Name: ____________________

PPM No: ____________________

Carter Multifamily Growth & Income Fund II, LLC

$200,000,000 — Maximum Offering Amount

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

March 15, 2020

CARTER MULTIFAMILY GROWTH & INCOME FUND II, LLC
$200,000,000 of Class A and Class I Units – Maximum Offering

Carter Multifamily Growth & Income Fund II, LLC ("we," "us," "our," the "Fund," or the "Company") is a recently formed Delaware limited liability company aggregating a diversified portfolio of multifamily properties by acquiring existing conventional Class B and Class C multifamily properties located in the southern United States, primarily constructed prior to 2005 that offer value-add enhancement opportunities through operational improvements, renovations and repositioning. In addition, we may selectively invest in real estate investments related to the multifamily industry. We expect to acquire and own substantially all of our investments through subsidiary entities, each of which we intend to qualify and elect to be taxed as a real estate investment trust (a "REIT") for federal income tax purposes for the year ended December 31, 2020 (either "REIT Subsidiaries" and each, a "REIT Subsidiary" or "Fund Subsidiary REITs" and each, a "Fund Subsidiary REIT").

We are a manager-managed limited liability company governed by a board of directors, a majority of whose members are independent (as defined in our limited liability company agreement). Carter Multifamily Growth & Income Advisors II, LLC, a Delaware limited liability company, is our advisor, which we refer to as our "advisor." Our advisor is a wholly owned subsidiary of our sponsor, Carter Multifamily Fund Management Company, LLC, a Florida limited liability company, which we refer to as our "sponsor." While our board of directors retains overall responsibility for major decisions such as acquisitions and dispositions, we are externally managed by our advisor; therefore, our advisor will be responsible for our day-to-day management. Key personnel of our advisor, and our sponsor have over 232 years of combined experience in the commercial real estate industry, including transaction experience of over $76 billion in multifamily properties and portfolios totaling more than 954,000 units, have $3 billion in multifamily assets merger experience and have developed over $1.3 billion in multifamily properties. Further, members of our sponsor and our advisor's management team have over 50 years combined experience in executive management roles at nationally ranked multifamily firms located in the United States. More specifically, our advisor's management team has significant experience in the areas of strategy, acquisitions, asset management, property management, leasing, development/value-add redevelopment, marketing, operations, dispositions and capital markets related to a variety of multifamily asset types.

Through this memorandum, we are offering a maximum of $200,000,000 of our limited liability company interests, in any combination of Class A Units and Class I Units, which we refer to together as "units," at a purchase price of $1,000.00 per Class A Unit and $905.00 per Class I Unit, unless an early investor discount applies, on a "best efforts" basis through our dealer manager. Skyway Capital Markets, LLC ("Skyway"), an unaffiliated registered broker-dealer and member firm of the Financial Industry Regulatory Authority, Inc., or "FINRA," serves as the dealer manager of our offering with respect to the units. The units are also available for purchase through representatives of Skyway in various distribution channels. We are offering our units for sale in this offering only to persons that are "accredited investors," as that term is defined under the Securities Act of 1933, as amended, or the "Securities Act," and Regulation D promulgated thereunder or "qualified purchasers", as that term is defined under the Investment Company Act of 1940, as amended. We intend to offer our units in this offering until the earlier of (1) the date that $200,000,000 of our units have been sold, or (2) May 15, 2021 (unless our board of directors elects to extend the offering for up to 6 months or elects to increase the maximum offering amount); provided, however, our board of directors may terminate this offering at any time in its sole discretion. We expect to admit members into the Fund on at least a twice-monthly basis. We do not intend to register our units with the United States Securities and Exchange Commission, or the "SEC," nor do we expect a public trading market to exist for our units.

Neither the SEC nor any other federal, state or foreign securities commission or similar authority has approved or disapproved these securities, endorsed the merits of this offering or passed upon the accuracy or completeness of this memorandum. Any representation to the contrary is a criminal offense. An investment in our units is speculative and involves substantial risks. You should carefully read and consider the risks described in the "Risk Factors" section of this memorandum before you invest in our units. Our units are subject to certain restrictions on transferability, resale and ownership and may not be transferred or resold except as permitted by our limited liability company agreement and as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. See the "Description of Our Securities — Restrictions on Transfer" section of this memorandum for more information. Investors should be aware that they will bear the financial risks of this investment for an indefinite period of time.

TABLE OF CONTENTS

Notice to Investors iii
Cautionary Note Regarding Forward-Looking Statements........ iv
Executive Summary 1
Fund and Business Plan Overview 4
Market Overview........ 9
Estimated Use of Proceeds........ 15
Investment Policies........ 16
Management........ 22
Management Compensation........ 27
Risk Factors 29
Conflicts of Interest 43
Material U.S. Federal Income Tax Considerations 48
Investment by Certain Tax-Exempt Entities and ERISA Considerations........ 60
Description of Our Securities........ 64
Plan of Distribution 67
How to Subscribe 71
Suitability Standards........ 72

THIS MEMORANDUM MAY NOT BE REPRODUCED

Notice to Investors

This memorandum has been prepared in connection with the private placement of our units, in any combination of Class A Units and Class I Units, and does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or in which the making of such offer or solicitation would be unlawful. Our units offered hereby may be offered and sold only to investors who meet the investor suitability requirements set forth in the "Suitability Standards" section of this memorandum.

This memorandum has been prepared solely for the benefit of persons interested in purchasing our units, and any reproduction or distribution of this memorandum, in whole or in part, or the disclosure of any of its contents, is prohibited without our prior written consent. By accepting delivery of this memorandum, you agree to return this memorandum and all documents furnished with it to us or our representatives upon request if you do not purchase any of our units or if we withdraw or terminate the offering of our units.

This offering is being made on a "best efforts" basis through Skyway, our dealer manager, who is a member firm of FINRA. However, because this offering is being conducted pursuant to Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder by the SEC, for transactions not involving a public offering, this offering is not subject to review by the SEC or FINRA. We reserve the unconditional right to cancel or modify this offering, to reject subscriptions for our units in whole or in part and to waive conditions pertaining to the purchase of our units.

We are offering our units exclusively through this memorandum and any appendices and supplements we provide. This memorandum contains a summary of material provisions of certain documents. We believe these summaries are accurate, but you should refer to the actual documents for complete information concerning the rights and obligations of the parties thereto. Such information necessarily incorporates significant assumptions, as well as factual matters. All documents relating to this investment and related documents and agreements will be made available to you or your advisors upon request to us.

During the course of this offering and before you purchase any of our units, you are invited to ask questions of and obtain additional information from us concerning the terms and conditions of this offering, our company, our sponsor, our advisor, our units and any other relevant matters, including, but not limited to, additional information to verify the accuracy of the information in this memorandum. We will provide such information to the extent we possess it or can acquire it without unreasonable effort or expense. Your purchase of our units is subject to our receipt and acceptance of the subscription agreement, our right to reject any subscription agreement for units in whole or in part, and our right to withdraw, cancel, or modify this offering without notice to investors, as well as certain other conditions. We may reject a prospective investor's subscription agreement for any reason or no reason. We will reject subscription agreements if you fail to conform to the requirements of this offering or for such other reasons as we may determine to be in our best interests. You may not revoke, cancel, or terminate your subscription agreement, except in accordance with the terms of your subscription agreement.

In making an investment decision, you must rely on your own examination of us and the terms of this offering, including the merits and risks involved. The units we are offering have not been recommended by any federal or state securities commission or regulatory authority. No person has been authorized to give any information or make any representations other than those contained in this memorandum, and, if given or made, whether in writing or orally, such information or representations must not be relied upon as having been given by us, our sponsor, our advisor or their affiliates. Neither we, our sponsor, our advisor, nor their affiliates can guarantee that the estimates, opinions or assumptions made in this memorandum will prove to be accurate.

You should not consider the information contained in this memorandum, nor any prior, contemporaneous or subsequent communication related to this offering, as legal or tax advice. You should consult your own legal and tax advisors to ascertain the merits and risks of an investment in our units before investing.

Cautionary Note Regarding Forward-Looking Statements

Statements included in this memorandum that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance or assumptions or forecasts related thereto) are forward-looking statements, as defined under Section 21E of the Securities Exchange Act of 1934, as amended. These statements are only targets, projections or predictions. We caution that "forward-looking" statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements included in this memorandum are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- our ability to effectively deploy the proceeds raised in this offering and any other sources of debt and equity financing;
- changes in economic conditions generally and the real estate and debt markets specifically;
- legislative or regulatory changes (including changes to the laws governing the taxation of REITs);
- the availability of capital; and
- interest rates.

Any of the assumptions underlying forward-looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward-looking statements included in this memorandum. Except as otherwise required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statements after the date of this memorandum, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this memorandum, including, without limitation, the risks described in the "Risk Factors" section of this memorandum, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that we will achieve the objectives and plans set forth in this memorandum.

Executive Summary

This summary highlights selected information contained elsewhere in this memorandum and may not contain all of the information that is important to you. To fully understand this offering before making an investment decision, you should carefully read the entire memorandum, including the "Risk Factors" section.

Fund:	Carter Multifamily Growth & Income Fund II, LLC
Advisor:	Carter Multifamily Growth & Income Advisors II, LLC
Sponsor:	Carter Multifamily Fund Management Company, LLC
Offering:	Up to a maximum of $200,000,000 in any combination of Class A Units and Class I Units (our board of directors, in its sole discretion, may elect to increase the maximum offering amount).
Offering Period:	We intend to offer our units in this offering until the earlier of (1) the time when we have sold $200,000,000 of our units (or such other amount if our board of directors elects to extend the offering for up to 6 months or otherwise elects to increase the maximum offering amount), or (2) May 15, 2021. We may extend the offering for up to 180 days or terminate this offering at any time in our board of directors' sole discretion.
Use of Proceeds:	We intend to use substantially all of the net proceeds from this offering to acquire and renovate existing conventional Class B and Class C multifamily properties located in the southern United States, primarily constructed prior to 2005 that offer value-add enhancement opportunities. We may also selectively invest in real estate investments related to the multifamily industry.
Target Leverage:	We intend to finance our portfolio at a target leverage level of between 65% and 75% loan-to-value; however, individual REIT Subsidiaries' assets may be financed at a higher or lower leverage level than the portfolio target leverage level.
Term:	We intend to target an average holding period of two to four years for each property; however, we may cause our REIT Subsidiaries to sell any of our assets at any time.
Unit Price:	Class A Units: $1,000.00 per unit and Class I Units: $905.00 per unit Early investor discount: We will offer the units to all investors at a 10% discount to the offering price of each unit (the "first tier early investor discount") until we have raised $10,000,000 and then we will offer the units to all investors at a 5% discount to the offering price of each unit until we have raised an additional $10,000,000 (the "second tier early investor discount" and referred to with the first tier early investor discount as simply "early investor discount"). The board of directors may either increase or extend such early investor discount, in its sole discretion, at any time.

Minimum Investment:	$50,000 (although we reserve the right to permit, in our sole discretion, investments in lesser amounts).
Fund Investment Objectives:	(1) Preserve and protect capital; (2) provide attractive and stable cash distributions; (3) increase the value of assets in order to generate capital appreciation; and (4) stage the assets for a timely exit to maximize the return on unitholder capital.
Distributions to Unitholders and the Advisor's Carried Interest:	The following summarizes our distribution priority (i.e. waterfalls) to unitholders and our sponsor: (i) 6% target annual cumulative non-compounded return to unitholders, as and when declared by our board of directors. (ii) Return of all amounts credited to a unitholder's capital account based upon number of units acquired x $1,000. (iii) A total of 8% annualized cumulative non-compounded return to unitholders, including the 6% target distribution in (i) above, i.e. an additional 2% - the targeted preferred return. (iv) 80% to our unitholders (pro rata based on number of units) and 20% to our advisor after unitholders receive 100% of their original capital account balance and their target preferred return. Note: Distributions are based upon a unitholder's capital account balance, which is initially the number of units acquired multiplied by $1,000. For a more complete description see "Description of Our Securities – Distribution Policies and Distributions".
Reports to Unitholders:	We expect to provide you with periodic business updates from management, including quarterly reports with unaudited financial statements and annual audited financial statements. We will prepare our financial statements using U.S. Generally Accepted Accounting Principles. We will use the accrual method of accounting to report income and deductions for income tax purposes and intend to mail your Schedule K-1 (Form 1065) tax information for each year, if required, by March 31 of the following year.
Board of Directors:	We are a manager-managed limited liability company and operate under the direction of our board of directors. Our board of directors shall consist of three directors or such other number as our sponsor shall designate, provided that there always be one director. At all times, a majority of our board of directors must be "independent" directors (as defined in our limited liability company agreement), except for a period of up to 60 days after the death, removal or resignation of an independent director pending the appointment of such independent director's successor. Directors shall otherwise serve for five-year terms. A director may be removed for "cause" (as defined in the limited liability company agreement) upon the affirmative vote of a majority of the outstanding units and a replacement director elected. In all other cases, our sponsor has the right to appoint

	each director and may also remove and replace each director at any time and for any reason with or without cause and with or without notice to any other person, and without the vote of unitholders.

Fund and Business Plan Overview

Carter Multifamily Growth & Income Fund II, LLC

We are a Delaware limited liability company formed in December 2019, and we are managed by our board of directors. We intend to use substantially all of the net proceeds from this offering to acquire and renovate existing conventional Class B and Class C multifamily properties, primarily constructed prior to 2005 that offer value-add enhancement opportunities. Value-add investments generally consist of properties that provide an opportunity for the improvement of the physical asset, occupancy, financial, operational or management characteristics of the property in order to increase cash flow and value, with a high proportion of the total return attributable to appreciation in value. These investments generally have a higher risk and return profile than properties that do not have a value-add component. We may also selectively invest in real estate investments related to the multifamily industry.

We believe that, with the operating experience and skill set of our advisor, attractive risk-adjusted total investment returns can be achieved through targeted value-added investments. We expect to acquire and own substantially all of our investments through subsidiary entities, each of which is expected to be treated as a REIT for federal tax purposes. Our REIT Subsidiaries may acquire and operate properties alone or jointly with one or more other parties.

Summary of Target Acquisitions

We focus on the acquisition of middle-market value-add, conventional Class B and Class C multifamily properties located in the southern United States, primarily constructed prior to 2005, with a value-add component. We seek under-managed, established, stable, income-producing properties that offer value-add enhancement opportunities through operational improvements, renovations and repositioning that we believe will enhance investment returns for unitholders. We expect the average cost of our properties to be between $10 million and $50 million, although individual properties may cost less or more than the anticipated average cost.

Demographic Drivers

Popularity in renting continues to increase due to demographic shifts and lifestyle preferences within the largest demographic segments of the U.S. population:

- *Baby Boomers* – As the second largest demographic group in the U.S. (totaling 77 million), this segment is downsizing in record numbers due to their age, fixed incomes, and desire to simplify their lifestyle.[1] A recent study revealed that 83% of Baby Boomers, aged 55 and older, who are current homeowners, expect to rent their next home.[2]

- *Generation X* – This segment comprises approximately 65 million people and currently represents approximately 1 out of every 3 renters in the U.S.[3] This segment either needs to rent because they lost their home in the recession through foreclosure or they no longer desire to own a home due to the lingering negative impact of the recession.

- *Millennials* – Millennials represent approximately 78 million people and have the highest propensity to rent based on the high value they place on mobility, flexibility, and lifestyle choices.[4] They represent the bulk of the current American workforce filling the demand for jobs in traditionally lower paying service sector industries such as retail, hospitality and tourism and thus are priced out of both the Class A rental market and the single-family housing market. Additionally, millennials are carrying the highest historical level of student loan debt in U.S. history.

---

[1] http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/
[2] http://www.freddiemac.com/research/consumer-research/20160628_five_million_boomers_expect_to_rent_next_home_by_2020.html.
[3] http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf.
[4] http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/

- *Generation Z* – This segment comprises 73 million people making up 25.9% of the U.S. population and by 2020, will account for one-third of the U.S. population.

We believe the following market factors demonstrate the strong demand for affordable rental housing:

- *Decline in Home Ownership* – By year-end 2016, home ownership had fallen to 62%, the lowest home ownership rate in the U.S. in over 50 years.[5]

- *Rising Demand for Rental Properties* – It is predicted that the majority (59%) of the 22 million new households that will form between 2010 and 2030 will rent, while just 41 percent will buy their homes.[6]

- *Multifamily Housing Supply and Demand* – In order to meet the demand for multifamily housing, 4.6 million new multifamily units must be built between now and 2030, according to the Vision 2030 study by the National Multifamily Housing Council, ("NMHC") and the National Apartment Association ("NAA"). At this pace, more than 300,000 units, on average, would need to be built annually; however, only 225,000 units have been delivered annually, on average, between 2012 to 2016.[7]

Corporate Information

Our office is located at 4890 W. Kennedy Blvd., Suite 200, Tampa, Florida 33609. Our sponsor's website is www.cartermultifamily.com.

Investment Objectives

Our primary investment objectives are to: (1) preserve and protect capital; (2) provide attractive and stable cash distributions; (3) increase the value of assets in order to generate capital appreciation; and (4) stage the assets for a timely exit to return unitholder capital and maximize profits. We intend to pay monthly cash distributions to our unitholders; provided, however, that cash distributions will be authorized by our board of directors based on our investment results and we are not required to maintain a specified level of cash distributions.

Investment Strategy

- ***Multifamily Assets*** — We will pursue an investment strategy focused on aggregating a diversified portfolio of multifamily properties by acquiring existing conventional Class B and Class C multifamily properties that were constructed primarily prior to 2005, that are under-managed, established, stable, income-producing properties and offer value-add enhancement opportunities through operational improvements, renovations and repositioning. Class B properties are typically 10–25 years old and have middle-income tenants and are generally in favorable locations but offer fewer amenities than Class A properties. Class C properties have fewer amenities than both Class A and Class B properties and are typically 25–40 years old with moderate-income tenants. We expect the average cost of these properties to range between $10 million and $50 million, although individual properties may cost less or more than the anticipated average cost.

- ***Discount to Replacement Cost*** — We intend to purchase properties valued at a discount to replacement cost and with significant potential for appreciation.

- ***Value-Add*** — We expect to invest in properties that our advisor identifies as having significant value-add potential. Value-add investments generally consist of properties that provide an opportunity for the improvement of the physical asset, tenancy, financial, operational or management characteristics of the property in order to increase cash flow and value, with a high proportion of the total return attributable to appreciation in value. These investments generally have a higher risk and return profile than properties

---

[5] http://www.denverpost.com/2016/07/29/us-homeownership-rate-of-62-9-percent-matches-a-51-year-low/
[6] https://www.urban.org/urban-wire/lower-homeownership-rate-new-normal.
[7] https://www.naahq.org/news-publications/us-needs-46m-new-apartments-2030-keep-pace-demand

that do not have a value-add component. It is anticipated that approximately 80% or more of the assets we acquire will require some level of renovation.

- ***Strategic Leverage*** — We intend to finance our portfolio at a target leverage level of between 65% and 75% loan-to-value, which ratio will be determined after the close of this offering and once we have invested substantially all the net proceeds of this offering. Our REIT Subsidiaries may incur higher levels of leverage. Accordingly, we, through these investments, may be exposed to higher levels of leverage than we intend to, including a greater risk of loss with respect to such investments as a result of higher leverage employed by such REIT Subsidiaries. In addition, individual REIT Subsidiaries' assets may be financed at a higher or lower leverage than the portfolio target leverage level.

- ***Geographic Diversification*** — We expect to invest in various markets located within the southern United States. We focus on secondary and tertiary markets where demand is highest for our target assets with demonstrated historical high occupancies and consistently strong population and job growth.

Our Advisor

Carter Multifamily Growth & Income Advisors II, LLC, a recently formed Delaware limited liability company, is our external advisor and is wholly-owned by our sponsor. We will rely on our advisor to manage our affairs on a day-to-day basis and also to manage, operate, direct and supervise the operation and administration of our assets, including presenting our board of directors with potential investment opportunities, operational and capital budget recommendations, and asset disposition advice consistent with our investment policies as set forth in this memorandum and our advisory agreement with our advisor, or the advisory agreement. Our advisor will receive compensation and reimbursement for services relating to this offering and the advisor and its affiliates will receive compensation for acquisition and management services. In addition, our advisor may also receive a carried interest as described in our limited liability company agreement. Please see the "Management Compensation" section of this memorandum for a description of the compensation to be paid to our advisor and its affiliates.

Our Sponsor

Our sponsor, Carter Multifamily Fund Management Company, LLC, is a Florida limited liability company, formed in 2017. Our sponsor also sponsors Carter Multifamily Growth & Income Fund, LLC ("Fund I"), which has investment objectives and strategies substantially the same as ours. Fund I conducted a private placement for up to a maximum of $200,000,000, which commenced on February 26, 2018, and closed to new investors prior to the commencement of this offering by the Fund and as of December 31, 2019 raised approximately $117,262,220.

Our Board of Directors

We are a manager-managed limited liability company, and operate under the direction of our board of directors, a majority of whose members are "independent" (as defined in our limited liability company agreement). Our board of directors has delegated certain of its management functions to our advisor, but our board of directors retains ultimate control and responsibility for our management. Pursuant to our limited liability company agreement, our board of directors shall consist of three directors or such other number as our sponsor shall designate, provided that in no event may there be less than one director. In addition, at all times, a majority of our board of directors must be independent directors, except for a period of up to 60 days after the death, removal or resignation of an independent director pending the appointment of such independent director's successor. Subject to any earlier death, resignation or removal by our sponsor for any reason, directors shall serve for five-year terms. Upon the affirmative vote of a majority of the units, a director may be removed for "cause" (as defined in the limited liability company agreement) and a replacement director elected. In all other cases, our sponsor has the right to appoint each director may also remove and replace each director and to remove and replace each director at any time and for any reason with or without cause and with or without notice to any other person, and without the vote of unitholders.

Executive Unit Purchase Plan

John Carter, the Chairman of our board of directors, Executive Chairman and a member of the investment committee of our advisor, executed an executive unit purchase plan (the "Executive Unit Purchase Plan"). Pursuant to the Executive Unit Purchase Plan, Mr. Carter has agreed to invest 100% of his net after-tax salary received from our sponsor directly into our Class I Units. Purchases of our Class I Units pursuant to the Executive Unit Purchase Plan will commence beginning with the officer's initial scheduled payroll payment until the Executive Unit Plan terminates. The Executive Unit Purchase Plan will terminate at the termination of the offering or earlier, unless extended beyond the termination date of the offering. The Class I Units will be purchased pursuant to the Executive Unit Purchase Plan at a price of $905.00 per Class I Unit (unless an early investor discount applies). Alternatively, Mr. Carter may, in his sole discretion, purchase some or all of the units at the outset of the offering.

Property Management Services

Property level services for the properties we acquire, including rental, leasing, operation and management services, will be provided by our affiliated property manager, CMF Real Estate Management Services, LLC, a wholly owned subsidiary of our sponsor (the "property manager") through one of its affiliates. Our property manager will enter into a separate property management agreement and leasing agreement with each wholly-owned subsidiary or joint venture that owns one or more properties. It is expected that substantially the same form of property management agreement and leasing agreement will be used in each instance.

We will pay our affiliated property manager and its affiliates aggregate fees equal to 3.5% of gross revenues from the properties managed; provided, however, that, in the sole discretion of our board of directors, we may pay the property manager more or less than 3.5% of gross revenues from the properties managed. We will also reimburse the property manager for property-level expenses that it pays or incurs on our behalf, including salaries, bonuses, and benefits of persons employed by our property manager and its affiliates, except for the salaries, bonuses and benefits of persons who also serve as one of our executive officers.

