii) the transferee, upon the transfer of an interest, would be allocated a net loss in excess of $250,000 upon a hypothetical disposition by the partnership of all of its assets in a fully taxable transaction for cash equal to the assets' fair market value, immediately after the transfer of the interest (thus, even if such partnership has an overall gain up the sale of all of its assets, if the transferee would be allocated more than $250,000 in losses as a result of its share of gain or loss with respect to particular assets, a mandatory basis adjustment would have to be made). If such basis adjustments are required in connection with the transfer of an Interest, they could impose significant accounting costs and complexities on the Company.

Finally, a Class A Member may be subject to special rules with regard to the Section 754 Election under Code Section 732(d).

Accuracy-Related Penalties:

An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000. The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, "substantial authority;" or

(2) as to which there is a reasonable basis and the relevant facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of the Class A Members might result in that kind of an "understatement" of income for which no "substantial authority" exists, the Company must disclose the relevant facts on its United States federal income tax return. In addition, the Company will make a reasonable effort to furnish sufficient information for the Class A Members to make adequate disclosure on their returns and to take other actions as may be appropriate to permit the Class A Members to avoid liability for this penalty. More stringent rules apply to "tax shelters," which we do not believe includes the Company, or any of its investments, plans or arrangements.

A substantial valuation misstatement exists if (a) the value of any property, or the tax basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or tax basis, (b) the price for any property or services (or for the use of property) claimed on any such return with respect to any transaction between persons described in Code Section 482 is 200% or more (or 50% or less) of the amount determined under Code Section 482 to be the correct amount of such price, or (c) the net Code Section 482 transfer price adjustment for the taxable year exceeds the lesser of $5 million or 10% of the taxpayer's gross receipts. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for a corporation other than an S corporation or a personal holding company). The penalty is increased to 40% in the event of a gross valuation misstatement. The Company does not anticipate making any valuation misstatements.

Reportable Transactions:

If the Company were to engage in a "reportable transaction," the Company (and possibly one or more of the Class A Members and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a "listed transaction" or that it produces certain kinds of losses for Company, individuals, S corporations, and trusts in excess of $2 million in any single tax year, or $4 million in any combination of six successive tax years. The Company's participation in a reportable transaction could increase the likelihood that the Company's United States federal income tax information return (and possibly the United States federal income tax return(s) of one or more of the Class A Members) would be audited by the IRS.

Moreover, if the Company were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, then a Class A Member may be subject to the following provisions of the American Jobs Creation Act of 2004:

- accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at “Accuracy-Related Penalties”;
- for those persons otherwise entitled to deduct interest on United States federal tax deficiencies, non-deductibility of interest on any resulting tax liability; and
- in the case of a listed transaction, an extended statute of limitations.

The Company does not expect to engage in any “reportable transactions.”

United States Federal Income Tax Administration:

Prior law (applicable to tax years beginning prior to January 1, 2018) provides that the United States federal income tax treatment of Company items will be determined at the Company level. In this regard, a Class A Member must report a Company item consistent with its United States federal income tax treatment on the Company’s United States federal income tax return, unless the Class A Member files a statement with his, her or its United States federal income tax return identifying the inconsistency. The Code permits the “tax matters partner” of a partnership, which will be the Manager in the case of the Company, to take primary responsibility for contesting adjustments proposed by the IRS, to extend the statute of limitations as to all partners and, in certain circumstances, to bind the partners to United States federal income tax adjustments. The IRS is required to give notice to each partner of the commencing and disposition of administrative and judicial proceedings if a partnership has 100 or fewer partners or a partner has a 1% or more interest in the profits of the partnership. Any adjustments as a result of an examination by the IRS were applied at the partner level.