For more information regarding our advisor and property manager, see the "Management" section of this memorandum.

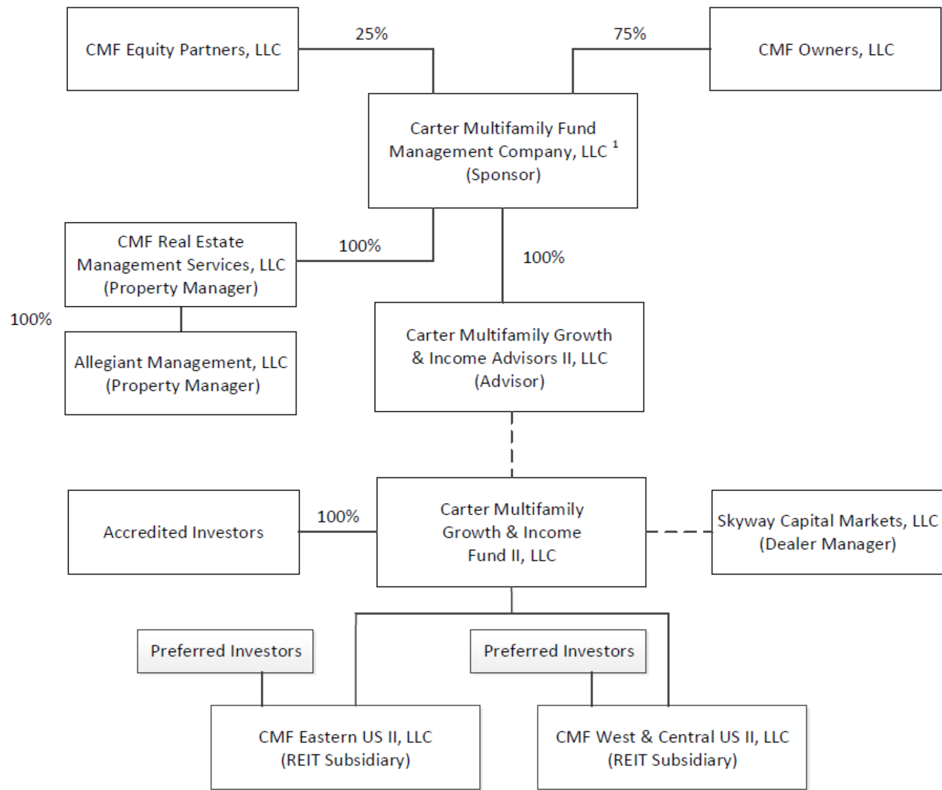
Management Experience

Key personnel of our advisor and our sponsor have over 232 years of combined experience in the commercial real estate industry, including transaction experience of over $76 billion in multifamily properties and portfolios totaling more than 954,000 units, have $3 billion in multifamily assets merger experience and have developed over $1.3 billion in multifamily properties. Further, members of our sponsor and our advisor's management team have over 50 years combined experience in executive management roles at nationally ranked multifamily firms located in the U.S. More specifically, our advisor's management team has significant experience in the areas of strategy, acquisitions, asset management, property management, leasing, development/value-add redevelopment, marketing, operations, dispositions and capital markets related to a variety of multifamily asset types.

Our Structure

The chart below shows the relationships among our company and various affiliates, the beneficial ownership of our advisor's executive officers, and certain entities that provide services to us. We expect to continue to acquire and own substantially all of our investments through subsidiary entities of our REIT Subsidiaries.

Organizational Structure



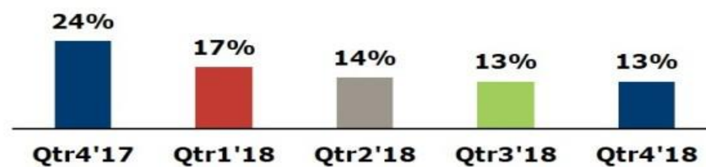
(1) John Carter, through his ownership in CMF Equity Partners, LLC and CMF Owners, LLC, is in a voting control position of our sponsor and advisor.

Market Overview

We believe that our middle-market America investment strategy to acquire value-add, conventional multifamily assets will fill the continued strong demand for affordable rental housing by middle-market Americans who were either displaced from their homes particularly during the recession (between 2003 and 2015, nine million people were forced from their homes through foreclosures – Urban Institute 2016) or who are among the growing demographic groups that rent by choice and not by necessity.[8] Approximately 19 million of America's renters were previous homeowners, according to a report from the Urban Institute.[9]

By 2016, the confluence of these forces contributed to the lowest home ownership rate in the U.S. in over 50 years.[10] By year-end 2016, home ownership had fallen to a record low of 62.9%[11] and it is predicted that the homeownership rate will continue to decline through 2030.[12] Additionally, according to the most recent Housing Trends Report, adults planning to buy a home within a year fell from 24% in Q4 2017 to just 13% in Q4 2018 providing additional evidence that the decline in the share of prospective home buyers reflects the erosion of housing affordability largely due to several years of strong home price appreciation and interest rate increases throughout much of 2018.[13]

Planning to Buy a Home in Next 12 Months: Prospective Home Buyers (Percent of Respondents)



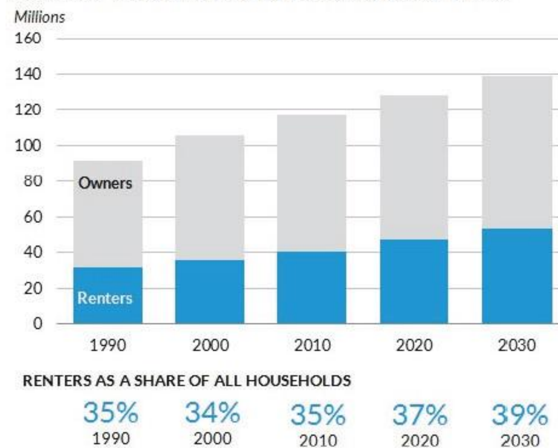
More U.S. households are headed by renters than at any other point since at least 1965, according to a Pew Research Center analysis of Census Bureau housing data, and while the total number of households in the U.S. grew by 7.6 million between 2006 and 2016, the number of households headed by owners over the same time period remained relatively flat, in part because of the lingering effects of the housing crisis.[14]

As of 2018, the total number of renter households in the U.S totaled 43.1 million as compared to the total number of U.S. households which for the same period totaled 127.6 million.[15] In order to meet the demand for multifamily housing, it is estimated that 4.6 million new multifamily units must be built between now and 2030, according to the Vision 2030 study by NMHC and the NAA. At this pace, more than 300,000 units, on average, would need to be built annually[16]; however, only 224,000 units were delivered annually, on average, between 2008 and 2018.[17]

Additionally, it is predicted that as many as 11.7 million older existing multifamily units could need renovation, and almost half of the nation's multifamily stock was built before 1980. The stock of available units for rent is also diminished by approximately 75,000 – 125,000 units each year due to obsolescence and other factors.[18]

---

[8] https://www.urban.org/sites/default/files/publication/78591/2000652-Comparing-Credit-Profiles-of-American-Renters-and-Owners.pdf.
[9] https://www.urban.org/sites/default/files/publication/78591/2000652-Comparing-Credit-Profiles-of-American-Renters-and-Owners.pdf.
[10] https://blogs.wsj.com/economics/2016/07/28/u-s-homeownership-rate-falls-to-five-decade-low/?mod=article_inline
[11] https://www.census.gov/library/stories/2018/08/homeownership-by-age.html
[12] https://www.urban.org/research/publication/headship-and-homeownership-what-does-future-hold
[13] http://eyeonhousing.org/2019/02/share-of-adults-planning-to-buy-a-home-drops-from-24-to-13-in-a-year/
[14] http://www.huffingtonpost.com/george-beall/8-key-differences-between_b_12814200.html.
[15] https://www.nmhc.org/research-insight/quick-facts-figures/quick-facts-resident-demographics/.
[16] https://www.naahq.org/news-publications/us-needs-46m-new-apartments-2030-keep-pace-demand
[17] https://www.rentcafe.com/blog/rental-market/apartment-construction-is-finally-slowing-down-in-2018-after-a-6-year-upward-streak/
[18] https://www.weareapartments.org/data



[19]

Demand Drivers for Rental Housing – Demographics

There are four substantive groups that continue to drive demand for multifamily rental product:

- ***Baby Boomers*** – This group totals 77 million and is the second largest demographic group in the U.S. This group is downsizing in record numbers due to their age, fixed incomes, and desire to simplify their lifestyle while also relocating to areas that bring them closer to family and services. A 2014 Freddie Mac Survey found that 83% of Baby Boomers aged 55 and older who are current homeowners expect to rent their next home, and 60% of them cited affordability as a "very important factor."[20] According to a 2015 analysis by the Urban Institute, senior renters—who include both homeowners who will shift to renting and baby boomers who already rent—will increase from 5.8 million to 12.2 million.[21]

- ***Generation X*** – According to Pew Research, this group comprises 65 million people and they currently represent approximately one out of every three renters in the U.S.[22] The group was perhaps most impacted by the recession as they were at a maturation point where many had purchased their first single-family detached housing when the housing crisis hit in 2008. This segment either needs to rent because they lost their home in the recession through foreclosure or they no longer desire to own a home due to the lingering negative impact of the recession.

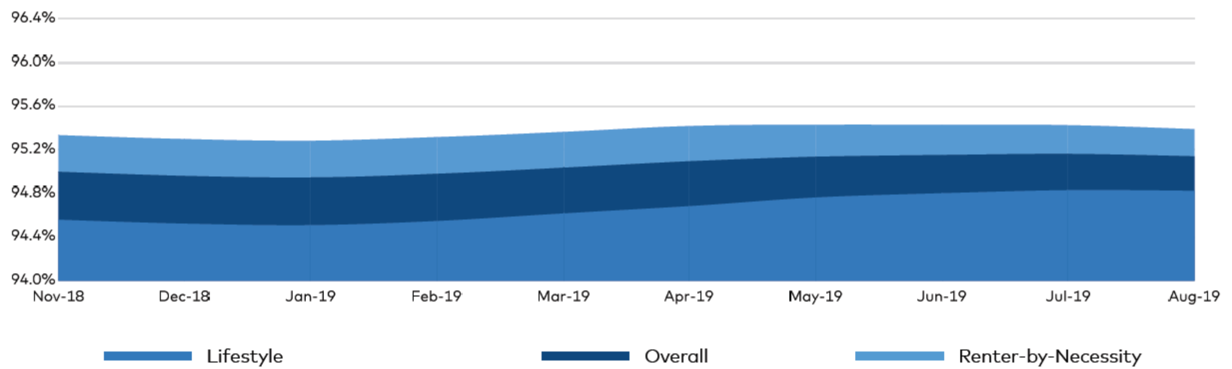
- ***Millennials*** – This group comprises 78 million people and has the highest propensity to rent as they place a high value on mobility and flexibility and have very unique quality of life priorities. According to a study by ABODO apartments, two-thirds of Millennials rent rather than own.[23] This group also represents the bulk of the current American workforce – filling the demand for jobs in traditionally lower paying service sector industries such as retail, hospitality and tourism and thus are priced out of both the Class A rental market as well as the single-family housing market. Additionally, this group is carrying the highest historical level of student loan debt. According to StudentLoanHero.com, among the Class of 2018, 69% of college students took out student loans and graduated with an average debt of $29,800, including both private and federal debt. Additionally, Americans owe over $1.56 trillion in student loan debt, spread out among about 45 million borrowers. That's about $521 billion more than the total U.S. credit card debt. [24]

[19] http://www.urban.org/urban-wire/lower-homeownership-rate-new-normal
[20] http://www.fanniemae.com/resources/file/research/datanotes/pdf/housing-insights-061214.pdf.
[21] http://www.urban.org/urban-wire/explosion-senior-households-2030-demands-housing-and-community-adaptations.
[22] https://www.applyconnect.com/blog/the-difference-between-millennial-and-gen-x-renters-infographic/.
[23] http://www.globest.com/sites/paulbubny/2017/08/18/cost-burdened-renters-not-who-you-think/.
[24] https://studentloanhero.com/student-loan-debt-statistics/.

- ***Generation Z*** – This group comprises 73 million people – making up 25.9% of the U.S. population. By 2020, they will account for one-third of the U.S. population.

Current Market Conditions

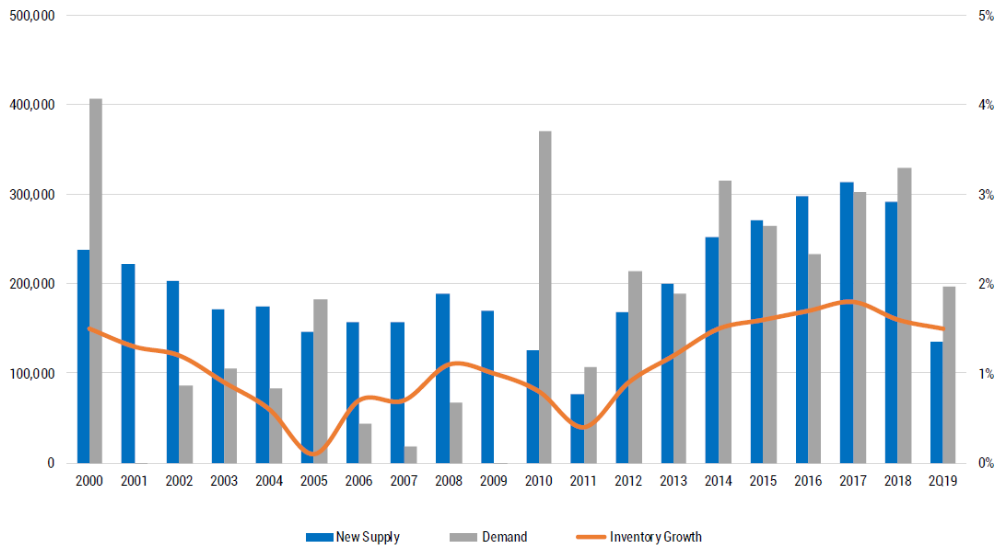
The multifamily sector continues to outperform all other real estate asset classes as an investment vehicle with record-breaking sales volume of $172.6 billion in this sector as of year-end 2018, representing a 12.1% increase year-over-year and fourth quarter 2018 transaction volume totaled $50.9 billion – the second highest quarterly sum on record.[25] The national average occupancy rate for all classes of multifamily has been above 95% for several years.[26]



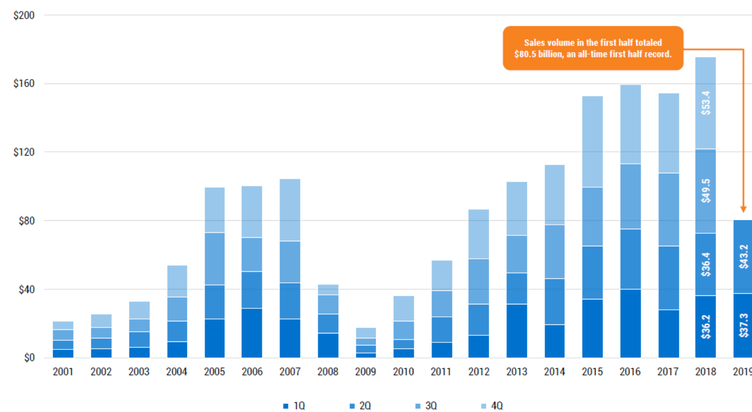
U.S. vacancy rates have trended downward since 2008-2009 with Class B and Class C vacancy rates at 20-year lows. During the past three years, the Class A vacancy rate hovered near 5% while Class B vacancy has dropped 70 basis points to the low-4 percent range, and the Class C rate has retreated 130 basis points to the mid-3 percent band.[27]

Year to date, demand for multifamily has outpaced supply with 135,710 new units delivered as compared to 196,847 units absorbed nationally.[28]

[25] 4Q 2018 U.S. Multifamily Capital Markets Report, Newmark Knight Frank
[26] Yardi Matrix – MF National Report, Sep 2019
[27] Marcus & Millichap Research Services, 2020 Forecast
[28] Newmark Knight Frank Research 2019



Multifamily sales volume totaled $80.5 billion in the first half of 2019 – a record setting total for the first half of a year measurement. [29]



Investment Strategy

We will pursue an investment strategy focused on aggregating a diversified portfolio of multifamily properties by acquiring existing conventional Class B and Class C multifamily properties located in the southern United States, primarily constructed prior to 2005, that offer value-add enhancement opportunities through operational improvements, renovations and repositioning. The "middle-market" multifamily sector consists primarily of multifamily assets that are typically comprised of pre-2005 construction and are typically located in secondary and/or tertiary markets offering some combination of:

- Robust population growth – the U.S. has a net gain in population of one person every 26 seconds which translates into the U.S. population growing by approximately 3,600 people per day.[30]

[29] Newmark Knight Frank Research 2019
[30] https://www.census.gov/popclock/ (last visited January 8, 2020).

- Above average job growth – 2018 experienced more job creation than the previous two years, with 2.6 million new jobs created over the course of the year compared with 2.2 million in 2017 and 2.3 million in 2016.[31]

- Growing rental household formations – The renter population has become more than 100M strong after a decade of sustained growth. The number of Americans who rent reached 108.5M in 2018, up from 99.4M in 2010. At the same time, the share of renters now makes up 34% of the general population and is the largest it's been since 1960.[32]

- Stable or declining vacancy rates – Workforce housing will anchor the national apartment market this year as availability within the segment remains at 20-year lows. From 2017-2019, Class B vacancy has dropped 70 basis points to the low-4 percent range, while the Class C rate has retreated 130 basis points to the mid-3 percent band.[33]

Value Enhancement

We anticipate that 80% or more of the assets we acquire will require property-level enhancements. By leveraging the 50 years of operating and construction expertise of key personnel of our advisor, we will deploy capital for the improvements in a tiered and iterative process that we expect will reduce expenses, improve operating efficiencies and increase long-term value. We believe such enhancements will decrease vacancies, enhance the credit quality of the tenant base and increase effective rental rates. Values will be enhanced by way of:

- Interior and exterior unit renovations – using an iterative process, we will be implementing a 3-tier upgrade process, which allows for the continued improvement of the units while allowing the market to adjust to the increased rental rates.

- Operating systems management – operational efficiencies via revenue management and installation of physical property improvements, such as new roofs, flooring, countertops and systems and appliances intended to improve operating efficiencies, reduce repair and maintenance expenses and improve values over the long term.

- Build critical mass of assets – by investing in quality assets within the same markets, we will have the ability to efficiently leverage personnel, contractors, and vendor relationships to achieve best pricing and operating efficiencies designed to enhance value across the portfolio.

Multifamily Construction and Future Demand

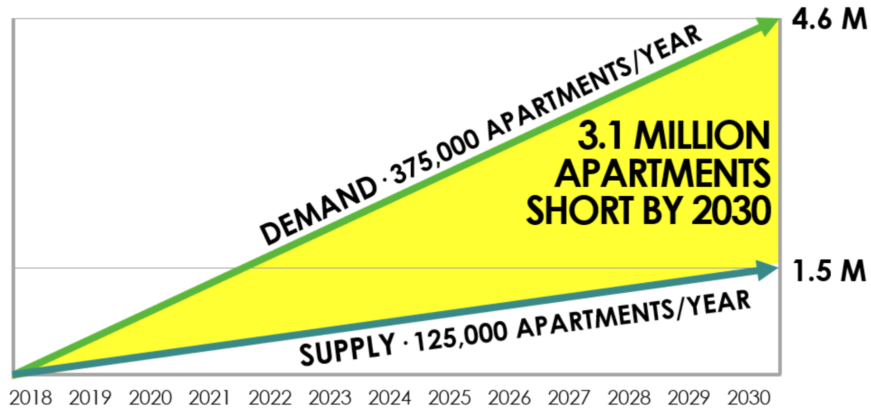
According to a 2017 research study conducted by Hoyt Advisory Services, commissioned by the NMHC and the NAA, the U.S. needs to build more than 4.6 million new multifamily units by 2030 in order to meet demand, however, new deliveries of multifamily product have been among the lowest in the last ten years.[34] Additionally, it is estimated that each year, the nation loses between 75,000 and 125,000 multifamily units due to obsolescence. In addition, almost half (48%) of the nation's multifamily stock was constructed prior to 1980.[35]

Multifamily completions dropped to a low of 51,000 units in 2011 and national projections anticipated only 280,000 units to come on line in 2020 – only slightly ahead of the 274,000 units delivered in 2018.[36] Additionally, the bulk of the new multifamily construction is comprised of Class A product with average monthly rental rates of $2,440

---

[31] https://www.whitehouse.gov/articles/2018-ends-312000-jobs-created-december-strong-year-job-market
[32] https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-america-housing-changed-past-decade
[33] Marcus & Millichap Research Services, 2020 Forecast
[34] https://www.multihousingnews.com/post/nmhc-naa-us-needs-5m-new-apartments-by-2030/.
[35] https://www.weareapartments.org/data/
[36] https://www.cbre.us/research-and-reports/2020-US-Real-Estate-Market-Outlook-Multifamily

per month[37] or more – an expense that far exceeds the average household incomes of the four previously described demographic groups.



Sources:
Real Assets Adviser: "The Workforce Housing Investment Opportunity"
Forbes: "Six Fundamentals of Supply and Demand that Multifamily Investors Shouldn't Miss"
Curbed.com: "Study: U.S. Must Add 4.6M New Apartments by 2030 to Meet Rising Demand"

The cost to construct multifamily units continues to grow and become even more time consuming. Developers are grappling with outdated zoning laws, unnecessary land use restrictions, arbitrary permitting requirements, inflated parking requirements, environmental site assessments expenses, limited and costlier sites and more—all of which discourage construction of housing and continue to increase costs, thus pricing the aforementioned major demographic groups out of the housing market.

[37] https://www.ncsha.org/wp-content/uploads/2018/12/US-Multifamily-The-Case-for-Workforce-Housing-%E2%80%93-Nov-20181.pdf

Estimated Use of Proceeds

Until we invest the net proceeds of this offering in real estate assets, we may invest in other qualifying short-term, highly liquid or other authorized investments, such as money market mutual funds, certificates of deposit, commercial paper, interest-bearing government securities and other short-term investments. Such short-term investments will not earn as high of a return as we expect to earn on our real estate investments.

The following table presents information regarding the estimated use of proceeds raised in this offering with respect to Class A and Class I Units and does not give effect to early investor discount or special sales that could reduce selling commissions:

	Maximum Offering of $170,000,000 in Class A Units		Maximum Offering of $30,000,000 in Class I Units[(1)]	
	Amount	**% of Proceeds**	**Amount**	**% of Proceeds**
Gross Offering Proceeds:	$170,000,000	100.0%	$30,000,000	100.0%
Less Offering Expenses:				
Selling Commissions[(2)]	11,900,000	7.0%	-	-
Marketing Reallowance Fee[(3)]	1,700,000	1.0%	-	-
Dealer Manager Fee[(4)]	2,550,000	1.5%	-	-
Net Proceeds before Other Organization and Offering Expenses, Acquisition Fees and Acquisition Expenses	$149,600,000	90.5%	$30,000,000	100.0%

(1) No selling commissions, marketing reallowance fee and dealer manager fee will be payable in connection with Class I Units.
(2) Skyway will receive selling commissions equal to 7.0% of the gross offering proceeds from the sale of Class A Units, which Skyway will reallow in its entirety to selling group members.
(3) Skyway will receive a marketing reallowance fee equal to 1.0% of the gross offering proceeds from the sale of Class A Units, which Skyway will reallow in its entirety to selling group members.
(4) Skyway will receive a dealer manager fee equal to 1.5% of the gross offering proceeds from the sale of Class A Units.

Other organization and offering expenses include organization and offering expenses (other than selling commissions, the dealer manager fee and any other form of underwriting compensation, including any amounts paid to the dealer manager in order to fund certain of the dealer manager's costs and expenses relating to the distribution of the offering) we will pay in connection with the offering. We reimburse our advisor and its affiliates for organization and offering expenses it incurs on our behalf to the extent that the aggregate amount of other organization and offering expenses, which include organization and offering expenses other than selling commissions, the dealer manager fee, the marketing reallowance fee or sponsor marketing fees paid to Skyway or Selling Group Members do not exceed 2.5% of the total gross proceeds of this offering as of the termination of this offering.

Acquisition fees are defined generally as fees and commissions paid by any party to any person in connection with identifying, reviewing, evaluating, investing in and purchasing of properties. Acquisition fees exclude acquisition expenses and any construction management fee paid to a person who is not our affiliate in connection with renovation costs after our acquisition of a property. We will pay to our advisor acquisition fees of 2.0% of the contract purchase price of each property or other permitted investment, inclusive of any debt associated with, or used to fund the investment in, such property or other permitted investment. Actual amounts depend upon the amount of proceeds available for investment and the leverage we incur.

Acquisition expenses include, without limitation, legal fees and expenses, travel and communications expenses, costs of appraisals, commissions to non-affiliated third parties, accounting fees and expenses, title insurance premiums and expenses and other miscellaneous expenses relating to the selection, evaluation and acquisition of real estate properties, including closing costs and non-refundable option payments, whether or not the property is acquired. We expect for acquisition expenses to equal approximately 1.5% of the purchase price of each property (including our pro rata share of debt attributable to such property) or other real estate-related investments; however, expenses on a particular acquisition or investment may be higher. The actual amount of acquisition expenses depend on the amount of assets acquired, the assets pursued and not acquired and the leverage we incur, and, therefore, cannot be determined at this time.

Investment Policies

Overview

Our primary investment objectives are as follows: preserve and protect capital; provide attractive and stable cash distributions; increase the value of assets in order to generate capital appreciation; and stage the assets for a timely exit to return unitholder capital and maximize profits. We intend to pay monthly cash distributions to our unitholders; provided, however, that cash distributions will be authorized by our board of directors based on our investment results and we are not required to maintain a specified level of cash distributions. For the key elements of our investment strategy, see the section entitled "Investment Strategy" for detailed information.

Primary Investment Focus

We intend to focus our investment activities on acquiring primarily existing value-add, conventional Class B and Class C multifamily properties located in the southern United States. There is no limitation on the number, size or type of properties that we may acquire or on the percentage of net proceeds of this offering that may be invested in a single property. The number and mix of properties will depend on real estate market conditions and other circumstances existing at the time of acquisition of properties and the amount of proceeds raised in this offering.

Targeted assets may include under-managed, established, stable, income-producing multifamily properties that offer value-add enhancement opportunities through operational improvements, renovations and repositioning. These assets are typically pre-2005 construction and are typically located in secondary and/or tertiary markets offering some combination of: robust population growth; above average job growth; growing rental household formations; and stable or declining vacancy rates.

We anticipate that 80% or more of the assets will require property-level enhancements. We will leverage our advisor's construction expertise to deploy capital for the improvements in a tiered fashion. Operating values will be enhanced by way of: interior and exterior unit renovations; amenity enhancements and additions; security enhancements; implementation of improved property management practices; and targeted marketing to specific renter segments. We believe such enhancements will decrease vacancies, enhance the credit quality of the tenant base and increase effective rental rates.

Evaluating Investments

When evaluating prospective investments, our advisor will consider relevant real estate and financial factors, including the location of the property; macroeconomic and microeconomic employment and demographic data and trends of the submarket where the investment is located; regional, market and property specific supply and demand dynamics; transaction size and projected property-level leverage; physical condition of the property and the need for capital expenditures; property location and positioning within its sub-market; design characteristics of the property; types and duration of the leases related to the property; adequacy of parking and access to public transportation; income-producing capability of the property; opportunities for capital appreciation based on property repositioning, operating expense reductions and other factors; potential to otherwise add value to the property; risk characteristics of the investment compared to the potential returns and availability of alternative investments; REIT Subsidiaries' REIT qualification requirements; liquidity and tax considerations; and other factors considered important to meet our investment objectives. All properties acquired by our advisor on our account will be approved by the board of directors.

We seek to acquire properties that we identify as value-add opportunities. These investments allow us to enhance good properties to create better ones by initiating strategic value-enhancement repositioning and capital improvement projects. The frequency and extent of these opportunities will be determined by our advisor. In determining whether to purchase a particular property, we may obtain an option on such property. The amount paid for an option, if any, is normally surrendered if the property is not purchased within a certain time period and sometimes may not be credited against the purchase price if the property is purchased.

Our obligation to close on the purchase of any investment generally will be conditioned upon the review and verification of certain documents, including, where available and appropriate: plans and specifications; surveys; environmental reports and environmental matters relating to federal, state and local laws and regulations relating to environmental protection and human health and safety; physical condition reports; service and vendor contracts, parking management agreements, ground lease and property management agreements; a list of the current residents at the property and the terms of their respective leases; historical occupancy rates; a schedule of historical, current year and projected future resident improvements, leasing commissions and capital expenditures; leases; evidence of marketable title, subject to such liens and encumbrances as are acceptable to our advisor; title, casualty and liability insurance policies; and financial information relating to the property, including the recent operating history.

We generally will not purchase any property unless and until we obtain what is referred to as a "Phase I" environmental site assessment and are reasonably satisfied with the environmental status of the property. A Phase I environmental site assessment basically consists of a visual survey of the building and the property in an attempt to identify areas of potential environmental concerns. In addition, a visual survey of neighboring properties is conducted to assess surface conditions or activities that may have an adverse environmental impact on the property. Furthermore, local governmental agency personnel are contacted who perform a regulatory agency file search in an attempt to determine any known environmental concerns in the immediate vicinity of the property. A Phase I environmental site assessment may also include interviewing people with knowledge about the property's history, reviewing municipal or county planning files to check prior land usage and permits graded, and examining historic aerial photography of the vicinity. A Phase I environmental site assessment does not generally include any sampling or testing of soil, ground water or building materials from the property, and may not reveal all environmental hazards on a property.

Acquisition Structure

We expect to acquire and own substantially all of our investments through our REIT Subsidiaries. We anticipate acquiring fee interests in properties (a "fee interest" is the absolute, legal possession and ownership of land, property or rights), although other methods of acquiring a property, including acquiring leasehold interests (a "leasehold interest" is a right to enjoy the exclusive possession and use of an asset or property for a stated definite period as created by a written lease), may be utilized if we deem it to be advantageous. For example, we may acquire properties through a joint venture or the acquisition of substantially all of the interests of an entity which in turn owns the real property. We may also make preferred equity investments in an entity that owns real property.

Lease Terms

Consistent with the multifamily property focus, we anticipate that the leases we enter into for multifamily units will be for a term of one year or less. These terms provide us with maximum flexibility to implement rental increases when the market will bear such increases and may provide us with a hedge against inflation.

International Investments

We will not invest in real estate outside of the United States or make other real estate investments related to assets located outside of the United States.

Joint Ventures

We may enter into joint ventures, partnerships and other co-ownership arrangements for the purpose of making investments. Some of the potential reasons to enter into a joint venture would be to acquire assets we could not otherwise acquire, to reduce our capital commitment to a particular asset or to benefit from certain expertise that a partner might have. In determining whether to invest in a particular joint venture, we will evaluate the assets of the joint venture under the same criteria described elsewhere in this memorandum for the selection of our investments. In the case of a joint venture, we also will evaluate the terms of the joint venture as well as the financial condition, operating capabilities and integrity of our partner or partners. It is possible that we could enter into a joint venture arrangement that would result in a joint venturer receiving a promoted interest based on our capital if we believed that such arrangement was in our overall best interests.

Our general policy is to invest in joint ventures only when we have the right to cause the joint venture to sell the asset and when we will have a right of first refusal to purchase the co-venturer's interest in the joint venture if the co-venturer elects to sell such interest. If the co-venturer elects to sell its interest in such joint venture, however, we may not have sufficient funds to exercise our right of first refusal to buy the other co-venturer's interest in the joint venture, which could result in our being in a joint venture with a party that has objectives different from ours. See "Risk Factors — General Risks Related to Investments in Real Estate — *Joint venture investments may increase our risk profile*."

Exit Strategy

We intend to begin the process of achieving a liquidity event within two to four years after we complete this offering. A liquidity event could include a sale of our assets, a sale or merger of our company or other similar transaction. We refer to the fourth anniversary of the termination of this offering as the "liquidity event target date". If we have not achieved a liquidity event on or before the liquidity event target date, our board of directors may, in its sole discretion, extend the liquidity event target date for up to two one-year periods without unitholder approval. If a liquidity event has not occurred by the liquidity event target date (as may be extended), our board of directors shall either: (i) request unitholder approval by the holders of a majority of the units cast at a meeting held to vote on an amendment to the limited liability company agreement to extend or eliminate the liquidity event target date, or (ii) request unitholder approval by the holders of a majority of the units cast at a meeting held to vote on the dissolution of the Fund. If the board of directors first seeks and does not obtain unitholder approval to amend the limited liability company agreement to extend or eliminate the liquidity event target date, the board of directors shall request unitholder approval to dissolve the Fund. If the board of directors first seeks and does not obtain unitholder approval to dissolve the Fund, the board of directors shall request unitholder approval to amend the limited liability company agreement to extend or eliminate the liquidity event target date. If the unitholders do not approve an amendment to the limited liability company agreement or vote to dissolve the Fund, the board of directors may continue to operate the Fund.

Market conditions and other factors could cause us to delay our liquidity event beyond the liquidity event target date. Even after we decide to pursue a liquidity event, we are under no obligation to conclude our liquidity event within a set time frame because the timing of our liquidity event will depend on real estate market conditions, financial market conditions, U.S. federal income tax consequences to unitholders and other conditions that may exist in the future. We also cannot assure you that we will be able to achieve a liquidity event.

Financing Strategies and Policies

Financing for acquisitions and investments may be obtained at the time an asset is acquired or an investment is made, or at a later time. In addition, debt financing may be used, from time to time, for property improvements and other working capital needs (including making distributions to our unitholders). The form of our indebtedness will vary and could be long-term or short-term, secured or unsecured, and fixed-rate or floating rate. We will not enter into interest rate swaps or caps, or similar hedging transactions or derivative arrangements for speculative purposes, but we may do so in order to manage or mitigate our interest rate risks on variable rate debt.

After we have invested all of the net offering proceeds from this offering, we expect our borrowings (net of any amortization) will be approximately 65% to 75% of the value of our properties (before deducting depreciation and amortization, including renovation expenditures) and other real estate-related assets. For valuation purposes, the value of a property will equal its cost until such property is valued by an independent third-party appraiser or qualified independent valuation expert. In order to facilitate investments in the early stages of our operations, we expect to temporarily employ greater leverage to quickly build a diversified portfolio of assets. Our REIT Subsidiaries may incur higher levels of leverage. Accordingly, we, through these investments, may be exposed to higher levels of leverage than we intend to, including a greater risk of loss with respect to such investments as a result of higher leverage employed by such REIT Subsidiaries. By operating on a leveraged basis, we expect that we will have more funds available for investments. We intend to limit our aggregate borrowings to 75% of the aggregate fair market value of our assets (calculated after the close of this offering and once we have invested substantially all the proceeds of this offering). This limitation, however, will not apply to individual real estate assets or REIT Subsidiaries. Individual REIT Subsidiaries' assets may be financed at a higher or lower leverage than the portfolio target leverage level. At the date of acquisition of each asset, we anticipate that the cost of investment for such asset will be substantially similar to its fair market value. However, subsequent events, including changes in the fair market value of our assets, could result in our exceeding these limits.

We will not borrow from our sponsor, our advisor, our directors or any of their respective affiliates unless our board of directors approves the transaction as being fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties.

We may reevaluate and change our financing policies without a unitholder vote. Factors that we would consider when reevaluating or changing our financing policy include: then-current economic conditions, the relative cost and availability of debt and equity capital, our expected investment opportunities, the ability of our investments to generate sufficient cash flow to cover debt service requirements and other similar factors.

Insurance Policies

We expect to purchase comprehensive liability, rental loss and all-risk property casualty insurance covering our real property investments provided by reputable companies, with commercially reasonable deductibles, limits and policy specifications customarily carried for similar properties. There are, however, certain types of losses that may be either uninsurable or not economically insurable, such as losses due to floods, riots, terrorism or acts of war. If an uninsured loss occurs, we could lose our invested capital in, and anticipated profits from, the property. See "Risk Factors — General Risks Related to Investments in Real Estate — *We could suffer losses that are not covered by insurance or that are in excess of insurance coverage*" for an additional discussion regarding insurance.

Disposition Policies

We intend to hold each asset we acquire for an extended period of time, generally two to four years. However, circumstances may arise that could result in the earlier sale of some assets. The determination of whether an asset will be sold or otherwise disposed of will be made by our board of directors upon the recommendation of our advisor after consideration of relevant factors, including prevailing economic conditions, specific real estate market conditions, tax implications for our unitholders, and other factors. The requirements for qualification as a REIT also will put some limits on our REIT Subsidiaries' ability to sell assets after short holding periods. See the "Material U.S. Federal Income Tax Considerations" section of this memorandum for more information.

The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view toward achieving maximum total return for the investment. We cannot assure you that this objective will be realized. In connection with our sales of properties, we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received from the sale. The terms of payment will be affected by custom in the area in which the real property being sold is located and by the then-prevailing economic conditions. We may sell properties to affiliates. While there is no minimum on the price we must receive in such transactions, a majority of our directors, including a majority of our independent directors, not otherwise interested in such transactions must approve such transactions as being fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

Other Policies

Additional Unit Issuances

Subject to applicable law, our board of directors has the authority, without unitholder approval, to issue additional authorized units and preferred units or otherwise raise capital in any manner and on terms and for the consideration it deems appropriate, including in exchange for property and/or as consideration for acquisitions. Existing unitholders will have no preemptive right to additional units issued in any future offering or other issuance of our units, and any offering or issuance may cause dilution of your investment. In addition, preferred units could have distribution, voting, liquidation and other rights and preferences that are senior to those of our units. See the "Description of Our Securities" section of this memorandum for more information. We may in the future issue units or preferred units in connection with acquisitions, including issuing units or preferred units in exchange for property, other assets or entities.

Investments in Money Market Funds and Liquid Marketable Securities

We may temporarily invest in one or more unaffiliated money market mutual funds or directly in certificates of deposit, commercial paper, interest-bearing government securities and other short-term instruments. These investments will be liquid and provide for appropriate safety of principal, such as cash, cash items and government securities. Cash items include cash on hand, cash deposited in time and demand accounts with financial institutions, receivables which arise in our ordinary course of operation, commercial paper and certificates of deposit. Government securities are generally any securities issued or guaranteed as to principal or interest by the U.S. federal government.

Change in Investment Objectives, Policies and Limitations

Our investment policies and objectives as set forth in this memorandum and the methods of implementing our investment objectives and policies may be altered by our board of directors without approval of our unitholders. Should any such investment policies or objectives change, we will disclose such change to investors through subsequent memorandum supplements.

Description of Real Estate Investments

The sponsor engages in the acquisition and ownership of a diversified portfolio of multifamily properties, in part through Carter Multifamily Growth & Income Fund, LLC ("Fund I"). As of December 31, 2019, Fund I owned or controlled 21 multifamily properties located in various states, consisting of 4,032 total units. Fund I purchased the multifamily properties from sellers unaffiliated with it, its advisor or their respective affiliates through the use of proceeds from its offering, borrowings and joint venture.

The following table summarizes Fund I's multifamily properties acquired since inception through December 31, 2019, in order of acquisition date. The information below should not be construed as a representation of any return or results that may be achieved in the future by the Fund. None of the properties or investments listed below will be included in the Fund; however, many may be similar to those the Fund may acquire and as such our advisor believes such information serves as a reasonable basis for evaluating an investment in the Fund. Past or pro forma performance is not an indication of future results and no representation or warranty is made as to the returns investors in this Fund may achieve.

Property Description	Date Acquired	Year Constructed	Contract Purchase Price[(2)]	Property Taxes[(3)]	Fees Earned by Advisor[(4)]	Number of Units	Average Monthly Rent Per Unit[(5)]	Occupancy Rate[(6)]	Location	MSA
Peppertree Lane**	April 2018	1971	$12,000,000	$176,914	$291,000	168	$869	93%	Jacksonville, FL	Jacksonville, FL
Signature Place	August 2018	1980	$14,765,000	$99,745	$350,900	171	$859	90%	Greenville, NC	Greenville, NC
Pelican Pointe	October 2018	2000	$28,600,000	$321,765	$660,741	266	$1,026	91%	Slidell, LA	New Orleans, LA
Laurel Pointe	Nov. 2018	1970	$13,000,000	$183,916	$307,450	160	$885	92%	Jacksonville, FL	Jacksonville, FL
The Oaks on Monument	Dec. 2018	1975	$23,200,000	$343,389	$552,745	262	$813	91%	Jacksonville, FL	Jacksonville, FL
2626 Park	January 2019	1997	$41,800,000	$478,094	$992,750	440	$890	86%	Tallahassee, FL	Tallahassee, FL
Ascend at Savannah	February 2019	1970	$13,150,000	$128,177	$315,600	159	$836	88%	Savannah, GA	Savannah, GA
Crescent Commons	March 2019	2002	$21,400,000	$224,956	$513,000	288	$724	92%	Fayetteville, NC	Fayetteville, NC
Park Place	March 2019	2000	$13,750,000	$73,639	$324,015	144	$904	94%	Foley, AL	Daphne-Fairhope-Foley, AL
Summer Trace	March 2019	1997	$11,000,000	$58,533	$260,380	104	$978	92%	Gulf Shores, AL	Daphne-Fairhope-Foley, AL

Windscape	March 2019	1984	$5,250,000	$35,980	$124,400	72	$854	86%	Daphne, AL	Daphne-Fairhope-Foley, AL
Ascend Midtown[1]	May 2019	1969	$15,200,000	$140,154	$298,609	150	$916	91%	Savannah, GA	Savannah, GA
The Arbors[1]	May 2019	1988	$12,900,000	$84,439	$253,434	108	$1,026	93%	Garden City, GA	Savannah, GA
Azure Cove[1]	May 2019	1987	$15,400,000	$108,742	$301,561	144	$976	94%	Garden City, GA	Savannah, GA
Carriage House[1]	May 2019	1968	$14,500,000	$151,062	$284,676	144	$932	95%	Savannah, GA	Savannah, GA
Kessler Point[1]	May 2019	1989	$12,000,000	$85,067	$236,074	120	$897	91%	Garden City, GA	Savannah, GA
Ridgewood[1]	May 2019	1978	$14,300,000	$128,012	$280,342	144	$890	93%	Savannah, GA	Savannah, GA
Heritage at Riverstone[1]	July 2019	2001	$32,200,000	$268,738	$621,713	240	$1,044	95%	Canton, GA	Atlanta, GA
TEN35 Alexander[1]	July 2019	2001	$21,590,000	$167,029	$416,780	200	$1,053	95%	Augusta, GA	Augusta, GA
Falls at Spring Creek[1]	July 2019	1991	$23,270,000	$269,901	$446,008	296	$835	90%	Macon, GA	Macon, GA
Legacy at River Crossing[1]	July 2019	1986	$14,680,000	$133,740	$280,675	200	$807	89%	Macon, GA	Macon, GA
Riverstone[1]	July 2019	2012	$26,460,000	$325,353	$515,482	220	$1,119	93%	Macon, GA	Macon, GA
Totals			$400,415,000	$3,987,345	$8,628,335	4,200	$910	91%		

____

(1) These properties are held by the joint venture.
(2) Contract purchase price excludes acquisition fees and expenses.
(3) Represents real estate taxes for 2019.
(4) Fees paid to advisor include payments for the acquisition fee and financing coordination fee in connection with the property acquisition. It does not include fees paid to any property manager, including our affiliated property manager or construction management fees paid to our property manager.
(5) Average monthly rent per unit is based upon the average gross potential rent for the trailing three-month period ended December 2019.
(6) Occupancy is a 12-month average (or for the period of Fund I's ownership if less than 12 months) as of December 2019.

**Peppertree Lane was acquired by Fund I in April 2018 for $12.0 million and sold in December 2019 for approximately $16.2 million or $96,000 per unit. This sale generated a 20.4% average annual return on Fund I's capital investment in this property. During Fund I's ownership of Peppertree Lane, approximately 48% of the units were renovated and average monthly rents in occupied units increased from $780 to $981.

Completed exterior renovations included enhancements to common areas and new outdoor amenities, including an outdoor kitchen and grilling station. Our management believes that the sale of Peppertree Lane evidences our ability to sell improved affordable workforce housing properties at an accretive return. However, past performance is not a guaranty or indicative of future results. There is no assurance that this Fund will be able to generate comparable returns on its anticipated portfolio.

Management

General

We are a manager-managed limited liability company and are controlled and managed by an independent board of directors. Our advisor will manage our day-to-day affairs and the acquisition and disposition of our investments on our behalf, subject to our board of directors' approval. Our advisor's responsibilities include, but are not limited to, real estate-related services such as identifying and making investments in real estate properties on our behalf, subject to our board of directors' approval, providing asset management services, and day-to-day administrative services such as managing communications with unitholders and providing financial and regulatory reporting services. Our advisor does not have any employees and will utilize the employees and key personnel of our sponsor. Our advisor has a contractual responsibility to us pursuant to the advisory agreement by and between us and our advisor.

Directors

The following is biographical information for each of our directors:

John E. Carter, age 59, founded and serves as the Chairman of the board of directors of Carter Multifamily Growth & Income Fund, LLC and Carter Multifamily Growth & Income Fund II, LLC. He also serves as Executive Chairman and as a member of the investment committee of our advisor, Carter Multifamily Growth & Income Advisors II, LLC and as Executive Chairman of our sponsor, Carter Multifamily Fund Management Company, LLC. In March 2019, Mr. Carter founded and serves as Executive Chairman and member of the Investment Committee of Carter Exchange Fund Management, LLC. He also serves as Executive Chairman of CX Reagan Crossing Manager, LLC. Since 2009, Mr. Carter has served in various executive, management, advisory and board capacities for the Carter Validus Mission Critical REIT entities and their affiliates. Mr. Carter has more than 35 years of real estate experience in all aspects of leasing, asset management, acquisitions, finance, investment and corporate advisory services. Mr. Carter was previously the Vice Chairman and a principal of Carter & Associates, LLC from January 2000 to June 2016. He also is a founding board member of GulfShore Bank, a community bank located in Tampa, Florida, serving on the board from August 2007 until the bank was sold in April 2017. Mr. Carter is a licensed real estate broker, a retired member of the IPA Board and Executive Committee, a member of IPA's PAC Board, and is a member of NAREIT's Public Non-Listed REIT Council Executive Committee. Mr. Carter obtained a bachelor's degree in Economics from St. Lawrence University and a master's degree in Business Administration from Harvard University.