Current law (applicable to tax years beginning on or after January 1, 2018) establishes a new partnership audit regime applicable to the Company. Under the new rules, any adjustment to items of partnership income, gain, loss, deduction or credit, and any partner’s distributive share thereof, are determined at the Company level. Thus, the new rules in general do not make distinctions (of critical importance under the TEFRA rules) among partnership items, non-partnership items and items affected by partnership items. The new rules provide partnerships flexibility in determining how (and against whom) audit adjustment-related tax is calculated and ultimately assessed. Notably, specific factual circumstances such as the var’ous partners' tax profiles or changes in partner interests between the audited year and a subsequent adjustment could significantly impact both the total amount of tax collected and the portion that various partners (whether current or former) bear. As a default, the “imputed underpayment” – the tax deficiency arising from a partnership-level adjustment with respect to an audited partnership tax year – is calculated using the maximum statutory income tax rate and is assessed against and collected from the partnership in the year that such audit (or any judicial review) is completed. In addition, the partnership is directly liable for any related penalties and interest, calculated as if the partnership had been originally liable for the tax in the audited year. As an alternative to the imputed underpayment, a partnership may elect to apply the adjustment at the partner level, which requires the partner to file an amended return and pay tax. A narrowly defined category of small partnerships is eligible to elect out of the above provisions for a given taxable year, with the result that any adjustments to such a partnership's items can be made only at the partner level. This election may be made only by partnerships with 100 or fewer partners, each of which is an individual, a C corporation, an S corporation or an estate of a deceased partner. Thus, for example, any partnership having another partnership as a partner is not eligible to elect out of the new audit regime. Thus, depending on the composition of the Company's Members, and the elections made by the Company, an adjustment to the tax items reported by the Company could result in the Company paying tax or the Company's Members filing amended returns and paying taxes.

A prospective Class A Member should be aware that deductions that are claimed on the Company's United States federal income tax return may be disallowed by the IRS with the effect that the United States federal income tax returns of a Class A Member may be audited and income or loss adjusted thereon to reflect such disallowance. A disallowance would affect the Class A Member only if the IRS determination is upheld in court or otherwise becomes final. However, contesting any such determination may impose legal or other representation expenses on the Company or a Class A Member and, if upheld, each Class A Member may be required to pay additional United States federal income tax plus interest and penalties. Interest payable with respect to deficiencies of tax is compounded daily. For individual taxpayers, the interest rate on the underpayment of tax would equal the short-term federal rate plus three percentage points. Any audit of a Class A Member's United States federal income tax return could result in adjustments of other items of income and deduction not related to the Company. Moreover, an audit of a Class A Member's United States federal income tax return could result in an audit of the Company which might not otherwise have occurred.

While the Company intends to handle any adjustments as a result of a income tax audit in a manner that is consistent with the economics of the Company, the Company may not always be able to achieve that result (e.g., when a the current members of the Company differ from the Company members during the audit year).

Tax-Exempt and Retirement Plan Investors:

This Memorandum does not address any of the tax or investment issues pertinent to tax-exempt investors or investors that are retirement plans or individual retirement accounts, such as unrelated business taxable income. Any such investor must consult its own tax advisor in this regard.

Non-U.S. Holder

This Memorandum does not address any of the tax or investment issues pertinent to investors who are Non-U.S. Holders, such as required tax withholding. Any such investor must consult its own tax advisor in this regard.

Future Tax Legislation:

It is impossible to predict whether or in what form future legislation may be enacted. Each prospective Class A Member should consult with his, her or its own tax advisor concerning the possible effect of possible future legislation, whether or not pending on the date of this Memorandum, on an investment in the Company and on his, her or its tax situation.

State Income Taxes:

In addition to the United States federal income tax considerations described above, prospective investors should consider the state and local tax consequences of an investment in the Company. Depending upon such factors as the state and local residence or domicile of a Class A Member and applicable state and local laws, tax benefits that are available for federal income tax purposes may not be available to a Class A Member for state or local income tax purposes and additional state and local tax liabilities may be incurred. A nonresident Class A Member may wish to file a state return in the state in which the Portfolio is located in any year in which net losses are realized by the Company even if there is not a requirement that a return be filed, in order to preserve such losses for future years. Depending upon a Class A Member's state of residence or domicile a credit may be available against the income tax otherwise payable in that state for income tax paid to another state. Each Class A Member is urged to consult his, her or its own tax advisor in this regard.

Non-United States Tax Considerations:

This Memorandum does not attempt to summarize any of the non-United States tax considerations applicable to an investment in the Company. Non-United States taxing jurisdictions may impose withholding or other taxes in respect of income and gains generated by such investment. These taxes may not be fully deductible or creditable by a Member for United States federal income tax purposes. Prospective investors should consult with their own tax advisers regarding the non-United States tax implications of an investment in the Company.