Joseph Caballero, age 51, serves as an independent director and also serves as a director of Carter Multifamily Growth & Income Fund, LLC. He was previously the Tampa Bay Market President and Executive Vice President for Seacoast National Bank. Prior to this role, he was the Chief Executive Officer, President, and Director of GulfShore Bank and GulfShore Bancshares, Inc. During his eight-year tenure in these positions, he led the recapitalization and turn-around of the bank and its ultimate sale to Seacoast National Bank with an enterprise value in excess of $70 million. He holds a Bachelor of Science in Finance from Florida State University, a Master of Accountancy from the University of South Florida, and is a Certified Public Accountant licensed in the State of Florida. He previously held his Series 7, Series 66 and Series 31 securities licenses. Mr. Caballero was born in Tampa and attended Jesuit High School. He remains active in the support of Jesuit High School and the Jesuit Foundation, and continues to serve in various capacities. He is a director of the H. Lee Moffitt Cancer Center Hospital, the H. Lee Moffitt Cancer Center Foundation, a member of the Executive Committee, Chair of the Joint Finance and Planning Committee for the Center, a member of the Executive Benefits and Compensation Committee, a member and past chair of the Joint Investment Committee, and past chair of the Audit Committee. He is also a member of the Roche Surety and Roche Surety and Casualty Boards, the Eastern U.S. Board of the Salesian Sisters. He is a member of the National Association of Corporate Directors, the Florida Institute of Certified Public Accountants, or FICPA, and the American Institute of Certified Public Accountants, or AICPA.

Randall Greene, age 70, serves as an independent director and also serves as director of Carter Multifamily Growth & Income Fund, LLC. Mr. Greene has also served as a director of Carter Validus Mission Critical REIT II, Inc. since April 2014 and previously served as a director of Carter Validus Mission Critical REIT, Inc. He has 40 years of experience in real estate management, mortgage banking, construction and property development. Mr. Greene currently serves as the Managing Partner and a director for Greene Capital Partners, LLC, an investment and advisory

firm, and has been in this position since 1999, as well as President and a Director of ITR Capital Management, LLC, an investment management firm, since September 2009. Mr. Greene served as the Chief Operating Officer of the Florida Department of Environmental Protection from September 2011 through March 2015. Mr. Greene obtained a bachelor's degree, with distinction, from Eckerd College and a Master of Business Administration degree from The Wharton School, University of Pennsylvania.

Compensation of Our Directors

We pay each of our independent directors an annual retainer of $15,000, pro-rated for a partial term, and each independent director will receive $25,000 in Class I Units annually. Each independent director will receive $1,000 for each board meeting the director attends in person and $500 for each telephonic board meeting. All directors will receive reimbursement of reasonable out-of-pocket travel expenses incurred in connection with attendance at meetings of the board of directors. If a director is not independent, we will not pay separate compensation for services rendered as a director.

Key Personnel

The following is biographical information for our executives and the key personnel of our advisor:

Cynthia M. Pfeifer, age 60, serves as our Chief Executive Officer. She also serves as Chief Executive Officer and is a member of the investment committee of our advisor, Carter Multifamily Growth & Income Advisors II, LLC, and as Chief Executive Officer of our sponsor, Carter Multifamily Fund Management Company, LLC. Ms. Pfeifer brings more than 30 years of experience in the commercial and multifamily sectors to the Carter Multifamily Growth & Income Fund II, LLC. She most recently served as the USA Advisor and joint venture partner for Pancho Real Estate Holdings, a privately held global real estate holding and finance company based in Israel, from October 2011 to August 2017. She has held the positions of President, Chief Investment Officer, Chief Operating Officer and Chief Financial Officer of a variety of real estate organizations, including Place Properties, Lane Co., and Carter & Associates, LLC. Ms. Pfeifer served as President and Chief Operating Officer at Lane Co. from October 2009 to October 2011 where she stabilized and repositioned the company during a recession while debt and equity renegotiations were occurring on a $1+ billion portfolio. Ms. Pfeifer was an owner, Executive Vice President and Chief Financial Officer at Carter & Associates, LLC, a full service commercial real estate development, brokerage and management company. Ms. Pfeifer obtained a bachelor's degree in Business Administration in Accounting from The College of William and Mary.

Raymond L. Hutchinson, age 50, serves as our Chief Investment Officer. He also serves as Chief Investment Officer and is a member of the investment committee of our advisor, Carter Multifamily Growth & Income Advisors II, LLC. Mr. Hutchinson is a multifamily expert with over 25 years of executive leadership, development, investment and operational experience in institutionally owned real estate and brings a vast array of acquisition, construction, and disposition experience to our advisor. He has been involved in well over $5.0 billion of investment activity including acquisitions, dispositions and development of garden, mid-rise and high-rise apartment homes. He is a founder and principal of Allegiant Multifamily Capital Advisors, a Birmingham, Alabama-based multifamily advisory firm, that has provided multifamily operations and development consulting services to prominent owners and operators, including platforms such as Lincoln Military Housing, Lennar Multifamily and Grosvenor Fund Management and, to date, has provided advisory services on a portfolio of over 50,000 multifamily units. He also was a Partner and Chief Operating Officer of Chicago, Illinois-based Providence Management Company, LLC. Mr. Hutchinson held key executive level positions from 2004 to 2010 with Birmingham, Alabama-based Colonial Properties Trust REIT, a sunbelt REIT with over 45,000 units and $3.5 billion in value. He has also held senior leadership roles in local and state industry-specific associations and also served as a member of the National Multi-Housing Council's Executive Committee, as well as serving as the former President of Big Brothers, Big Sisters of Birmingham. Mr. Hutchinson received a bachelor's degree in Business Administration in Human Resources from the University of Central Florida.

Lisa A. Drummond, age 56, serves as our Chief Operating Officer and Secretary. She also serves as Chief Operating Officer and Secretary and is a member of the investment committee of our advisor, Carter Multifamily Growth & Income Advisors II, LLC, and as Chief Operating Officer and Secretary of our sponsor, Carter Multifamily Fund Management Company, LLC. She served as the Chief Operating Officer and Secretary of Carter Validus Mission Critical REIT II, Inc. and of Carter Validus Advisors II, LLC from January 2013 to September 2018. She also served

as Secretary of Carter Validus Mission Critical REIT, Inc. and Chief Operating Officer and Secretary of Carter/Validus Advisors, LLC from December 2009 to September 2018. She also served as Chief Operating Office and Secretary of Carter Validus REIT Investment Management Company, LLC, Carter Validus REIT Management Company II, LLC and CV REIT Management Company, LLC through September 2018. Ms. Drummond has more than 30 years of real estate experience involving real estate accounting, asset management, property management and financial analysis. Ms. Drummond joined Carter & Associates, LLC in January 2000 as a Vice President in its Transaction Services Group, as part of the merger of Newport Partners LLC and Carter & Associates. Ms. Drummond obtained a bachelor's degree in Accountancy from the University of Missouri in Columbia.

Thomas W. Guard, age 55, serves as our Chief Financial Officer. He also serves as the Chief Financial Officer and is a member of the investment committee of our advisor, Carter Multifamily Growth & Income Advisors II, LLC, and as Chief Financial Officer of our sponsor, Carter Multifamily Fund Management Company, LLC. Mr. Guard has over 30 years of experience in accounting and financial reporting, corporate finance, capital markets, and capital planning. Prior to joining our advisor, Mr. Guard was Senior Vice President Finance of Uniti Fiber LLC from September 2016 through November 2017 where he led the accounting, finance and contracts administration teams. From September 2007 through August 2016, Mr. Guard was Chief Financial Officer with Tower Cloud, Inc. prior to its merger with Uniti Fiber. Prior to Joining Tower Cloud, from April 2002 through April 2007, Mr. Guard was Senior Vice President and Treasurer with Global Signal, Inc., a publicly traded REIT, owner and operator of approximately 11,000 wireless communication towers with a $3.9 billion market value. Mr. Guard started his career with Price Waterhouse in St. Louis spending four years there, then spent five years in banking and consulting positions. Mr. Guard is a Certified Public Accountant licensed in the state of Missouri and obtained a Master of Business Administration from the University of Florida and a Bachelor of Science in Business Administration in Accounting from the University of Missouri in St. Louis.

Lisa A. Robinson, age 57, serves as President, and is a member of the investment committee, of our advisor, Carter Multifamily Growth & Income Advisors II, LLC. She also serves as Vice President of our sponsor. Ms. Robinson is a seasoned commercial/multifamily professional with over 30 years of experience working for a range of recognized national and regional real estate firms. She has a diverse and extensive background in all aspects of commercial and multifamily corporate operations, marketing, branding, budgeting, recruiting, training, and teambuilding. Prior to joining our advisor, Ms. Robinson served as Chief Operations Officer of ARA, a Newmark Company (f/k/a Apartment Realty Advisors which was acquired by BGC Partners, an affiliate of Cantor Fitzgerald, in 2014) from September 2005 to January 2017 where she was instrumental in growing the platform from 8 to 27 offices in 10 years and was part of the executive team that launched a JV debt platform along with four national multifamily specialty practice groups focused on Student, Seniors, Affordable and Manufactured housing. Ms. Robinson received a bachelor's degree in Real Estate and Urban Development from Georgia State University.

James S. Sauls, age 51, serves as Executive Vice President, and is a member of the investment committee, of our advisor, Carter Multifamily Growth & Income Advisors II, LLC, and is a member of the investment committee of our advisor. Mr. Sauls is a 29-year veteran of the real estate industry, having built and managed several successful real estate firms all within the multifamily space. He is the founder and has served as Chief Executive Officer of Benchmark Asset Management, LLC, or Benchmark, since November 1998. Benchmark is a multi-platform company, specializing in conventional, student and scattered site housing since 1998. Benchmark and its affiliates have participated in the acquisition, disposition and management of over 12,000 units representing over $750 million in value stretching from the Carolinas to Texas. Mr. Sauls participated in the startup of a community bank, Probank, where he was a 5-year board member from 2007 to 2011, and has been a licensed real estate broker in Florida since 1998. Mr. Sauls received a bachelor's degree in Accounting from Florida State University.

Executive Unit Purchase Plan

John Carter executed an Executive Unit Purchase Plan. Pursuant to the Executive Unit Purchase Plan, Mr. Carter has agreed to invest 100% of his net after-tax salary received from our sponsor directly into our Class I Units. Purchases of our Class I Units pursuant to the Executive Unit Purchase Plan will commence beginning with the officer's initial scheduled payroll payment until the Executive Unit Purchase Plan terminates. The Executive Unit Purchase Plan will terminate at the termination of the offering or earlier, unless extended beyond the termination date of the offering. The Class I Units will be purchased pursuant to the Executive Unit Purchase Plan at a price of $905.00

per Class I Unit (unless an early investor discount applies). Alternatively, Mr. Carter may, in his sole discretion, purchase some or all of the units at the outset of the offering.

The Advisory Agreement

Our advisor is responsible for managing, operating, directing and supervising our operations and the administration of our company and our assets. Pursuant to our advisory agreement, our advisor will use commercially reasonable efforts to present to us potential investment opportunities, subject to the limitations of our investment policies as set forth in this memorandum, and to provide us with a continuing suitable investment program consistent with our investment objectives and policies. Many of the services performed by our advisor in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions that our advisor will perform for us, and it is not intended to include all of the services that may be provided to us. Our advisor will provide the following services pursuant to the advisory agreement, which the advisor may fulfill either directly or indirectly by engaging another affiliate or third party: organization and offering services; acquisition and disposition services; asset management and financing services; accounting and other administrative services; and unitholder services. Our advisor may provide other services we reasonably request. In the event of the termination of our advisory agreement, our advisor is required to cooperate with us to provide an orderly management transition.

We will pay our advisor fees and reimburse it for certain expenses incurred on our behalf. To the extent fees are paid to our advisor by a REIT Subsidiary, such fees will be offset against fees otherwise payable by us to our advisor, such that our unitholders will only be subject to one layer of fees to our advisor. Notwithstanding this arrangement, we and our unitholders will indirectly bear the expenses associated with forming a REIT Subsidiary, non-advisory fees paid by a REIT Subsidiary (if any) and operating expenses, including maintaining a REIT Subsidiary's REIT qualification. To the extent that we form other REIT subsidiaries, it is expected that our advisor will provide investment advisory services that have substantially similar terms to each REIT Subsidiary. For a detailed description of the fees and expense reimbursements payable to our advisor, see the "Management Compensation" section of this memorandum.

Affiliates of our advisor may have sponsored, co-sponsored or provided services for, and may sponsor, co-sponsor or provide services for, one or more other real estate investment programs in the future. Our advisor and its affiliates will have to allocate their time between us and other real estate programs and activities in which they may be involved. Our advisor and its affiliates will seek to allocate investment opportunities to us in a manner that is fair and equitable. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. For a description of some of the risks related to these conflicts of interest, see "Risk Factors — Risks Related to Conflicts of Interest" — in this memorandum.

Investment Committee of the Advisor

Our advisor utilizes the investment committee to oversee the implementation of our investment strategy. The primary responsibility for the identification of and negotiation for our investments resides with the investment committee of our advisor, which is currently comprised of John Carter, Cynthia Pfeifer, Raymond Hutchinson, Lisa Drummond, Thomas Guard, Lisa Robinson and James Sauls. More specifically, the investment committee is responsible for: (i) monitoring liquidity for compliance with our investment guidelines, (ii) reviewing our investment guidelines that will be implemented by our advisor, and (iii) developing, monitoring and implementing financing strategies and material capital expenditures. The investment committee monitors our investment strategy and portfolio performance and provides guidance to our advisor in order to assist our advisor with meeting our investment objectives. The investment committee reviews and approves each potential real estate investment before our advisor presents such opportunities to our board of directors for approval.

Property Management Agreements

Our properties will be managed by our property manager, a wholly owned subsidiary of our sponsor. Our property manager or one of its affiliates will enter into a separate property management agreement with each wholly-owned subsidiary that owns one or more properties. It is expected that substantially the same form of property management agreement will be used in each instance. The following summary is provided to illustrate the material functions that our property manager or its affiliates, as applicable, will perform for our subsidiaries, and it is not intended to include

all of the services that such entities may provide. Under the terms of the form of property management agreement, our property manager will undertake to perform its duties in a diligent, careful and professional manner to maximize all potential revenues to us and to minimize expenses and losses to us. The services of our property manager are to be of a scope and quality not less than those generally performed by first class, professional managers of properties similar in type and quality to our properties that will be managed by our property manager and located in the same market as such properties. Our property manager will at all times act in good faith and in a commercially reasonable manner with respect to the proper protection of and accounting for our assets. In its performance of the property management responsibilities pursuant to the terms of the property management agreements, our property manager, either directly, or indirectly through an affiliate, will, among other duties: collect all rent and other payments due; pay all sums to comply with the obligations under any mortgages, deed of trust, leases, easements, restrictions, service contracts and other agreements affecting a property; maintain and repair our properties as required; and take such action as may be necessary to comply with local laws and ordinances affecting such property.

In accordance with the property management agreements, our affiliated property management company manages, operates, leases and supervises the overall maintenance of all of our properties, and we pay them a fee equal to 3.5% of gross revenues from the properties. The property management agreements generally will have an initial term of one year, and will generally automatically renew for an unlimited number of successive one year periods, subject to earlier termination as described in the form property management agreement. The property management fees we expect to pay to our property manager are described in the "Management Compensation" section of this memorandum.

Dealer Manager

Our dealer manager is a member firm of FINRA. Skyway was formed in March 2003 as a Florida limited liability company. Pursuant to the dealer manager agreement with Skyway, our dealer manager provides certain wholesaling, sales, promotional and marketing assistance services to us in connection with the distribution of the Class A Units and Class I Units offered pursuant to this memorandum. Skyway will sell a limited number of Class A Units to "qualified purchasers" (as defined under the Investment Company Act) at the retail level. Class A Units are also available for purchase through selling group members of Skyway in various distribution channels, and Class I Units are available through selling group members in limited distribution channels. The compensation we will pay to our dealer manager in connection with this offering is described in the "Management Compensation" section and "Plan of Distribution" section of this memorandum.

Transfer Agent

Our transfer agent is Great Lakes Fund Solutions, Inc., which will conduct transfer agency, registrar and supervisory services for us.

Limited Liability and Indemnification of Directors, Sponsor, Advisor, Property Manager, Dealer Manager, and their Affiliates

Subject to certain limitations, our limited liability company agreement, advisory agreement, dealer manager agreement, and property management agreements, as applicable, limit the liability of our directors, sponsor, advisor, property manager, dealer manager, and their affiliates for monetary damages and provide that we will indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to our directors, sponsor, advisor, property manager, dealer manager, and their affiliates.

The SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable. Indemnification of our directors, sponsor, advisor, property manager, dealer manager, and their affiliates will not be allowed for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met: there has been a successful adjudication on the merits of each count involving alleged securities law violations; such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

Management Compensation

Our board of directors has delegated certain of its management functions to our advisor and our advisor manages our day-to-day affairs. The following table summarizes all of the compensation and fees we pay to our dealer manager, advisor and their affiliates, including amounts to reimburse their costs in providing services. Our advisor may, in its sole discretion, elect to have certain fees paid, in whole or in part, in cash or units. The selling commissions may vary for different categories of purchasers. Unless otherwise indicated, this table assumes that, (i) we sell the maximum of $200,000,000 of units (allocated as described in "Estimated Use of Proceeds"), including $170,000,000 of Class A Units and $30,000,000 of Class I Units, (ii) there are no special sales which could reduce selling commissions and all units are sold through distribution channels associated with the highest possible selling commissions and dealer manager fee, and (iii) all of said proceeds are used for acquiring assets including renovating properties, and paying acquisition expenses, debt acquisition costs and our fees. Many of the figures represent management's best estimate because they cannot be precisely calculated at this time.

Type of Compensation	Determination of Amount and Recipient	Estimated Amount of Maximum Sold
	Organizational and Offering Stage	
Selling Commissions	We will pay Skyway up-front selling commissions in the amount of up to 7.0% of the gross offering proceeds from the sale of Class A Units.	$11.90 million
Marketing Reallowance Fee	We will pay Skyway a marketing reallowance fee in an amount equal to 1.0% of the gross offering proceeds from the sale of Class A Units.	$1.70 million
Dealer Manager Fee	We will pay Skyway an up-front dealer manager fee equal to 1.5% of the gross offering proceeds from the sale of Class A Units.	$2.55 million
Sponsor Marketing Fee	Our advisor will pay Skyway, without reimbursement from us, a sponsor marketing fee equal to 2.0% of the gross offering proceeds from the sale of Class A Units and Class I Units.	$4.00 million
Offering Expenses	We reimburse our advisor and its affiliates not to exceed 2.5% of the total gross proceeds of this offering as of the termination of this offering.	$5.00 million
	Operational Stage	
Acquisition Fees	We will pay to our advisor or its assignees 2.0% of the contract purchase price of each property or other permitted investment, inclusive of any debt.	Actual amounts depend upon the amount of investment and the leverage we incur.
Acquisition Expenses	We will reimburse our advisor for acquisition expenses, excluding the acquisition fee payable to our advisor, incurred by us, our advisor or any affiliate, in connection with the selection, acquisition or development of any property.	Actual amounts depend on the amount of assets acquired.

Type of Compensation	Determination of Amount and Recipient	Estimated Amount of Maximum Sold
Asset Management Fees	We will pay our advisor a quarterly asset management fee in connection with the management of our assets in an amount equal to ¼ of 0.75% of our average invested assets, which is payable quarterly in arrears.	Actual amounts depend on the amount of assets acquired.
Other Operating Expenses	We may reimburse our advisor's costs of providing administrative services.	Not determinable at this time.
Property Management Fees	We will pay our property manager aggregate fees equal to 3.5% of gross revenues from the properties managed; however, we may pay our property manager higher or lower fees in the sole discretion of our board of directors. We will also reimburse the property manager for property-level expenses.	Not determinable at this time.
Construction Management Fees	For acting as general contractor and/or construction manager to supervise or coordinate projects or to provide major repairs or rehabilitation on our properties, we may pay our advisor or an affiliate an amount equal to 5.0% of the cost of the projects, repairs and/or rehabilitation, as applicable.	Actual amounts depend upon the properties acquired and our renovation plans.
Development Fee	Although we do not expect our advisor to provide any development-related services at this time, in the event our advisor or affiliates provide development-related services, we may pay the respective party a development fee in an amount that is usual and customary for comparable services.	Not determinable at this time.
Financing Coordination Fee	We may pay the advisor or its assignees a financing coordination fee equal to 0.5% of the amount available or outstanding under that financing or assumed debt.	Actual amounts depend upon our leverage levels, refinancings.
	Liquidity Stage	
Disposition Fee	We will pay to our advisor a disposition fee equal to 1.0% of the total consideration we receive for the sale of a property or other permitted investment.	Not determinable at this time.
Carried Interest	Our advisor will receive a carried interest pursuant to our limited liability company agreement equal to 20% of the excess amount remaining after unitholders have received a return of their aggregate capital contributions in accordance with each unitholder's Capital Contribution Account (as defined in our limited liability company agreement) balance and an 8.0% non-compounding cumulative common return based on each unitholder's Capital Contribution Account balance.	Not determinable at this time.

Risk Factors

An investment in our units involves various risks and uncertainties. You should carefully consider the following risk factors in conjunction with the other information contained in this memorandum before purchasing our units. The risks discussed in this memorandum can adversely affect our business, operating results, prospects and financial condition. These risks could cause the value of our units to decline and could cause you to lose all or part of your investment. The risks and uncertainties described below represent those risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition as of the date of this memorandum, but they do not include all possible risks and uncertainties we may face.

Risks Related to an Investment in Carter Multifamily Growth & Income Fund II, LLC

Because this is a blind pool offering an investment is more speculative.

We have not identified the properties we may acquire with the net proceeds from this offering. Our ability to identify properties meeting our investment criteria and to achieve our investment objectives depends upon the performance of our advisor in finding suitable investments to present to our board of directors and determining any financing arrangements. You will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments before we invest in them.

There is limited track record as to Fund's or advisor's past performance.

Although the members of the advisor's investment committee and other key personnel of the advisor and sponsor have extensive experience investing in and structuring real estate properties and real estate related businesses and entities, the Fund and the advisor are newly formed entities and, consequently, have no operating history upon which potential investors may evaluate their performance. While the sponsor's first fund, Fund I, as of December 31, 2019 raised approximately $117,262,220 of investor capital to deploy in similar projects, there is limited track record yet with respect to Fund I's investment performance. Furthermore, sponsor's past performance with Fund I is not necessarily indicative of actual future results of the Fund.

We may suffer from delays in locating suitable investments.

We could suffer from delays in locating suitable investments, particularly as a result of our reliance on our advisor at times when management of our advisor may be simultaneously seeking to locate suitable investments for other programs. Our ability to make distributions and the value of an investment in our units likely would be adversely affected by any delays we encounter in the selection, acquisition and expansion of income-producing properties.

We may change our targeted investments and investment objectives without unitholder consent.

We expect to use substantially all the net proceeds of this offering primarily to acquire middle-market Class B and Class C multifamily properties with a value-add component. However, we may change our investment objectives and the methods of implementing our investment policies. This could include changing our target portfolio investments. For example, we may change our objectives, policies, or targeted investments based on real estate market conditions and investment opportunities. All of this could be changed without unitholder approval. This could result in our making investments that are different from, and possibly riskier than, those anticipated and described in this memorandum at the time you invest in our units.

We may be unable to pay or maintain cash distributions or increase distributions over time.

There is no guarantee that we will pay any particular amount of distributions, if at all. There are many factors that can affect the availability and timing of cash distributions to unitholders, including the amount of cash flow from our REIT Subsidiaries. Initially, we expect distributions to be based on a combination of offering proceeds and cash available from our REIT Subsidiaries, and we cannot assure you that our REIT Subsidiaries will generate cash from operations to sustain distributions to us. REIT Subsidiaries' amount of cash available for distributions is affected by many factors, such as ability to buy properties as offering proceeds become available, rental income from such

properties and operating expense levels, as well as many other variables. Distributions paid from sources other than our cash flows from operations, particularly from proceeds of this offering, will result in us having fewer funds available to acquire properties, which may adversely affect our ability to fund future distributions with cash flows from operations, may dilute your interest in us, and may adversely affect the value of an investment in our units.

If we are unable to raise substantial funds, we will be limited in the number and type of investments we may make.

This offering is being made on a best efforts basis, and it does not have a minimum subscriptions requirement. Accordingly, we may hold an initial closing of the offering at any time after accepting a subscription. As a result, the amount of proceeds we raise in this offering may be substantially less than the amount we would need to achieve a broadly diversified property portfolio. If we are unable to raise substantial proceeds from this offering, we will make fewer investments resulting in less diversification in terms of the number of investments owned, the geographic regions in which our investments are located and the types of investments that we make. Your investment in our units will be subject to greater risk to the extent that we lack a diversified portfolio of investments.

If our advisor and its affiliates are unable to retain key personnel, our ability to implement our investment strategies could be delayed or hindered.

Our success depends to a significant degree upon the contributions of certain of the executive officers and other key personnel of our advisor, including John Carter, who would be difficult to replace. Our advisor does not have an employment agreement with any of these key personnel and we cannot guarantee that all, or any particular one, will remain affiliated with us and/or our advisor. If any of the key personnel were to cease their affiliation with our advisor, our operating results could suffer. Further, we do not intend to separately maintain key person life insurance on Mr. Carter or any other person. We believe that our future success depends, in large part, upon our advisor's ability to hire and retain highly skilled managerial, acquisitions, and asset management personnel. Competition for such personnel is intense, and we cannot assure you that our advisor will be successful in attracting and retaining such skilled personnel. If our advisor loses or is unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.

We have agreed to limit remedies available to us and our unitholders for actions by our key service providers and to indemnify them against certain liabilities.

In our limited liability company agreement, advisory agreement, and dealer manager agreement, we have agreed to limit the liability of our directors, sponsor, advisor, and dealer manager, and to indemnify our directors, sponsor, advisor, dealer manager, and their affiliates against certain liabilities. These provisions may be detrimental to unitholders because they restrict the remedies available to them for actions or omissions and could reduce unitholder returns. By purchasing our units, you will be treated as having consented to the provisions set forth in our limited liability company agreement, advisory agreement and dealer manager agreements. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under our limited liability company agreement, advisory agreement, and dealer manager agreement because of our desire to maintain our ongoing relationship with our directors, advisor, dealer manager, and their affiliates.

Risks Related to Conflicts of Interest

Our sponsor is involved in other real estate activities, which may cause conflicts of interest.

The sponsor and their respective affiliates engage in a broad spectrum of real estate investment activities that are independent from and may from time to time conflict with those of the Fund. In the future, instances may arise in which the interests of the sponsor or their affiliates conflict with the interests of the limited partners or the Fund, and there can be no guaranty that such conflicts will be resolved in favor of or to the satisfaction of the investors in this Fund. In resolving any such conflicts, a number of factors will be considered, including which vehicle has funds available to invest for the longest period of time since making an investment, and each vehicle's investment restrictions and diversification goals. However, there can be no assurance that an investment opportunity which comes to the attention of the sponsor or its affiliates will be appropriate for the Fund or, even if appropriate, will be referred to or pursued by the Fund in all circumstances. By acquiring units, each investor will be deemed to have acknowledged the

existence of the actual and potential conflicts of interest described in this Memorandum and to have waived any claim arising from the existence of any such conflict of interest.

The advisory agreement with our advisor was not negotiated on an arm's-length basis.

The advisory agreement was negotiated between related parties. Consequently, its terms, including fees payable to our advisor, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. In addition, we are not subject to the same rules and regulations that various states impose upon publicly registered companies. Thus, for example, we have limited rights to remove our advisor, and we cannot remove our advisor if we fail to achieve our investment objectives. Furthermore, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under the agreement because of our desire to maintain our ongoing relationship with our advisor and its affiliates. Our advisor does not owe us a fiduciary obligation. In addition, any recovery that could be obtained against our advisor would be limited by the terms of our limited liability company agreement.

Our advisor's right to acquisition and disposition fees, as well as its share in distributions, may result in investment decisions that do not fully reflect our unitholders' best interests.

A substantial portion of the economic benefit that our advisor expects to derive from us is dependent upon our achievement of certain cash return requirements. This compensation structure, while rewarding our advisor only after our unitholders have received a common return with respect to their investment in us, may create an incentive for our advisor to make investments on our behalf with greater income or gain potential, but which are also riskier or more speculative than investments that our advisor might otherwise recommend if its compensation did not include a carried interest component. Riskier or more speculative investments may adversely affect our financial condition and results of operations, which may consequently reduce the value of a unitholder's investment in us. In addition, our advisor also receives a fee upon the acquisition and disposition of each property that we acquire, whether or not we are able to generate adequate returns from such property. As such, our advisor could be motivated to sell and reinvest assets into new properties as it receives those fees, regardless of the quality of the investment.

Our advisor and its affiliates and some of their key personnel face competing demands relating to their time.

Our advisor and its affiliates and their officers and employees and certain of our key personnel and their respective affiliates are key personnel of general partners, sponsors, directors, managers, owners and advisors of other real estate investment programs, including, with respect to our advisor, certain of our key personnel and their respective affiliates, which may currently or may in the future have investment objectives and legal and financial obligations similar to ours, such as Fund I, and may own real properties or provide services with respect to other real properties, some of which may compete with us, as well as owning other business interests. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. If this occurs, the returns on our investments may suffer.

Because our advisor is wholly owned by our sponsor, the interests of the advisor and the sponsor are not separate.

Our sponsor owns 100% of the interests in our advisor. Therefore, the interests of our advisor and our sponsor are not separate, and the advisor's decisions may not be independent from, or may be heavily influenced by, the sponsor, which may result in the advisor making decisions to act in ways that are not in the investors' interests.

There is no separate counsel for us and our advisor, which could result in conflicts of interest.

Johnson Pope Bokor Ruppel & Burns, LLP acts as legal counsel to us and also represents our advisor. There is a possibility in the future that the interests of the various parties may become adverse and, under the Code of Professional Responsibility of the legal profession, Johnson Pope Bokor Ruppel & Burns, LLP may be precluded from representing any one or all such parties. If any situation arises in which our interests appear to be in conflict with our advisor or its affiliates, additional counsel may be retained by one or more of the parties to assure that their interests are adequately protected. Moreover, should a conflict of interest not be readily apparent, Johnson Pope Bokor Ruppel & Burns, LLP may inadvertently act in derogation of the interest of the parties, which could affect our ability to meet our investment objectives.

Risks Related to This Offering and Our Structure

The units we are offering have not been registered under the Securities Act or state securities laws and are subject to restrictions upon transfer, and there is no public market for our units.

The units we are offering with this memorandum have not been registered under the Securities Act or the securities laws of any state, are being offered and sold in reliance upon exemptions from the registration requirements of the Securities Act and such state securities laws and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. There is no public market for our units, and our limited liability company agreement does not require that we list our units on any public securities market. It will, therefore, be difficult for you to sell your units. Even if you are able to sell your units, the absence of a public market may cause the price you receive to be less than what you paid or less than your proportionate value of the assets we own. As a result, you should purchase our units only as a long-term investment, and you must be prepared to hold your units for an indefinite period of time.

Our advisor can resign from its role as advisor on limited notice.

Our advisor has the right, under the advisory agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If our advisor resigns, we may not be able to find suitable replacements or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, and our financial condition, business and results of operations, as well as our ability to pay dividends, are likely to be adversely affected.

If we consummate a public offering, or if we exceed certain unitholder thresholds, we will incur significant costs.

If we consummate a public offering, which we have no current plans to do, or if we exceed 2,000 unitholders (or 500 unitholders who are not accredited investors), we will be required to register one or more classes of our securities under the Exchange Act, and we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements under the Exchange Act.

Our ability to conduct our offering successfully depends, in part, on the ability of the dealer manager to successfully establish, operate and maintain a network of broker-dealers and registered investment advisers.

The success of this offering, and correspondingly our ability to implement our business strategy, depends on the ability of our dealer manager to establish and maintain a network of licensed securities broker-dealers and other agents to sell our securities. The past success of the dealer manager cannot be relied upon as predictive of their performance in this offering. There is therefore no assurance that the dealer manager will be able to sell a sufficient number of units to allow us to have adequate funds to make our investments. If the dealer manager fails to perform, we may not be able to raise adequate proceeds through this offering to implement our investment strategy.

Our limited liability company agreement permits our board of directors to issue units with terms that may subordinate the rights of common unitholders.

Our board of directors may create new classes or series of units and establish their preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption. Thus, our board of directors could authorize the issuance of preferred units with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our units. Preferred units could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our units.

The discount to early investors will result in a greater return to early investors and dilution to investors who invest after the early investor discount terminates.

We will offer the units to all investors at a 10% discount to the offering price of each unit (the "first tier early investor discount") until we have raised $10,000,000 and then we will offer the units to all investors at a 5% discount to the offering price of each unit until we have raised an additional $10,000,000 (the "second tier early investor discount" and referred to with the first tier early investor discount as simply "early investor discount"). Our board of directors may extend the early investor discount period, in its sole discretion, at any time. Therefore, investors who invest during the early investor discount period will receive more units per dollar invested than investors who invest the same dollar amount after that period terminates. In addition, the value of our units is not based on the net asset value per unit. Therefore, the early investor discount will result in dilution to the value of a unit purchased after the early investor discount period.

Our board of directors' ability to amend our limited liability company agreement limits your rights.

Our limited liability company agreement provides that a majority of our board of directors has the exclusive power to adopt, alter or repeal any provision of our limited liability company agreement, unless such amendment would adversely change the rights of the units (and provides that the creation of a new class or series of units does not constitute such an adverse change). Thus, our unitholders generally may not effect changes to our limited liability company agreement, which limits your ability to participate in the direction of the management of our company.

We could be required to register as an investment company under the Investment Company Act.

We are not registered, and do not intend to register ourselves or any of our subsidiaries, as an investment company under the Investment Company Act. In particular, the Fund intends to conduct its operations so that it will be not be considered, or will be excluded from regulation as, an "investment company" under the Investment Company Act because we are primarily engaged in the business of acquiring real estate. Otherwise we intend to rely on the exemption set forth Section 3(c)(5)(C) of the Investment Company Act, which is an exemption for entities primarily engaged in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." If we become obligated to register ourselves or any of our subsidiaries as an investment company, the registered entity would have to comply with a variety of substantive requirements under the Investment Company Act, including regulations as to our capital structure (including our ability to use debt), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and portfolio composition, including restrictions with respect to diversification and industry concentration and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan. We intend to conduct our operations, directly and indirectly, so that we and each of our subsidiaries are exempt from registration as an investment company under the Investment Company. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in business, and civil actions could be brought against the violating entity. In addition, the investment company's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the investment company and liquidate its business.

Neither our board of directors nor our advisor owe a fiduciary duty to our unitholders or to us.

Our limited liability company agreement provides that our board of directors does not have a fiduciary duty to us or our unitholders, and our advisory agreement establishes only a contractual duty but not a fiduciary duty to us or our unitholders. Accordingly, both our board of directors and advisor only have the duty to act in accordance with the implied contractual covenant of good faith and fair dealing. This standard is significantly less than a fiduciary duty standard, a standard that is typically imposed on persons having such roles in publicly registered companies. As a result, they may not perform their duties as expected, may take riskier courses of action than if they were acting in their own interests, or may not undertake actions solely in our best interests, which may adversely affect our ability to meet our investment objectives.

You are bound by the majority vote on matters on which you are entitled to vote.

Except as expressly provided in our limited liability company agreement, applicable law, or the requirements of applicable regulatory agencies, if any, our common unitholders do not have any voting rights with respect to any decision or matter of the Company or our REIT Subsidiaries other than the right to remove and replace a director for cause. It is possible that an action requiring unitholder approval could be approved by less than a majority of

outstanding units. You will be bound by the majority vote on matters requiring approval of a majority of the unitholders present at a unitholder meeting at which there is a quorum, even if such approval is granted by less than a majority of outstanding units, and even if you do not vote with the majority on any such matter.

We established the offering prices on an arbitrary basis.

Our board of directors has arbitrarily determined the selling price of the units and did not base the offering price on any relationship to our book or asset values, or to any other established criteria for valuing issued or outstanding units. The offering price may not accurately represent the current value of the Fund's assets at any particular time and may be higher or lower than the actual value of the Fund's assets. Because the offering price is not based upon any independent valuation, the offering price is not indicative of the proceeds that you would receive upon liquidation.

Payments of fees to our advisor, our property manager and their affiliates will reduce cash available for investment.

Our advisor and our property manager and their affiliates will perform services for us in connection with conducting our operations and managing the portfolio of real estate investments we expect to acquire. We will pay significant fees to our advisor, property manager and their affiliates during our operational stage. Those fees include asset management fees, acquisition fees, financing fees, property management fees, oversight fees, construction management fees and development fees, and obligations to reimburse our advisor, property manager, and their affiliates for expenses they incur in connection with their providing services to us, including certain personnel services. We may also pay significant fees during our liquidity stage, including disposition fees. Disposition fees will be payable regardless of whether we reach specific investment-return thresholds. These fees will also reduce the amount of cash available for investment in properties or distribution to unitholders.

General Risks Related to Investments in Real Estate

Our operating results may be affected by economic changes and regulatory issues.

Our operating results are subject to risks generally incident to the ownership of real estate, including: changes in general economic or local conditions; changes in supply of or demand for similar or competing properties in an area; changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive; changes in tax, real estate, environmental and zoning laws; and periods of high interest rates and tight money supply. These and other risks may prevent us from being profitable or from realizing growth or maintaining the value of our real estate properties.

We may obtain only limited warranties when we purchase a property.

The seller of a property often sells its property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all our invested capital in the property as well as the loss of rental income from that property.

Our value-add investments may entail risks associated with property renovations.

Part of our strategy involves acquiring properties that require implementing a value-add strategy. Value-add investments generally consist of properties that provide an opportunity for the improvement of the physical asset, occupancy, or financial, operational or management characteristics of the property in order to increase cash flow and value, and such investments typically require additional capital investments and may include significant physical renovations, which can result in additional costs and delays and disruption to a property's ongoing rental income.

We may be required to indemnify the purchasers of our investments.

In connection with the disposition of a property from our portfolio, we may be required to make representations about our assets typical of those made in connection with the sale of any property. We may also be required to

indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate, incorrect, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by us out of assets other than the net proceeds made available from such disposition, which would hurt our ability to make distributions to you and result in a decline in the value of our assets and hence your investment in us.

We may acquire or finance properties with provisions that limit our operations.

Our financing agreements may contain lock-out provisions, which are provisions in loan agreements that prohibit us from prepaying a debt obligation before a certain time (or that prohibit us from prepaying without incurring significant additional expense). Lock-out provisions could materially restrict us from selling or otherwise disposing of or refinancing properties, and thus affect cash available for distributions to you. Lock-out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our unitholders.

We may incur indebtedness in connection with the acquisition of our properties or to fund distributions from our REIT Subsidiaries.

We expect that in most instances, we will acquire real properties by assuming existing financing or borrowing new funds. In addition, we may incur mortgage debt and pledge all or some of our real properties as security for that debt to obtain funds to acquire additional real properties. We may borrow if our REIT Subsidiaries need funds to satisfy their REIT tax qualification requirement that they generally distribute annually at least 90% of their REIT taxable income to us, determined without regard to the deduction for dividends paid and excluding net capital gain. We also may borrow if we otherwise deem it necessary or advisable to assure that we maintain each of our REIT Subsidiaries' qualification as a REIT. Although we intend to limit our borrowings to not more than 75% of the aggregate fair market value of our assets (calculated after the close of this offering and once we have invested substantially all the proceeds of this offering), we may exceed this percentage. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment. If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on a property, then the amount available for distributions to unitholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of your investment. For U.S. federal income tax purposes, a foreclosure on any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure but would not receive any cash proceeds. In such event, a REIT Subsidiary may be unable to pay the amount of distributions required in order to maintain its REIT status. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we provide a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. If any of our properties are foreclosed upon due to a default, our REIT Subsidiaries' ability to pay cash distributions to us will be adversely affected, which could result in our REIT Subsidiaries losing their REIT status and this would result in a decrease in the value of your investment in us.

Changes in the debt markets could have a material adverse impact on our earnings and financial condition.

The domestic and international commercial real estate debt markets are subject to changing levels of volatility, resulting in, from time to time, the tightening of underwriting standards by lenders and credit rating agencies. If our overall cost of debt financing increases, either by increases in the index rates or by increases in lender spreads, we will need to factor such increases into the economics of future acquisitions. This may result in future acquisitions generating lower overall economic returns and potentially reducing future cash flow available for distribution. If these disruptions in the debt markets persist, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets will be negatively impacted. If we are unable to borrow monies on terms and conditions that we find acceptable, we likely will have to reduce the number of properties we can purchase, and the return on the

properties we do purchase may be lower. In addition, we may find it difficult, costly or impossible to refinance maturing indebtedness. In addition, the state of the debt markets could have an impact on the overall amount of capital investing in real estate, which may result in price or value decreases of real estate assets. This could negatively impact the value of our assets after the time we acquire them.

High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when the properties are refinanced, we may not be able to finance the properties on favorable terms and conditions, if at all, and our income would likely be reduced because of increases in rates. These occurrences would reduce our cash flow and cash available for distribution to unitholders, as well as hinder our ability to raise more capital by issuing more units or by borrowing more money.

Lenders may require us to enter into restrictive covenants relating to our operations.

In connection with providing us financing, a lender could impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage or replace our advisor. These or other limitations may adversely affect our flexibility and our ability to achieve our investment and operating objectives.

We may be unable to adjust our portfolio in response to changes in economic or other conditions.

We plan to invest in real estate assets, which are generally illiquid investments. Many factors that are beyond our control affect the real estate market and could affect our ability to sell properties for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. We may be unable to sell our properties at a profit. Our inability to sell properties at the time and on the terms we want could reduce our cash flow and limit our ability to make distributions to you and could reduce the value of your investment.

We could suffer losses that are not covered by insurance or that are in excess of insurance coverage.

We will carry comprehensive general liability coverage and umbrella liability coverage on all our properties with limits of liability that we deem adequate to insure against liability claims and provide for the costs of defense. Similarly, we will be insured against the risk of direct physical damage in amounts we estimate to be adequate to reimburse us on a replacement cost basis for costs incurred to repair or rebuild each property, including loss of rental income during the rehabilitation period. Material losses may occur in excess of insurance proceeds with respect to any property, as insurance may not be sufficient to fund the losses. However, there are types of losses, generally of a catastrophic nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims.

Delays in acquisitions of properties may have an adverse effect on your investment.

There may be a substantial period of time before the proceeds of our offering are invested. In addition, if we engage in expansion opportunities, it will typically take several months to complete construction and rent available space. Delays we encounter in the selection, acquisition or development of properties could adversely affect our ability to make distributions and the value of an investment in our units.

Costs of complying with governmental laws and regulations may be high.

All real property investments and the operations conducted in connection with such investments are subject to federal, state and local laws and regulations. Some of these laws and regulations may impose joint and several liability on customers, past or present owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Compliance with or violation of certain governmental laws and regulations may pose a higher risk, including but not limited to: environmental laws; the occurrence of a cyber incident, or a deficiency in our cyber security; the costs associated with complying with the Americans with Disabilities Act; the extent we invest in age-restricted communities, the Fair Housing Act, the Housing for Older Persons Act or similar state regulations; and various fire, health, life-safety and similar regulations.

If we sell properties by providing financing to purchasers, defaults would adversely affect our cash flows.

If we decide to sell any of our properties, we intend to sell them for cash, if possible. However, nothing prohibits us from selling our properties and providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to unitholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our unitholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon the sale are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price, and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to pay cash distributions to our unitholders.

If we make or invest in mortgage loans, our mortgage loans may be affected by unfavorable conditions.

If we make or invest in mortgage loans, we will be at risk of defaults by the borrowers on those mortgage loans. These defaults may be caused by many conditions beyond our control, including interest rate levels, economic conditions affecting real estate values and other factors that impact the value of the underlying real estate. We will not know whether the values of the properties securing our mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties drop, our risk will increase because of the lower value of the security associated with such loans. Changes in the debt markets could have a material adverse impact on our earnings and financial condition. If we invest in fixed-rate, long-term mortgage loans and interest rates rise, the mortgage loans could yield a return that is lower than then-current market rates. If interest rates decrease, we will be adversely affected to the extent that mortgage loans are prepaid because we may not be able to make new loans at the higher interest rate. If we invest in variable-rate loans and interest rates decrease, our revenues will also decrease. Finally, if we invest in variable-rate loans and interest rates increase, the value of the loans we own at such time would decrease, which would lower the proceeds we would receive in the event we sell such assets. For these reasons, if we invest in mortgage loans, our returns on those loans and the value of your investment will be subject to fluctuations in interest rates.

We may invest in mezzanine loans or provide bridge loans, which would involve greater risks of loss.

We may invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real property or loans secured by a pledge of the ownership interests of the entity owning the real property, the entity that owns the interest in the entity owning the real property or other assets. We may provide bridge loans secured by first-lien mortgages on properties to borrowers who are typically seeking short-term capital to be used in an acquisition, development or refinancing of real estate. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our loan.

Joint venture investments could increase our risk profile.

We may enter into joint ventures, partnerships and other co-ownership arrangements for the purpose of making investments. In such arrangements, we may not be in a position to exercise sole decision-making authority regarding the joint venture. Investments in joint ventures may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their required capital contributions. Co-venturers may have economic or other business interests or goals that are

inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Consequently, actions by or disputes with co-venturers might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our co-venturers.

Multifamily Asset Risks

We will depend on residents for our revenue.

The underlying value of our properties and the ability to make distributions to our unitholders will depend upon the ability of the residents of our properties to generate enough income to pay their rents in a timely manner, and the success of our investments depends upon the occupancy levels, rental income and operating expenses of our properties and our company. Residents' inability to timely pay their rents may be impacted by employment and other constraints on their personal finances, including debts, purchases and other factors. These and other changes beyond our control may adversely affect our residents' ability to make rental payments. We may be unable to re-lease the property for the rent previously received. We may be unable to sell a property with low occupancy without incurring a loss. These events and others could cause us to reduce the amount of distributions we make to unitholders and the value of our unitholders' investment to decline.

A property that experiences significant vacancy could hinder our ability to make distributions.

A property may experience significant vacancy through the eviction of residents and/or the expiration of leases. Certain of the multifamily properties we acquire may have some level of vacancy at the time of our acquisition of the property and we may have difficulty obtaining new residents. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in lower cash distributions to unitholders. In addition, the resale value of the property could be diminished because the market value may depend principally upon the occupancy of, and rental rates at, such property.

Competition from other multifamily communities and housing alternatives could reduce our profitability.