Importance of Obtaining Professional Advice:

The foregoing analysis is not intended as a substitute for careful tax planning. Accordingly, prospective investors in the Company are strongly urged to consult their tax advisers with specific reference to their own situations regarding the possible United States federal, state, local and foreign tax consequences of an investment in the Company.

THE ABOVE SUMMARY IS ONLY A GENERAL DISCUSSION AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN THE COMPANY. THE ABOVE SUMMARY IS NOT MEANT TO BE TAX, FINANCIAL OR LEGAL ADVICE. EACH PROSPECTIVE PURCHASER OF UNITS IS URGED TO CONSULT HIS, HER OR ITS TAX ADVISOR WITH SPECIFIC REFERENCE TO HIS, HER OR ITS OWN TAX SITUATION AND POTENTIAL CHANGES IN THE APPLICABLE LAW, AS WELL AS THE APPLICABILITY OF STATE OR LOCAL TAXES TO THE PROPOSED INVESTMENT.

THE FOREGOING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS ADDRESSED TO INDIVIDUAL INVESTORS. ANY ASSIGNEE OF A UNIT THAT IS A CORPORATION MUST CONSULT ITS OWN TAX ADVISOR FOR AN

ANALYSIS OF THE TAX CONSEQUENCES TO IT OF THE ACQUISITION OF AN INTEREST IN THE COMPANY AS A CLASS A MEMBER.

THIS MEMORANDUM WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. FEDERAL TAX LAW. THIS MEMORANDUM WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE COMPANY.

LEGAL MATTERS

The firm of Robinson Franzman LLP is serving as counsel to the Company, the Manager, and the Class B Member in connection with this offering. Robinson Franzman LLP has not represented and is not representing you or any other Member in connection with this offering, and it has not passed on the information contained in this Memorandum in any respect, including with regard to the Company, the Portfolio or any financial information. We urge you to consult your own attorney or other advisor concerning legal matters relating to an investment in the Company.

SUBSCRIPTION AGREEMENT AND PROCEDURES

All subscriptions must be made by the execution and delivery of a Subscription Booklet. Each purchaser executing the Subscription Agreement will be required to pay the purchase price of the Units subscribed for. Each purchaser will represent, among other things, that (a) such investor is acquiring the Units being purchased for such purchaser's own account, for investment purposes and not with a view toward resale or distribution, (b) immediately prior to such purchase, such purchaser satisfies the eligibility requirements set forth in this Memorandum, (c) such purchaser can afford a complete loss of this investment; (d) such investor has relied solely upon the advice of such purchaser's own purchaser representative, counsel, accountant and other advisors with regard to the legal, investment, tax and other considerations involved in making this investment decision; and (e) such purchaser is aware that, among other things, an investment in the Units involves a significant degree of risk. By executing the Subscription Booklet, a purchaser further represents and warrants, among other things, that such purchaser has, or together with such purchaser's representative have, such knowledge and experience in financial and business matters that such purchaser is, or they are, capable of evaluating the merits and risk of this investment. Notwithstanding the foregoing representations, the Company has the right to revoke the offer made herein and to refuse to sell Units to a particular subscriber if the subscriber does not promptly supply all information requested by the Company or the Company disapproves the sale.

Subscriptions are not binding on the Company until accepted by the Company. The Company will refuse any subscription by giving written notice to the subscriber by personal delivery or first-class mail. The Company may reject any subscription at any time prior to acceptance, in whole or in part, in its sole discretion. Funds received from potential investors will be immediately available to the Company once the Company accepts the subscription and holds a closing for those funds. Funds accompanying any subscription not accepted by the Company will be promptly returned to the investor, without interest.

EXHIBIT A

LIMITED LIABILITY OPERATING AGREEMENT OF St. Cloud Apartments Portfolio, LLC

[See Attached]

EXHIBIT B

SUBSCRIPTION BOOKLET OF St. Cloud Apartments Portfolio, LLC

[See Attached]

EXHIBIT C

INVESTMENT SUMMARY

[See Attached]