The multifamily property market in particular is highly competitive. This competition could reduce occupancy levels and revenues at our multifamily properties, which would adversely affect our operations. We face competition from many sources, including from other multifamily properties in our target markets. In addition, overbuilding of multifamily properties may occur, which would increase the number of multifamily units available and may decrease occupancy and unit rental rates. Furthermore, multifamily properties we acquire most likely compete, or will compete, with numerous housing alternatives in attracting residents, including owner-occupied single and multifamily units available to rent or purchase. Competitive housing in a particular area and the increasing affordability of owner-occupied single- and multifamily units available to rent or buy (caused by declining mortgage interest rates and government programs to promote home ownership) could adversely affect our ability to retain our residents, lease multifamily units and increase or maintain rental rates.

Our strategy for acquiring value-add multifamily properties involves greater risks.

We expect to implement value add strategy for certain of the multifamily units we acquire. Our value-add strategy involves the acquisition of under-managed, stabilized multifamily communities in high job and population growth neighborhoods and the investment of additional capital to make strategic upgrades of the interiors of the multifamily units. These opportunities will vary in degree based on the specific business plan for each asset, but could include new appliances, upgraded cabinets, countertops and flooring. Our strategy for acquiring value add multifamily properties involves greater risks than more conservative investment strategies due to higher costs to implement such improvements or reduced demand or profitability from such improved properties.

Short-term multifamily unit leases expose us to the effects of declining market rent.

We expect that substantially all of our multifamily unit leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

Our multifamily properties will be subject to property taxes that may increase in the future.

Our multifamily properties will be subject to real and personal property taxes, as well as excise taxes, that may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. As the owner of the properties, we will be ultimately responsible for payment of the taxes to the applicable government authorities. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale.

Presence of mold in our investment properties will increase our expenses.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed for a long period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which residents could be exposed at any of our properties could require us to undertake a remediation program to contain or remove the mold from the affected property, which could be costly. In addition, exposure to mold by residents or others could expose us to liability if property damage or health concerns arise. Expenses associated with any remediation programs or personal or property damage liability will adversely affect our cash flow and our ability to make distributions to our unitholders.

Federal Income Tax Risks

The Federal Income Risk Factors below should be read in conjunction with "Material U.S. Federal Income Tax Considerations" of this memorandum for more information.

An investment in our units involves material income tax risks and we will not seek rulings from the Internal Revenue Service or other taxing authorities.

An investment in our units involves material income tax risks. Prospective unitholders are urged to consult with their own tax advisor with respect to the federal, state and foreign tax considerations of an investment in our units. We will not seek any rulings from the Internal Revenue Service (the "IRS") or any other taxing authority regarding any tax issues.

Unitholders may have taxable income in excess of cash distributions.

Our unitholders will be required to report their allocable share of our taxable income on their individual income tax return regardless of whether they have received any cash distributions from us. It is possible that the unitholders' units will be allocated taxable income in excess of their cash distributions, thereby producing phantom income.

For a REIT Subsidiary to qualify as a REIT, we must meet annual distribution requirements.

To obtain the favorable tax treatment accorded to REITs, a REIT Subsidiary normally will be required each year to distribute to its stockholders at least 90% of its annual taxable income, determined without regard to the deduction for dividends paid and by excluding net capital gains. A REIT Subsidiary will be subject to federal income tax and excise tax. It is possible that we might be required to borrow funds, use proceeds from the issuance of securities or sell assets in order to make sufficient distributions in order for the REIT Subsidiary to qualify as a REIT and to avoid the payment of federal income and excise taxes.

Failure of one or more of our REIT Subsidiaries to qualify as a REIT could reduce your return.

The Internal Revenue Code of 1986, as amended (the "Code") imposes numerous constraints on the operations of REITs. Qualification of each of our REIT Subsidiaries as a REIT will depend on each REIT Subsidiary's ability to meet requirements regarding its organization and ownership, distributions of its income, the nature and diversification of its income and assets and other tests imposed by the Code. Any failure of a REIT Subsidiary to so comply could cause it to fail to qualify as a REIT. If a REIT Subsidiary fails to qualify as a REIT for any taxable year, it will be subject to federal income tax on its taxable income at corporate rates and generally be disqualified from qualifying as a REIT for the four taxable years following the year it loses its REIT status. Losing its REIT status would reduce the REIT Subsidiary's net earnings available for investment or distribution to us because of the additional tax liability. In addition, the REIT Subsidiary's distributions would no longer qualify for the dividends paid deduction. If this occurs, a REIT Subsidiary might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Certain of our business activities are potentially subject to the prohibited transaction tax.

Our ability to dispose of a property during the first few years following its acquisition is restricted to a substantial extent as a result of the REIT status of the REIT Subsidiaries. Under applicable provisions of the Code regarding prohibited transactions by REITs, we would be subject to a 100% tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, but generally excluding taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business.

Complying with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

In order for each REIT Subsidiary to qualify as a REIT for federal income tax purposes, such REIT Subsidiary must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts it distributes to its stockholders, and the ownership of shares of its stock. A REIT Subsidiary may be required to pay distributions to its stockholders at disadvantageous times or when it does not have funds readily available for distribution, or it may be required to liquidate otherwise attractive investments in order to comply with the REIT tests. Thus, compliance with the REIT requirements may hinder a REIT Subsidiary's ability, and accordingly our ability, to operate solely on the basis of maximizing profits.

Our operations may generate unrelated business taxable income for tax-exempt investors.

Our operations may generate UBTI (generally subject to tax at corporate rates) for tax-exempt investors. We expect to conduct substantially all of our operations through the REIT Subsidiaries, which would effectively block UBTI for such investors, subject to certain limitations. With respect to any portion of our operations not conducted through REIT Subsidiaries, our board of directors may elect to use alternative structures, such as lease structures or UBTI blockers, or it may choose to structure its investments as debt. Our board of directors may also use reasonable commercial efforts in order to attempt to minimize unrelated debt-financed income and UBTI for "qualified organizations" (as such term is defined in the Code). However, except for our use of the REIT Subsidiaries, our board of directors is not required to use other blocker structures or to avoid unrelated debt-financed income or UBTI.

If we are treated as a publicly traded partnership, our income could be subject to taxation.

No transfer of units may be made if it would result in us being treated as a publicly traded partnership under the Code. Our board of directors may, without the consent of any unitholder, amend our limited liability company agreement in order to improve, upon advice of counsel, the our position in avoiding publicly traded partnership status for the Fund (and the board of directors may impose time-delay and other restrictions on recognizing transfers as necessary to do so). If we inadvertently became a publicly traded partnership under the Code, we could be subject to corporate level taxation, resulting in double taxation of our income, unless at least 90% of our income was "qualifying income" for such purposes.

You may have an obligation to pay tax losses even after withdrawing from the Fund.

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to the federal income tax returns of a partnership, the IRS may assess and collect any taxes (including

any applicable penalties and interest) resulting from the audit adjustment directly from the partnership, regardless of changes in the composition of the partners (or their relative ownership of the partnership) between the year under audit (the "Reviewed Year") and the year of the adjustment. Accordingly, if a unitholder transfers its units, the unitholder may still be obliged to pay any tax losses. Prospective unitholders should discuss with their own tax advisors the possible effect of the new partnership audit rules on them.

Retirement Plan Risks

The Federal Income Risk Factors below should be read in conjunction with "Material U.S. Federal Income Tax Considerations – Investment by Certain Tax-Exempt Entities and ERISA Considerations" of this memorandum for more information.

If the fiduciary of an employee benefit plan subject to ERISA or any other retirement plan or account fails to meet the required fiduciary and other standards under ERISA or Section 4975 of the Code as a result of an investment in our units, the fiduciary could be subject to civil (and criminal, if the failure is willful) penalties.

There are special considerations that apply to tax-qualified pension, profit-sharing, and share bonus plans, employee benefit plans of ERISA (such as a 401(k) plan), and other retirement plans or accounts that are investing in our securities. If you are investing the assets of such a plan or account in our securities, among other things, you should satisfy yourself that the investment is consistent with your fiduciary and other obligations under ERISA and the Code applicable to your plan or account. Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Code may result in the imposition of civil (and, if willful, criminal) penalties, and can subject the fiduciary to claims for damages or for equitable remedies. ERISA plan fiduciaries and IRA custodians should consult with counsel before making an investment in our units. IRA owners are strongly urged to consult with the custodian or trustee of their IRAs before making any investment in our securities.

Significant investment by benefit plan investors (as defined by ERISA) could result in treatment of our assets as plan assets.

The U.S. Department of Labor has promulgated regulation, which we refer to as the "Plan Assets Regulation," describing what constitutes the assets of an entity whose underlying assets are considered to include "plan assets" of such plans, accounts, and arrangements (each of which we refer to as a "benefit plan"). Under the Plan Assets Regulation, if a benefit plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the benefit plan's assets are deemed to include both the equity interest itself and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or the equity participation by "benefit plan investors" (as defined in Section 3(42) of ERISA) is not "significant." The Fund and the advisor at all times intend to conduct their business so that the Fund and its assets are not deemed to be assets of an ERISA Plan, but there can be no assurance that they will be able to do so. It is possible that we may not qualify as an "operating company" for purposes of the Plan Assets Regulation. Therefore, if participation in us through the acquisition of any class of equity interest by benefit plan investors is "significant" within the meaning of the Plan Assets Regulation and Section 3(42) of ERISA, our assets could be deemed to be the assets of benefit plans investing in our securities.

If you invest in our units through an IRA or other retirement plan, you may be limited in your ability to withdraw required minimum distributions.

If you establish a plan or account through which you invest in our units, federal law may require you to withdraw required minimum distributions from such plan in the future. Our units may generate insufficient distributions, and the relative illiquidity of our units may not allow you to sell your units on a timely basis or to receive sufficient proceeds, to allow you to satisfy the required minimum distribution requirements under your plan or account. Even if you are able to sell your units, such sale may be at a price less than the price at which you initially purchased the units. If you fail to withdraw required minimum distributions from your plan or account, you may be subject to certain taxes and tax penalties.

The recently adopted SEC standard of conduct for investment professionals could impact our ability to raise capital.

On June 5, 2019, the SEC adopted "Regulation Best Interest: The Broker-Dealer Standard of Conduct," a package of rulemakings and interpretations that address customers' relationships with investment advisers and broker-dealers under the Securities Exchange Act of 1934, as amended. Plan fiduciaries and the beneficial owners of IRAs are urged to consult with their own advisors regarding the impact that Regulation Best Interest may have on purchasing and holding units.

Conflicts of Interest

We are subject to various conflicts of interest arising out of our relationships with our advisor and its affiliates. We discuss these conflicts below and conclude this section with a discussion of the governance measures we have adopted to ameliorate some of the risks posed by these conflicts.

General

We are a manager-managed limited liability company governed by a majority independent board of directors. Our advisor will manage our day-to-day affairs and the acquisition and disposition of our investments on our behalf, subject to approval by our board of directors. Our advisor does not have any employees and will utilize the employees and key personnel of our sponsor, some which could have a direct or indirect controlling interest in other programs. Our directors do not owe a fiduciary duty to us or our unitholders under our limited liability company agreement, nor does our advisor owe a fiduciary duty to us or our unitholders under the advisory agreement.

Some of the key professionals utilized by our advisor to provide services on our behalf are also officers, directors, managers, key professionals or holders of a direct or indirect controlling interest in our advisor and its affiliates. In the future, some of these parties may organize other real estate programs, serve as the investment advisor to other investors and acquire for their own account real estate properties that may be suitable for us. There are no requirements that these key professionals allocate investment opportunities in any particular manner.

Our sponsor, Carter Multifamily Fund Management Company, LLC, has sponsored Carter Multifamily Growth & Income Fund, LLC ("Fund I"), which has investment objectives and strategies substantially the same as ours. Fund I conducted a private placement for up to a maximum of $200,000,000, which commenced on February 26, 2018 and closed to new investors prior to the commencement of this offering by the Fund. Conflicts of interest caused by more than one investment vehicle sponsored by the sponsor and its affiliates having funds available simultaneously for acquiring investments will be resolved in good faith by the sponsor. In resolving any such conflicts, a number of factors will be considered, including which vehicle has funds available to invest for the longest period of time since making an investment, and each vehicle's investment restrictions and diversification goals. However, there can be no assurance that an investment opportunity which comes to the attention of the sponsor or its affiliates will be appropriate for the Fund or, even if appropriate, will be referred to or pursued by the Fund in all circumstances.

Every transaction that we enter into with our advisor, our property manager and their respective affiliates is subject to an inherent conflict of interest. Our board of directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by, or disagreement with, an affiliate or in invoking powers, rights or options pursuant to any agreement between us and our advisor, our property manager or any of their respective affiliates.

Affiliated Transactions Best Practices Policy

Our directors, advisor and their affiliates will have to allocate their time between us and other real estate programs and activities in which they may be involved in the future. Our advisor and its affiliates will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time.

Our advisor has adopted an asset allocation policy to allocate property acquisitions among any other program sponsored by our sponsor or its affiliates that targets multifamily assets. Fund I is the only anticipated related program at this time that will target multifamily assets. All transactions will be allocated among us, and any other programs sponsored by our sponsor or its affiliates, by the investment committee in a manner consistent with our advisor's general investment allocation policy. In the event that the advisor analyzes all factors under the allocation policy and determines that an acquisition for us and the Fund I are equally suitable, acquisition opportunities will be presented between us and the Fund I on an alternating basis; provided, however, that Fund I will receive a right of first refusal to the first property acquisition opportunity.

Competition for Investors

Affiliates of our sponsor have launched public real estate programs, and may in the future launch, private and/or publicly offered programs, including REIT programs, which will raise capital in their respective offerings concurrently with this offering. In such cases, we will compete for investors with these other programs, and any overlap of these offerings with our offering could adversely affect our ability to raise all the capital we seek in this offering, the timing of sales of our units and the amount of proceeds we have to spend on real estate investments. As a result, we face a conflict of interest due to the potential competition among us and these other programs for investors and investment capital. Our sponsor generally seeks to reduce the conflicts that may arise among various affiliated programs by avoiding simultaneous offerings by programs that have a substantially similar mix of targeted investment types. Nevertheless, there are likely to be periods during which one or more programs sponsored by affiliates of our sponsor will be raising capital and which will compete with us for investment capital.

Competition for Tenants and Others

Conflicts of interest may exist to the extent that we acquire properties in the same geographic areas where other affiliated real estate programs own and lease properties. We could compete with another affiliated entity that is engaged in real estate investment activities for tenants, and other affiliated programs may compete with us for acquisition opportunities in the future. Conflicts of interest may also exist at such time as we or our sponsor's affiliates seek to employ developers, contractors, building managers or other third parties. Our sponsor and its affiliates seek to reduce conflicts that may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. Our sponsor and its affiliates also seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective service providers aware of all properties in need of their services. However, our sponsor and its affiliates cannot fully avoid these conflicts because they may establish differing terms for resales or leasing of the various properties or differing compensation arrangements for service providers at different properties.

Allocation of Our Affiliates' Time

Affiliates of our board of directors and advisor will face conflicts of interest in allocating their time among us and other programs sponsored by our sponsor and its affiliates and the other business activities in which they are involved. In addition, many of the same key professionals associated with our advisor have existing obligations to other affiliated programs. The key professionals associated with affiliated programs who provide services to us are not obligated to devote a fixed amount of their time to us, but we believe that our key professionals will have sufficient time to fully discharge their responsibilities to us and to the other businesses in which they are involved.

Several officers and key personnel of our advisor act in similar capacities for the advisors of each of the other programs sponsored by affiliates of our sponsor, in which case such officers and key personnel of our advisor spend a substantial portion of their time on activities unrelated to us, reducing the amount of time they may devote to us. However, we believe that our advisor, through key personnel of our sponsor, will devote the time required to manage our business and believe that certain executive officers of other affiliated programs will devote a large portion of their time to us.

Receipt of Fees and Other Compensation by Our Advisor and its Affiliates

Our advisor and its affiliates receive fees from us, which could be substantial and have not been negotiated at arm's-length. These fees could influence our advisor's advice to us. Our advisor is responsible for identifying investments for us, including negotiating the terms of the transactions. Therefore, our advisor and its affiliates have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that all such fees are payable to our advisor regardless of the quality of the properties acquired or the services provided to us. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our advisor and its affiliates, including the advisory agreement;

- offerings of equity by us, which will likely entitle the advisor to increased acquisition fees;
- sales of properties and other investments, including the sale of our company, to third parties, which entitle our advisor to disposition fees;
- acquisitions of properties and other investments, which entitle our advisor to acquisition fees;
- acquisitions of properties and other investments that in some cases may originate from other programs sponsored directly or indirectly by affiliates of our advisor, which may entitle affiliates of our advisor to disposition or incentive fees; and
- borrowings to acquire properties and other investments, which borrowings will generate financing coordination fees and increase the acquisition fees payable to our advisor assuming the triggers are satisfied.

The fees our advisor receives in connection with transactions involving the acquisition of assets are based initially on the cost of the investment, and are not based on the quality of the investment or the quality of the services rendered to us. This may influence our advisor to initiate riskier transactions, and our advisor may have an incentive to cause us to incur a high level of leverage. In addition, because the fees are based on the cost of the investment, it may create an incentive for our advisor to recommend that we purchase assets with more debt and at higher prices.

We may also pay significant fees and distributions during our liquidation stage. Disposition fees will be payable regardless of whether we reach specific investment-return thresholds. Our advisor may have a conflict of interest concerning our liquidation stage.

From time to time, subject to the approval of our board of directors, we may engage one or more entities under common control with our sponsor or our advisor to provide services not provided under existing agreements described in this memorandum. Such engagements will be at terms no less favorable to us than could be obtained from an unaffiliated third party for comparable services, and may result in the payment of fees or reimbursement of expenses by us to such entities not described in the "Management Compensation" section.

Duties Owed by our Advisor to Current and Possibly to Future Programs Affiliated with our Sponsor

Our advisor does not owe a fiduciary duty to us or our unitholders under the advisory agreement. However, key personnel of our advisor may owe duties to affiliates of our sponsor. The duties of such key personnel serving on the boards of or in control positions over the various entities affiliated with our advisor or possibly on the boards of or in control positions over future programs sponsored by affiliates of our advisor may influence the judgment of such key personnel when considering issues for us that may also affect other affiliated programs, such as the following:

- We could enter into transactions with other programs sponsored by affiliates of our advisor, such as property sales, acquisitions, joint ventures or financing arrangements; however, we currently do not intend to enter into joint ventures with other programs sponsored by affiliates of our advisor. Decisions of our advisor regarding the terms of those transactions may be influenced by our advisor and its key personnel's loyalties to other programs sponsored by affiliates of our advisor;
- A decision of our advisor regarding the timing of a debt or equity offering could be influenced by concerns that the offering would compete with an offering of other programs sponsored by affiliates of our advisor; and
- A decision of our advisor regarding the timing of property sales could be influenced by concerns that the sales would compete with those of other programs sponsored directly or indirectly by affiliates of our advisor.

Dealer Manager

Our dealer manager is also the dealer manager in other offerings that are ongoing, with respect to the private offerings, or are effective or in registration, with respect to the public offerings. In addition, our dealer manager may in the future be retained to raise capital through public or private offerings sponsored directly or indirectly by our sponsor or its affiliates and other third-party sponsors that will be conducted concurrently with our offering. As a result, our dealer manager will have competing demands on its time and resources. Our dealer manager may face conflicts of interest arising from potential competition with these other programs for investors and investment capital. We will compete for investors with these other programs, and the overlap of these offerings with our offering could adversely affect our ability to raise all the capital we seek in this offering, the timing of sales of our units and the amount of proceeds we have to spend on real estate investments. Our dealer manager believes its sales team will be adequate and structured in a manner to handle sales for all of the offerings for which it is the dealer manager, including those offerings that are currently ongoing, with respect to the private offerings, without adversely affecting its ability to act as dealer manager in this offering. Our dealer manager may have additional demands on its time and resources, including the potential for outside non-investment related business activities.

Valuation

While we are not prohibited from incurring expenses to conduct appraisals or valuations of our portfolio, we currently do not intend to conduct any appraisals or valuations of our investments. Our investments in REIT Subsidiaries will be difficult to value, particularly to the extent that their underlying investments are not publicly traded. The net asset value by class is not intended to represent an indication of the value of our investments or what we might receive if we were to sell our portfolio and liquidate.

Lack of Separate Representation

Johnson Pope Bokor Ruppel & Burns, LLP acts, and may in the future act, as counsel to us, our advisor and some of their affiliates in connection with this offering or otherwise. There is a possibility that in the future the interests of the various parties may become adverse, and under the Code of Professional Responsibility of the legal profession, Johnson Pope Bokor Ruppel & Burns, LLP may be precluded from representing any one or all of such parties. If a dispute were to arise between our advisor or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Certain Conflict Resolution Procedures

In order to reduce or eliminate certain potential conflicts of interest, we have adopted policies relating to (1) transactions we enter into with our sponsor, our directors, our advisor and affiliates of our advisor, and (2) certain future offerings. These restrictions and policies include, among others, the following:

- We will not purchase or lease properties in which our advisor, our directors or any of their respective affiliates has an interest without a determination by our board of directors, including a majority of our independent directors, that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the seller or lessor unless there is substantial justification for any amount that exceeds such cost, and such excess amount is determined to be reasonable. In no event will we acquire any such property at an amount in excess of its appraised value as determined by an appraiser which has no material current or prior business or personal relationship with our directors or our advisor. We will not sell or lease properties to our advisor, our directors or any of their respective affiliates unless our board of directors, including a majority of our independent directors, determines that the transaction is fair and reasonable to us. If a related party transaction is approved by our board of directors, our advisor and its affiliates will be entitled to receive fees and expense reimbursements in connection with the transaction on the same basis as if the transaction were with a third party.

- We will not accept goods or services from our sponsor, our advisor, our directors or any of their respective affiliates or enter into any other transaction with our sponsor, our advisor, our directors or any of their respective affiliates unless our board of directors, including a majority of our independent

directors, approves such transaction as fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

For purposes of this memorandum, an "affiliate" of any natural person, partnership, corporation, association, trust, limited liability company or other legal entity (a "person") includes any of the following:

- any person directly or indirectly owning, controlling or holding, with power to vote 10% or more of the outstanding voting securities of such other person;

- any person, 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such other person;

- any person directly or indirectly controlling, controlled by, or under common control with, such other person;

- any executive officer, director, manager, trustee or general partner of such other person; and

- any legal entity for which such person acts as an executive officer, director, trustee or general partner.

Material U.S. Federal Income Tax Considerations

Introduction

The following discussion is a summary for general information only, and does not discuss all of the U.S. federal income tax consequences that may be relevant to a particular unitholder or to certain classes of investors subject to special treatment under the U.S. federal income tax laws. For instance, unless otherwise specified, this summary does not address the U.S. federal income tax consequences of an investment in units by a dealer or trader in securities, financial institution, life-insurance, tax-exempt entity (including a pension plan or similar arrangement), or an investor who is not a U.S. person. If a partnership (including for this purpose any entity treated as a partnership for federal income tax purposes) is a beneficial owner of the units, the treatment of an investment in the Fund will generally depend upon the status of the partners and upon the activities of the partnership. Unless otherwise specified, the summary set forth below relates solely to U.S. persons, as defined in Section 7701(a)(30) of the Code. Moreover, this summary does not address any of the state, local or foreign tax consequences to the investors of an investment in the Fund. This summary is not intended as a substitute for an investor's own due diligence in investigating the possible consequences of an investment in units.

This summary is based in part on the Code, on the U.S. Treasury Regulations promulgated thereunder (the "Regulations"), and the rulings and judicial decisions interpreting the Code and Regulations, as in effect on the date hereof, all of which are subject to change (with the possibility that any change may be given retroactive effect).

We have not sought and will not seek (i) any tax rulings from the IRS or any other tax authorities or (ii) any opinions of counsel in respect of any of the matters discussed herein. Each prospective investor is urged to consult its own tax advisor with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership and disposition of an investment in units.

CERTAIN TAX CONSEQUENCES TO UNITHOLDERS WILL VARY FROM UNITHOLDER TO UNITHOLDER DEPENDING ON THE UNITHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH UNITHOLDER SHOULD CONSULT ITS OWN ADVISORS REGARDING ALL OF THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES RELATING TO AN INVESTMENT IN US BASED ON EACH UNITHOLDER'S SPECIFIC CIRCUMSTANCES. NEITHER THE BOARD OF DIRECTORS NOR THE ADVISOR NOR ANY AFFILIATE THEREOF NOR COUNSEL FOR ANY OF THE FOREGOING IS PROVIDING ANY TAX ADVICE TO ANY PROSPECTIVE UNITHOLDER.

See the section of the Memorandum captioned "Risk Factors — Federal Income Tax Risks," concerning risks related to income taxes that a prospective unitholder should consider before investing in units.

Classification of Fund as Partnership for U.S. Income Tax Purposes

Classification as a Partnership. An entity that is classified as a partnership for federal income tax purposes generally is not a taxable entity and incurs no federal income tax liability. Instead, the partners (or owners) of the entity are required to take into account in computing their federal income tax liability their allocable shares of income, gains, losses, deductions and credits of the partnership, regardless of whether cash distributions are made by the partnership to its partners. Distributions of money by a partnership to partners are generally not taxable to any such partner unless the amount of the distribution is in excess of such partner's adjusted basis in their respective partnership Interests.

Pursuant to Treasury Regulations issued under Section 7701 of the Code, a limited liability company (such as the Fund) with two or more members (other than certain "publicly traded partnerships" as described below) will be treated as a partnership for tax purposes unless it affirmatively elects to be treated as a corporation. The Fund has not elected and does not intend to elect to be treated as a corporation. Following completion of the Offering, the Fund will have more than one owner and therefore this discussion assumes that the Fund will be classified as a partnership for tax purposes at all times. Were the Fund to be treated as a corporation rather than as a partnership for federal income tax purposes, its income would be subject to the federal corporate income tax at the current rate of 21%, distributions made by the Fund would be taxed as dividends or otherwise treated as corporate distributions, incurring a second level of tax and there would be no flow-through of items of income, gain, loss, and deduction.

Publicly Traded Partnership. A "publicly traded partnership" or "PTP" may be taxed as a corporation in certain circumstances. A PTP is generally defined under the Code as any partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Regulations have been issued (the "Section 7704 Regulations") that provide guidance with respect to such classification standards, and they include certain safe harbor standards that, if satisfied, would preclude us or any of our subsidiaries from being classified as a PTP. Our board of directors does not believe that the units are or will be traded on an established securities market or a secondary market or a substantial equivalent as defined in the Section 7704 Regulations.

Income Taxation of the Partnership and Unitholders

General. By reason of our classification as a partnership for U.S. federal income tax purposes, we will not be a taxable entity for federal income tax purposes. Instead, our items of income, gain, loss, deduction and credit (if any), and the character of such items (*e.g.*, as interest or dividend income, as investment interest deductions or as capital gain or ordinary income), generally will flow through to the unitholders, with each unitholder reporting its distributive share of the items on the unitholder's federal income tax return for the taxable year that includes the end of our taxable year. The unitholders will be taxed on our income regardless of whether they receive distributions from us. Thus, it is possible that a unitholder could incur income tax liability with respect to its share of our income without receiving a distribution to pay such liability. In general, cash distributions to a unitholder (including a deemed distribution from a reduction in the unitholder's share of our liabilities) will not be taxable except to the extent distributions during a year exceed the unitholder's share of our taxable income for the year and the unitholder's tax basis in its interest.

We will use the accrual method of accounting to report income and deductions for tax purposes, will prepare our financial statements using U.S. Generally Accepted Accounting Principles, and will compute distributions based on actual cash receipts, disbursements, and reserves. We will report on the basis of a taxable year, which is generally the calendar year, or other taxable period as may be required by the Code.

Allocations of Income, Gain, Loss, Deduction, and Credit. Section 704(a) of the Code provides generally that partnership items of income, gain, loss, deduction and credit are to be allocated among partners as set forth in the relevant partnership agreement. Section 704(b) provides, however, that if an allocation does not have "substantial economic effect", such allocation will instead be made in accordance with the partner's interest in the partnership as determined by taking into account all facts and circumstances. Regulations issued under Section 704(b) of the Code (the "Section 704(b) Regulations") provide complex rules for determining (1) whether allocations will be deemed to have economic effect, (2) whether the economic effect of allocations will be deemed to be substantial, and (3) whether allocations not having substantial economic effect will nonetheless be deemed to be made in accordance with a partner's interest in the partnership.

The Section 704(b) Regulations provide generally that an allocation will be considered to have economic effect if (1) partners' capital accounts are determined and maintained in accordance with the Section 704(b) Regulations; (2) upon liquidation, liquidating distributions are made in accordance with the positive capital account balances of the partners after taking into account all capital account adjustments for the year during which such liquidation occurs; and (3) the partnership agreement contains a "qualified income offset" provision and the allocation in question does not cause or increase a deficit balance in a partner's capital account at the end of the taxable year.

Additionally, the economic effect of the allocations of profits and losses must be "substantial," *i.e.*, there must be a reasonable possibility that the allocation will affect the dollar amounts to be received by partners, independent of tax consequences. The economic effect of an allocation is presumed not substantial if there is a strong likelihood that the net adjustments to the partner's capital account will not differ substantially from the net adjustments that would have been made in the absence of such allocation, and the total tax liability of the partners for such year is less than it would have been in the absence of such allocations.

Our limited liability company agreement provides: (1) for the maintenance of capital accounts in accordance with the Section 704(b) Regulations; (2) upon liquidation, liquidating distributions are made in accordance with the positive capital account balances of the members after taking into account all capital account adjustments for the year during which such liquidation occurs; and (3) a "qualified income offset" provision. Thus, the allocations of our limited liability company agreement should have economic effect for purposes of the Section 704(b) Regulations.

Additionally, our limited liability company agreement does not provide for allocations that are shifting or transitory within the meaning of the Section 704(b) Regulations. Furthermore, the allocations set forth in our limited liability company agreement should satisfy the "overall substantiality test" set forth in the Section 704(b) Regulations because such allocations will determine the amount of cash proceeds that will be received by each member upon a liquidation. Therefore, the economic effect of the allocations contained in our limited liability company agreement should be "substantial." As a result, the IRS should respect our allocations of profits, losses and other tax items among the unitholders in accordance with our limited liability company agreement.

Our board of directors is authorized (but is not required) to comply with the requirements of Section 514(c)(9) of the Code where available (generally referred to as the "fractions rule") to avoid income from debt-financed property being treated as unrelated business taxable income to certain tax-exempt investors who are "qualified organizations." *See* "– Certain Special Considerations for Tax-Exempt Investors" below.

Distributions. Cash distributions to unitholders will generally be taxable only to the extent the amount of the distribution exceeds the adjusted basis of the unitholder's units. Rather, non-liquidating distributions are generally treated as a return of capital and reduce the unitholder's tax basis in its units by the amount of our adjusted basis in such property immediately before its distribution.

Tax Basis of Units. The tax basis of a unitholder's units is used to determine if gain or loss is realized upon a sale of units or upon the receipt of cash distributions. Additionally and as discussed below, a unitholder is allowed to deduct losses only to the extent of such basis. A unitholder's basis in its units initially will equal its cost of its units, increased by the unitholder's allocable share of our taxable income and reduced by the unitholder's allocable share of taxable losses and distributions of cash and other property to the unitholder (including constructive distributions resulting from a reduction in the unitholder's share of our indebtedness), but in no case will the basis fall below zero.

Limitations on Unitholders' Deduction of Certain Items

Deductibility of Losses and Expenses. As discussed immediately below, the Code imposes various limitations on the ability of taxpayers to use losses and deductions arising from investments in entities such as the Fund. Each unitholder should consult with its own tax advisor regarding the unitholder's ability to deduct losses allocated to it based on such unitholder's particular circumstances. To the extent our operations are conducted through a REIT Subsidiary, losses and expenses of a REIT Subsidiary will not pass through the REIT to us.

Basis Limitation. A unitholder may not deduct its share of our losses and deductions in excess of the adjusted basis of the unitholder's units determined as of the end of the taxable year. Allocated losses that are not allowed may be carried over indefinitely and claimed as a deduction in a subsequent year to the extent that such unitholder's adjusted basis in our units has increased above zero.

Passive Activity Losses. Dividends are not considered to be passive activity income, and accordingly the pass through to unitholders of qualified REIT dividends from a REIT Subsidiary will not constitute passive income. However, to the extent we choose to directly or indirectly hold property outside of a REIT Subsidiary, a unitholder's indirect interest in such an ownership interest may be treated as a passive activity and items of income and loss (other than interest income that constitutes portfolio income) will generally constitute passive activity income and passive activity loss. Losses from passive activities are generally deductible only to the extent of a unitholder's income or gains from passive activities and will not be allowed as an offset against other income, including salary or other compensation for personal services, active business income or portfolio income.

"At Risk" Limitation. The deductibility of our losses passed through to unitholders is limited further by the "at risk" limitations set forth in the Code. Unitholders who are individuals, estates, trusts and certain closely held corporations will not be allowed to deduct losses in excess of the amounts that such unitholders are determined to have "at risk" at the close of our taxable year. Generally, a unitholder's "amount at risk" will include only the amount of its cost of its units. A unitholder's "amount at risk" will be reduced by its allocable share of our losses (which may be limited as a result of the use of REIT Subsidiaries and by distributions made by us) and increased by its allocable share of our income. Any deductions that are disallowed under this limitation may be carried forward indefinitely and utilized in subsequent years to the extent that a unitholder's "amount at risk" is increased in those years.

Non-Corporate Loss Limitation. ”Excess business losses” for non-corporate taxpayers are limited for tax years beginning after December 31, 2017, and before January 1, 2026. Excess business losses are defined as the excess of the taxpayer’s aggregate deductions that are attributable to trades or businesses of the taxpayer over the excess of aggregate gross income or gain of such taxpayer for the tax year that is attributable to such trades or businesses, plus $250,000 (or 200% of such amount in the case of a joint return). This loss limitation would be applied after the application of the passive activity rules under section 469. Disallowed excess business losses would be treated as a net operating loss carryforward to the next year. For partnerships and S corporations, the provision would be applied at the partner or shareholder level.

Limitation on Deductibility of Capital Losses. We may incur capital losses. Capital losses for a year may only be used to offset capital gains of the unitholder for such year or future years, plus $3,000 per year for individuals. If a REIT Subsidiary incurs net capital losses, such net capital losses will not pass through to us.

Organizational Expenses. In general, organizational expenses of a partnership must be capitalized and may not be deducted by a partnership or its partners. However, a partnership may elect (i) to deduct organizational expenses of up to $5,000, subject to certain limits, in its first taxable year and (ii) to amortize any remaining organizational expenses over a 180-month period beginning with the month in which the partnership begins business. Syndication fees (which would include placement fees or commissions paid by us), on the other hand, must be capitalized and cannot be amortized or otherwise deducted. While a unitholder’s share of the placement fees is not deductible, it will become a part of a unitholder’s tax basis for its units (resulting in a capital loss for a unitholder upon a sale or other disposition of the units that may offset capital gains allocated to such unitholder in the year of such sale or disposition, or a reduction in the gain (or increase in the capital loss) upon a sale of the unitholder’s units).

Limitation on Deductibility of Investment Interest. Except as described herein, interest on any amount borrowed by an individual unitholder to purchase units (or fund a capital contribution) generally will be “investment interest,” which will be deductible only to the extent of the unitholder’s “net investment income.” For this purpose, net investment income will generally include net income earned with respect to the units and other income from property held for investment (other than income treated as passive activity income, described below). Qualified dividend income and long-term capital gain are excluded from the definition of net investment income unless the unitholder makes a special election to treat such qualified dividend income or capital gain as ordinary income.

Limitation on Deductibility of Business Interest. For taxable years beginning after December 31, 2017, Section 163(j) of the Code provides that a taxpayer’s deduction for net business interest expense (which excludes investment interest expense) is limited to 30% of adjusted taxable income. Adjusted taxable income is defined to generally include trade or business income, subject to various other adjustments. Amounts disallowed under this provision generally can be carried forward. In the partnership context, the limitation is generally applied at the partnership level with any disallowed interest allocated to partners and usable by the partners against certain income subsequently allocated to them by the partnership. There are a number of uncertainties regarding the application of Section 163(j), including its application in the context of tiered partnerships, its application in the context of a partnership with both corporate and non-corporate partners, and its interaction with the Section 163(d) investment interest limitation. Some or all investors may be affected by this new provision such that interest deductions that would otherwise have been allowable to such investors are disallowed.

Deduction for Qualified Business Income (including Qualified REIT Dividends). For taxable years beginning after December 31, 2017, and ending on December 31, 2025. Section 199A to the Code provides for the deduction of up to 20% of the qualified business income (“QBI”) derived by an individual, estate or trust from a partnership, S corporation or sole proprietorship. QBI includes for these purposes, income and gain from certain qualified trades or businesses, but does not include investment-related income such as net capital gains, dividends, or interest income. A portion of Qualified REIT Dividends may qualify for the QBI deduction. Dividends passed through from our REIT Subsidiaries generally qualify as Qualified REIT Dividends, except to the extent that such dividends are (i) capital gain dividends, or (ii) the Fund or the unitholder has not met a 45-day holding period with respect to the subsidiary REIT or the Fund, or (iii) the Fund or the unitholder is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. With respect to taxpayers whose income exceeds certain threshold amounts, (i) the deduction is subject to various limitations, including limitations based on the wages paid with respect to the trade or business and the adjusted tax basis of certain property held by the trade or business, and (ii) the deduction is not available with respect to income from certain service

businesses. There can be no assurance that any portion of a unitholder's allocable share of income or gain will qualify as QBI.

UNITHOLDERS SHOULD CONSULT WITH THEIR TAX ADVISORS TO DETERMINE WHETHER THEY QUALIFY FOR THE DEDUCTION UNDER SECTION 199A.

Sale or Exchange of Operating Properties

Character of Income. Operating properties held by us or by a REIT Subsidiary for more than one year should qualify as assets described in Section 1231 of the Code. Our gains and losses from Section 1231 property will flow through to and be taken into account as such by the unitholders on their tax returns. The treatment of gains and losses incurred by a REIT Subsidiary are discussed below under "— Our REIT Subsidiaries". In general, if a unitholder's Section 1231 gains for a year exceed its Section 1231 losses, such gains and losses are treated as long-term capital gains and losses (except that a net Section 1231 gain may be ordinary income to the extent of non-recaptured net Section 1231 losses over the preceding five years).

On the other hand, if a unitholder's Section 1231 gains for a year do not exceed its Section 1231 losses, such gains and losses are treated as ordinary income and loss. In addition, gain on the sale of property will be ordinary income to the extent the gain represents depreciation or cost recovery recapture (which in the case of a corporation includes a portion of the gain attributable to straight-line depreciation of real property).

It is possible that the IRS could take the position that some or all of our investments are inventory property or property held primarily for sale to customers in the ordinary course of business. Under that characterization, property held outside of a REIT Subsidiary would not qualify as Section 1231 property, and gain (or loss) on the sale would be ordinary income (or loss). Such property held in a REIT Subsidiary could be subject to the prohibited transactions tax discussed under "— Our REIT Subsidiaries".

Sale or Exchange of our Units

Units are not transferable without the consent of our board of directors (which consent may not be unreasonably withheld) and subject to other limitations specified in our limited liability company agreement. If a unitholder sells its units (or is deemed to do so upon the receipt of payments upon the admission of unitholders at a subsequent closing or upon our liquidation), gain or loss will generally be recognized in an amount equal to the difference between (i) the amount realized (the sale proceeds plus the unitholder's share of our liabilities of which the unitholder is deemed relieved), and (ii) the unitholder's adjusted tax basis in the units. If units have been held for more than one year, any gain or loss will generally be long-term capital gain or loss. However, under Section 751 of the Code, any amount received that is attributable to a unitholder's share of our "unrealized receivables" (which is defined to include depreciation recapture property) and "substantially appreciated inventory" is treated as an amount received for a non-capital asset and may result in ordinary income.

Basis Adjustments

Elective Adjustments. Section 754 of the Code provides for an election to adjust the basis of our property upon the transfer of units so that the transferee would be treated, for purposes of calculating depreciation and realizing gain, as though it had acquired a direct interest in our assets. The Partnership Representative has the sole and absolute authority to make such a Section 754 election. If the Partnership Representative determines not to make a Section 754 election, depreciation available to a transferee of units will be limited to the transferor's share of the remaining depreciable basis of our properties, and upon a sale of a property, taxable income or loss to the transferee of units will be measured by the difference between its share of the amount realized upon such sale and its share of our tax basis in the property, which may result in greater tax liability than if a Section 754 election had been made. The absence of such a Section 754 election could result in unitholders having greater difficulty in selling their units. However, to the extent property is held through a REIT Subsidiary, a Section 754 election will only result in an increase in the basis in such transferee unitholder's share of the basis of our interests in the REIT Subsidiary, which would decrease the gain or increase the loss on our disposition or liquidation of such REIT Subsidiary, but would have no effect on the transferee unitholder's indirect proportionate share of the REIT Subsidiary's basis in its assets and thus no impact on

current depreciation or income of the REIT Subsidiary, and thus no impact on the portion of the distributions from the REIT Subsidiary that are classified as ordinary income, capital gain income, or return of capital.

Mandatory Adjustments. Upon certain transfers of units, Section 743 of the Code may require us to adjust the tax basis in our assets. Any such adjustment (which is personal to the transferee) could result in us allocating less depreciation or loss (in the case of property held other than through a REIT Subsidiary) or more income or gain to a transferee of units than would have been allocable to them in the absence of any adjustment. Any transferee will also be required to bear the reasonable costs of complying with Section 743 of the Code.

Additional Federal Income Taxes

Alternative Minimum Tax Consequences. Prospective unitholders that are subject to the alternative minimum tax (the "AMT") should consider the tax consequences of an investment in units in view of their AMT position, taking into account the special rules that apply in computing the AMT, including the special limitations as to the use of net operating losses and the deduction for QBI and, in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for state and local taxes.

Medicare Tax on Net Investment Income. The Health Care and Education Reconciliation Act of 2010 requires certain U.S. unitholders who are individuals, estates or trusts to pay a 3.8% Medicare tax on "net investment income," which generally includes interest, dividends, annuities, royalties, rents and capital gains, subject to certain exceptions. Such income received directly or via a pass-through entity such as us generally will be subject to this tax to the extent that a U.S. unitholder's adjusted gross income exceeds a certain threshold. You should consult your tax advisor regarding the effect, if any, of the Medicare Tax on taxable income arising from ownership and disposition of units.

Certain Special Considerations for Tax-Exempt Investors

Tax-exempt organizations generally are subject to federal income tax on unrelated business taxable income ("UBTI"). We expect to conduct substantially all of our operations through the REIT Subsidiaries, which would effectively block UBTI for such investors subject to the limitations contained below.

With respect to our ownership of the REIT Subsidiaries, neither ordinary nor capital gain distributions nor gain from the sale of the shares of any such REIT Subsidiary should generally constitute UBTI to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts may be treated as UBTI if the shares of any REIT Subsidiary are predominantly held by qualified employee pension trusts, such REIT Subsidiary is required to rely on a special look-through rule for purposes of meeting one of the REIT share ownership tests, and the REIT Subsidiary is not otherwise operated in a manner to avoid treatment of such income or gain as UBTI;

- part of the income and gain recognized by a tax exempt unitholder with respect to the shares of any REIT Subsidiary would constitute UBTI if such tax-exempt investor incurs debt in order to acquire its units; and

- part or all of the income or gain recognized with respect to the shares of any REIT Subsidiary by unitholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under Sections 501(c)(7), (9), (17) or (20) of the Code may be treated as UBTI.

To the extent that assets are held outside of a REIT Subsidiary, if, as anticipated, we use leverage to finance our assets, a portion of our income will be UBTI under the debt-financed property rules of Section 514 of the Code, absent a specifically codified exception from UBTI in the Code. This could happen, for example, if the Fund acquired a portfolio of properties with the intent of retaining less than all such properties. In such case, the Fund may acquire those properties it wishes to retain through the REIT Subsidiary but hold the properties it desires to dispose of outside of a REIT Subsidiary.

Debt-financed property includes property for which there is "acquisition indebtedness." "Acquisition indebtedness" for these purposes is the amount of any indebtedness incurred directly or indirectly to acquire or improve property, including indebtedness incurred before or after the acquisition or improvement of property if such indebtedness would not have been incurred but for the acquisition or improvement of the property.

To the extent the Fund recognizes income from any assets with respect to which there is "acquisition indebtedness" during a taxable year (again, for the sake of clarity, other than through a REIT Subsidiary), the percentage of such income that will be treated as UBTI generally will be based on the percentage that the "average acquisition indebtedness" incurred with respect to such asset is of the "average amount of the adjusted basis" of such asset during the taxable year. Indebtedness incurred by an exempt organization to acquire or to carry its interest in the Fund as a unitholder will also be treated as "acquisition indebtedness" for these purposes.

To the extent the Fund recognizes gain from an asset with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of the asset's disposition, the percentage of such gain that will be treated as UBTI will be based on the percentage that the highest amount of such "acquisition indebtedness" is of the "average amount of the adjusted basis" of such asset during such period.

A potentially relevant exception to the application of the debt-financed property rules is the exception for real property (not including debt) acquired by a "qualified organization" within the meaning of Section 514(c)(9)(C) of the Code. "Qualified organizations" generally include qualified trusts under Section 401 of the Code, certain educational organizations, and certain corporations and trusts formed for the exclusive purpose of acquiring and holding real property and distributing all of the income derived therefrom to its shareholders or beneficiaries. This exception may apply where a qualified organization is a partner in a partnership that holds real property (not including debt), provided certain additional requirements are met with respect to the partnership.

The board of directors may, but is not required to, attempt to cause us to meet the requirements of Section 514(c)(9) of the Code with respect to the unitholders that are "qualified organizations." However, it is possible that the IRS could take the position that the requirements of that provision do not apply to certain of the Fund's assets, or that our limited liability company agreement does not meet the additional requirements imposed by Section 514(c)(9) of the Code where real property is held by a partnership. Among the many requirements to be met is the "fractions rule" under which a partnership cannot allocate overall partnership income to a qualifying tax-exempt unitholder more than such unitholder's smallest percentage share of overall partnership loss for a taxable year. Even if we are able to comply with the "fractions rule," tax-exempt investors may have UBTI from assets not held by a REIT Subsidiary. The board of directors is not required to structure investments to meet such "fractions rule" requirements. While the REIT Subsidiaries are contemplated to hold substantially all of our assets, the board of directors has discretion to acquire and structure transactions that may be held outside of the REIT Subsidiaries. Accordingly, tax-exempt investors that are not "qualified organizations" will have, and "qualified organizations" may have, UBTI (subject to tax at corporate rates) from assets that are acquired and not held through REIT Subsidiaries.

The board of directors may (but is not required to) elect to structure its operations to reduce or eliminate UBTI for some or all tax-exempt investors and may elect to use a UBTI blocker. Notwithstanding the foregoing, certain investments may have UBTI from sources such as parking revenue and incidental services income from services provided to guests, and other investments that the board of directors decides to cause us to acquire may be of a type that generate primarily UBTI (such as inventory-type property).

The board of directors will not be liable for the recognition of any UBTI by a unitholder with respect to its investment. Notwithstanding the anticipated use of a REIT Subsidiary for substantially all of our activities, some of our income may nevertheless constitute UBTI.

THE POTENTIAL FOR HAVING INCOME CHARACTERIZED AS UBTI MAY HAVE A SIGNIFICANT EFFECT ON ANY INVESTMENT IN UNITS BY A TAX-EXEMPT ENTITY. TAX-EXEMPT INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN UNITS, INCLUDING ALL ASPECTS OF UBTI.

In addition, as a result of us having one or more tax-exempt unitholders, the assets held directly or indirectly by us that are not held through a REIT Subsidiary may constitute "tax-exempt use property" under Section 168(h)(6) of the Code if each unitholder is not allocated the same distributive share of each item of income, gain, loss, deduction, credit and basis and such share does not remain the same during the entire period such unitholder is a unitholder. Depreciable property that constitutes "tax-exempt use property" may be subject to a longer recovery period, and certain losses resulting from the leases of such property to a tax-exempt entity may also be deferred or denied for federal income tax purposes. Such characterization of our assets as "tax-exempt use property" may have a negative impact on the rate of return from the investment in such property for taxable investors, although such negative impact is not expected to be significant.

Our REIT Subsidiaries

General. We expect to acquire substantially all of our investments through entities expected to qualify as REITs for federal income tax purposes ("REIT Subsidiaries"). Although we expect to hold substantially all of our investments through REIT Subsidiaries, the board of directors has the right to structure our acquisition and operation of investments as it deems appropriate and, because of the complexity and cost of a REIT structure and the nature of certain investments, may decide (in its sole and absolute discretion) not to hold certain investments through REIT Subsidiaries.

The sections of the Code that relate to the qualification and operation of each of our REIT Subsidiaries as a REIT are highly technical and complex. The following discussion sets forth the material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and its shareholders.

Election. Our REIT Subsidiaries will elect to be taxed as REITs under Sections 856 through 860 of the Code, effective beginning with the first year in which such REIT Subsidiary commences material operations. However, no assurance can be given that each REIT Subsidiary will be operated in a manner so as to remain qualified as a REIT. In addition, future legislation may cause a REIT to be a less advantageous form of organization for tax purposes for companies that invest in the types of real estate assets in which we intend to invest. The board of directors may elect not to utilize a REIT Subsidiary to hold our investments or may revoke or otherwise terminate a REIT Subsidiary's status as a REIT, if the board of directors determines that it is in our and our unitholders' best interests to do so.

Taxation of a REIT. Our REIT Subsidiaries which qualify for taxation as REITs will not be subject to U.S. federal corporate income tax on the REIT taxable income that is distributed currently to us. In any year in which a REIT Subsidiary qualifies as a REIT and has a valid election in place, it will claim deductions for the dividends paid to us, and therefore will not be subject to federal income tax on the portion of its taxable income or capital gain that is distributed. It is our intent to cause each REIT Subsidiary to distribute at least 90% of its REIT taxable income for this purpose. Qualification for taxation as a REIT enables the REIT and its shareholders to substantially eliminate the "double taxation" (that is, taxation at both the corporate and shareholder levels) that generally results from an investment in a regular "C" corporation. However, any net operating losses, foreign tax credits and other tax attributes of our REIT Subsidiaries generally do not pass through to our unitholders, subject to special rules for certain items such as the capital gains recognized by our REIT Subsidiaries.

Nevertheless, a REIT Subsidiary will be subject to federal tax in the following circumstances, among others:

- It will be taxed at normal corporate rates on any taxable income, including net capital gain, which is not distributed to us.
- It will be subject to a non-deductible excise tax if it fails to currently distribute the sum of (i) 85% of its REIT ordinary income for the calendar year, (ii) 95% of its REIT capital gain net income for the calendar year, and (iii) 100% of its undistributed income from prior years.
- It will be subject to a 100% tax on income from "prohibited transactions" as defined in the Code, such as the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business (unless certain safe harbors apply).

In addition, each REIT Subsidiary and its subsidiaries may be subject to a variety of taxes, including state and local and foreign income, property and other taxes on their assets and operations.

Qualification as a REIT. In order for our REIT Subsidiaries to qualify to make an election to be taxed as a REIT, they must meet a number of qualifications. The rules governing qualification as a REIT are highly technical and complex and subject to change. Some of the qualifications which must be met by our REIT Subsidiaries include the following:

- It must be beneficially owned by 100 or more persons (determined without reference to any rules of attribution);
- Not more than 50% of the value of its outstanding shares can be owned, actually or constructively, by 5 or fewer persons (as determined by applying certain attribution rules);
- At least 75% of its gross income (with certain exceptions) must be derived from rental income from real property, dividends and distributions from other REITs, gain from the sale of real property (not held for sale to customers), and interest on mortgage loans;
- For rents to qualify under this test, the REIT must not operate or manage the property, or render services to tenants, other than through an independent contractor who is adequately compensated and through whom the REIT does not derive revenue (subject to certain exceptions); and
- At least 95% of its gross income (with certain exceptions) must be derived from some combination of income that qualifies under the 75% test, plus other dividends, interest and gain from the disposition of stock or other securities (in either case, not held for sale to customers).

If a REIT Subsidiary fails to satisfy either the 95% gross income test or the 75% gross income test, it will lose its REIT status unless the failure is due to reasonable cause and not willful neglect. In that event, a penalty tax would be imposed on the REIT Subsidiary by reference to the amount by which it failed the 75% or 95% gross income test (whichever amount is greater).

Taxation of REIT Income Passed Through to U.S. Unitholders. Unitholders will be allocated their share of the dividend income we receive from a Subsidiary REIT. However, unlike a partnership, items of income, gain, loss, expense, and credit do not flow through from a Subsidiary REIT to us or the unitholders; the unitholders will only be allocated dividend income from the Subsidiary REIT, which will qualify as either ordinary income or capital gain income. As long as an entity qualifies as a REIT under the Code, dividends it makes to its U.S. shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by such shareholders as ordinary income, and corporate shareholders will not be eligible for the dividends received deduction as to such amounts. Dividends will not generally be eligible to be taxed at the preferential dividend income tax rates applicable to individuals who receive "qualified dividends" from taxable C corporations.

Dividends paid by a REIT that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed the REIT's actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its securities. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Dividends in excess of current and accumulated earnings and profits will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder's securities, but rather will reduce the adjusted basis of such securities. To the extent that such dividends exceed the adjusted basis of a shareholder's securities, they will be treated as gain from the sale of the securities (which gain will be capital gain, assuming the securities are a capital asset in the hands of the shareholders and will be long-term or short-term capital gain depending on how long the shareholder has held the securities).

In general, a U.S. unitholder who is not a dealer in securities will realize capital gain or loss upon the Fund's sale or other taxable disposition of its shares in a REIT in an amount equal to the difference between the sum of the fair value of any property and the amount of cash received in such disposition and the Fund's adjusted tax basis in the REIT shares at the time of the disposition. The IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a capital gain tax rate of 25% (which is generally higher than the long-term capital gain

tax rates for non-corporate shareholders) to a portion of a capital gain realized by a non-corporate shareholder on the sale of securities that would correspond to a REIT's "unrecaptured Section 1250 gain." Gains recognized by unitholders that are corporations are subject to federal income tax at a maximum rate of 21%, whether or not classified as long-term capital gains.

Certain Special Considerations for Non-U.S. Unitholders

General. As used in this section, the term "non-U.S. unitholder" means a unitholder that is **not** for United States federal income tax purposes (a) a citizen or resident of the United States; (b) a corporation or partnership (including an entity treated as a corporation or a partnership for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia (unless Treasury regulations are adopted that provide otherwise); (c) an estate whose income is subject to United States federal income tax regardless of its source; or (d) a trust, if (i) a court within the United States is able to exercise primary supervision over the administration of the trust, and (ii) one or more United States persons have the authority to control all substantial decisions of the trust.

The following summary of special considerations applicable to a non-U.S. unitholder does not discuss all of the U.S. federal income tax consequences that may be relevant to a non-U.S. unitholder. The rules applicable to the tax treatment of a non-U.S. unitholder's investment in the Fund will depend upon such factors as the residence or citizenship of the non-U.S. unitholder, whether the non-U.S. unitholder is a resident of a country with which the U.S. has a tax treaty, and, if the non-U.S. unitholder is not an individual, the form of entity. ACCORDINGLY, EACH NON-U.S. UNITHOLDER SHOULD CONSULT ITS OWN ADVISORS REGARDING ALL OF THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES RELATING TO AN INVESTMENT IN US BASED ON EACH UNITHOLDER'S SPECIFIC CIRCUMSTANCES. NEITHER THE BOARD OF DIRECTORS NOR THE ADVISOR NOR ANY AFFILIATE THEREOF NOR COUNSEL FOR ANY OF THE FOREGOING IS PROVIDING ANY TAX ADVICE TO ANY PROSPECTIVE NON-U.S. UNITHOLDER.

Withholding From Allocable Share of Fund's Income. A 21% federal withholding tax (37% if the non-U.S. unitholder is not a corporation) generally will be imposed on a non-U.S. unitholder's allocable share of any of our taxable income that is "effectively connected" with a U.S. trade or business (whether or not such income is distributed) and any amount designated as a capital gain dividend by a REIT Subsidiary. In addition, any fixed, determinable, annual or periodical income (such as interest and dividend income) that is not effectively connected with a U.S. trade or business and not designated as a capital gain dividend by a REIT Subsidiary will be subject to a 30% federal withholding tax. Such withholding tax may be reduced or eliminated under any applicable income tax treaty between the United States or under the "portfolio interest" rules contained in Code Section 871 or 881. Amounts withheld may be claimed as a credit against such unitholder's substantive U.S. tax liability. We may deduct amounts withheld from any distribution otherwise payable to such unitholders. To the extent the withholding on behalf of a unitholder exceeds the amount that would be distributed to it, such excess shall be treated as a demand loan made by us to such unitholder that will bear an annual interest rate equal to ten percent (10%). Each unitholder generally will be personally liable to us with respect to any withholding tax not satisfied out of that unitholder's share of any distributions by us, plus interest if not repaid on demand

FIRPTA. Under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), a non-U.S. unitholder generally will incur tax on distributions that we receive that are attributable to gain from a REIT Subsidiary's sale or exchange of a "United States real property interest" (a "USRPI") or our disposition of a REIT Subsidiary. Such gains may be subject to federal income tax of up to 35% of the amount of such gains and subject to withholding of 15% of the total amount realized on the disposition.

Foreign Accounts and FATCA. The Foreign Account Tax Compliance Act, commonly referred to as FATCA, currently imposes a 30% withholding tax on certain U.S. source passive payments to "foreign financial institutions" and certain other non-U.S. entities. Under FATCA, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. unitholders who own units through foreign accounts or foreign intermediaries and certain non-U.S. unitholders. Prospective unitholders should consult their tax advisors regarding the application of FATCA to an investment in the Fund.

State and Local Taxes

The foregoing discussion does not address the state and local tax consequences of an investment in us, and prospective unitholders again are urged to consult their own advisors with respect thereto.

Unitholders may be subject to state and local taxes, and may be required to file returns in jurisdictions in which we may be deemed to be doing business or own property or in which our income is otherwise sourced. However, to the extent that we are doing business or own property through a REIT Subsidiary, such REIT Subsidiary would have such state filing requirement, and unitholders would generally not have a filing requirement. It should also be noted that we may be subject to entity-level taxation in certain jurisdictions if we are considered to be engaged in business therein.

Administrative Matters

Partnership Tax Returns. We will file an annual federal informational tax return, Form 1065, reporting operations for each taxable year or taxable period to the IRS and, after each taxable year or taxable period, will provide unitholders with the information on Schedule K-1 to Form 1065 necessary to enable them to include in their tax returns the tax information arising from their investments in us. Section 6222 of the Code requires that the unitholders file their returns in a manner consistent with the treatment of the items on our returns, unless a statement is filed with the IRS identifying the inconsistency.

Audits and Adjustments to Tax Liability. Under new audit rules, generally effective for partnership taxable years beginning after December 31, 2017, if a partnership's taxable year is audited by the IRS, then both the partners and the partnership will be bound by the actions taken by the partnership representative. Our limited liability company agreement specifies that Thomas Guard, our CFO, is designated as the initial "partnership representative."

Under the new audit rules, any adjustment to a partnership's items of income, gain, loss, deduction, or credit (and any partner's distributive share of such adjustment), together with taxes and penalties associated with such adjustment, are assessed and collected at the partnership level, rather than the partner level. The new rules determine any imputed underpayment by netting each partner's adjustments of income, gain, loss, deduction, or credit and multiplying the net adjustment by the highest tax rate in effect for the year under audit (the "Reviewed Year"). Since the Reviewed Year's highest tax rate is applied regardless of the individual partners' tax rate, the partnership may be liable for higher amounts than if the adjustments were made at the partner level. Under the new rules, the partnership will take the adjustment into account in the "Adjustment Year" – the year that the audit or judicial review is complete. As such, the economic burden of an adjustment (and any related penalties) could be shifted from those who were partners in the partnership during the Reviewed Year to the partnership's partners as of the Adjustment Year (although partners will not be held jointly and severally liable for a partnership's tax liability).

We may make an election pursuant to Section 6226 of the Code to require each person who was a unitholder during a Reviewed Year to personally bear any tax, interest, and penalty resulting from adjustments based on such audit. By subscribing for units, each unitholder agrees to the foregoing, even if such person is no longer a unitholder (unless a substitute unitholder has agreed to bear such liability in an appropriate transfer document). Furthermore, if we are unable (or otherwise fail) to make an election under Section 6226 of the Code and becomes subject to an entity-level tax, our limited liability company agreement provides that each unitholder agrees to bear its proportionate share of the liability, even if such person is no longer a unitholder (unless a substitute unitholder has agreed to bear such liability in an appropriate transfer document).

Tax Shelter Regulation. It is not expected that we will be required to register as a tax shelter.

Possible Tax Law Changes

The foregoing discussion is only a summary and is based upon existing federal income tax law. Unitholders should recognize that the federal income tax treatment of an investment in units may be modified at any time by legislative, judicial or administrative action. Any such changes may have a retroactive effect with respect to existing transactions and investments and may modify the statements made above. Unitholders are urged to consult with their own tax advisor with respect to the impact of recent legislation, including the Tax Act, on their investment in the units.

THE FOREGOING DISCUSSION SHOULD NOT BE CONSIDERED TO DESCRIBE FULLY THE FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN UNITS. UNITHOLDERS ARE STRONGLY ADVISED TO CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN UNITS.

Investment by Certain Tax-Exempt Entities and ERISA Considerations

The following is a summary of some considerations associated with an investment in our units by tax-qualified pension, stock bonus or profit-sharing plans and other employee benefit plans described in Section 3(3) of ERISA, annuities described in Section 403(a) or (b) of the Code, individual retirement account or annuity described in Section 408 or 408A of the Code, an Archer MSA described in Section 220(d) of the Code, a health savings account described in Section 223(d) of the Code, or a Coverdell education savings account described in Section 530 of the Code (collectively, "plans and IRAs"). This summary is based on provisions of ERISA and the Code, each as amended through the date of this memorandum, and the relevant regulations, opinions and other authority issued by the Department of Labor and the IRS through the date of this memorandum. We cannot assure you that there will not be adverse tax or labor decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein. Any such changes may apply to transactions entered into prior to the date of their enactment.

In general, any individual making an investment decision with respect to plans or IRAs should consider applicable provisions of the Code and ERISA. While each of the Code and ERISA issues discussed below may not apply to all plans and IRAs, individuals involved with making investment decisions with respect to plans and IRAs should carefully review the rules and exceptions described below, and determine their applicability to their situation. Our acceptance of an investment by any plan or IRA should not be considered to be a determination or representation by us or any of our respective affiliates that such an investment is appropriate for such plan or IRA.

In general, individuals making investment decisions with respect to plans and IRAs should, at a minimum, consider:

- whether the investment is consistent with the fiduciary and other the applicable provisions of ERISA, the Code, and other applicable laws;
- whether, under the facts and circumstances pertaining to the plans and IRAs in question, the individual's responsibility to the plan or IRA has been satisfied;
- whether the investment will produce UBTI to the plan or IRA (see "Material U.S. Federal Income Tax Considerations");
- the need to value the assets of the plan or IRA annually or more frequently in accordance with ERISA and the Code requirements and any applicable provisions of the plan or IRA;
- whether the investment satisfies the prudence and diversification and other fiduciary requirements of ERISA, if applicable, and all other applicable provisions of ERISA and the Code;
- whether there is sufficient liquidity for the plan or IRA, considering the minimum and other distribution and withholding requirements under the Code and the liquidity needs of such plan or IRA, after taking this investment into account;
- whether the investment is in accordance with the documents and instruments governing such plan or IRA, including its trust and custodial agreements;
- whether the investment would constitute or give rise to a prohibited transaction under ERISA or the Code, if applicable, or other applicable laws; and
- whether the assets of the entity in which the investment is made will be treated as "plan assets" of the plan or IRA investor under ERISA.

Additionally, individuals making investment decisions with respect to plans and IRAs must remember that ERISA requires that, with certain exceptions, the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Fiduciary Obligations — Prohibited Transactions

Any person identified as a "fiduciary" with respect to a plan or IRA incurs duties and obligations under ERISA and/or the Code as discussed herein. For purposes of ERISA, a person generally is a fiduciary with respect to a plan if, among other things, the person has discretionary authority or control with respect to plan assets or provides investment advice (direct or indirect) for a fee with respect to plan assets.

In the event that we are deemed to hold plan assets of a plan or IRA, our management could be characterized as fiduciaries with respect to such plan or IRA, and each would be deemed to be a "party-in-interest" under ERISA and a "disqualified person" under the Code with respect to an investing plan or IRA. Irrespective of whether we are deemed to hold plan assets, if we or our affiliates are affiliated with a plan or IRA investor, we might be a "disqualified person" or "party-in-interest" with respect to such plan or IRA investor, resulting in a prohibited transaction merely upon investment by such plan or IRA in our units. Additionally, our management would be treated as fiduciaries with respect to each plan or IRA unitholder and an investment in our units might constitute an ineffective delegation of fiduciary responsibility to our advisor and expose the fiduciary of an investing plan to co-fiduciary liability under ERISA for any breach by our advisor of the fiduciary duties mandated under ERISA. Further, if our assets are deemed to be "plan assets," an investment by an IRA in our units might be deemed to result in an impermissible commingling of IRA assets with other property.

If our advisor or its affiliates were treated as fiduciaries with respect to plan or IRA unitholders, the prohibited transaction restrictions of ERISA and the Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with persons who are affiliated with or related to us or our affiliates or require that we restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide plan or IRA unitholders with the opportunity to sell their units to us or we might dissolve.

Plan Asset Considerations

In order to determine whether an investment in our units by a plan or IRA creates or gives rise to the potential for either prohibited transactions or a commingling of assets as referred to above, an individual making an investment decision must consider whether an investment in our units will cause our assets to be treated as assets of the investing plan or IRA. Section 3(42) of ERISA and the Plan Assets Regulation define the term "plan assets," which includes certain express exceptions.

Under the Plan Assets Regulation, the assets of an entity in which a plan or IRA makes an equity investment will generally be deemed to be assets of the plan or IRA, unless one of the exceptions to this general rule applies. Generally, the exceptions require that the investment in the entity be one of the following:

- securities issued by an investment company registered under the Investment Company Act;
- "publicly offered securities" (generally defined as interests that are "freely transferable," "widely held," and registered with the Securities and Exchange Commission);
- an "operating company," which includes "venture capital operating companies" and "real estate operating companies;" or
- an investment in which equity participation by "benefit plan investors" is "not significant."

We believe that we will satisfy one or more of the exceptions described below:

Exception for Insignificant Participation by Benefit Plan Investors. The Plan Assets Regulation provides that the assets of an entity will not be deemed to be the assets of a plan or IRA if equity participation in the entity by "benefit plan investors," including plans and IRAs, is not "significant." The plan assets regulation provides that equity participation in an entity by "benefit plan investors" is "significant" if at any time 25% or more of the value of any class of equity interest is held by "benefit plan investors." The term "benefit plan investors" is defined for this purpose under ERISA Section 3(42) to mean any employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA,

any plan to which Section 4975 of the Code applies, and any entity whose underlying assets include plan assets by reasons of a plan's investment in such entity. In calculating the value of a class of equity interests, the value of any equity interests held by us or any of our affiliates must be excluded. We do not intend to limit equity participation in our securities by benefit plan investors to less than 25% of the total value of each class of our equity securities. Accordingly, our assets may be deemed "plan assets" under ERISA, which could severely restrict our operations or subject us to fines if ownership by benefit plan investors of any class of our equity securities is "significant" (as defined above) and we do not qualify for another exception. If we determine that participation by benefit plan investors equals or exceeds 25% of the total value of any class of our equity securities, and we do not qualify for another exception, our limited liability company agreement allows us to redeem unitholders in sufficient quantities to reduce benefit plan investor participation so that it is no longer "significant." The redemption would be for the full purchase price paid for each such unit, and may be payable in cash.

Exception for Operating Companies. The Plan Assets Regulation provides an exception with respect to securities issued by an "operating company," which includes a "real estate operating company" or a "venture capital operating company." Generally, we will be deemed to be a real estate operating company if during the relevant valuation periods at least 50% of our assets are invested in real estate that is managed or developed, and with respect to which we have the right to participate substantially in management or development activities. To constitute a venture capital operating company, 50% or more of our assets must be invested in "venture capital investments" during the relevant valuation periods. A "venture capital investment" is an investment in an operating company (other than a venture capital operating company but including a "real estate operating company") as to which the investing entity has or obtains direct management rights. If an entity satisfies these requirements on the date it first makes a long-term investment (the "initial investment date"), or at any time during the entity's first annual valuation period, it will be considered an operating company for the entire period beginning on the initial investment date and ending on the last day of the first annual valuation period. Because this is a blind pool offering, we cannot assure you that we will be a real estate operating company or a venture capital operating company within the meaning of the Plan Assets Regulation. However, we intend to structure and operate so that we qualify as a "venture capital operating company" investing in a series of other "operating companies," as defined in the Plan Assets Regulation. Specifically, we believe that each single purpose entity that we establish that owns one or more real properties will qualify as a "real estate operating company" for ERISA purposes. Accordingly, we do not expect to be subject to regulation under ERISA or similar provisions of the Code.

Other Prohibited Transactions

Regardless of whether the units qualify for any of the above exceptions under the Plan Assets Regulation, a prohibited transaction could occur if we, our advisor, any selected broker-dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any plan or IRA purchasing our units. Accordingly, unless an administrative or statutory exemption applies, units should not be purchased by a plan or IRA with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to the plan or "plan assets" or provides investment advice for a fee with respect to "plan assets."

Annual or More Frequent Valuation Requirement

A fiduciary of a plan subject to ERISA may be required to determine the fair market value of the assets of such plan on at least an annual basis and, sometimes, as frequently as daily. If the fair market value of any particular asset is not readily available, the fiduciary is required to make a good faith determination of that asset's value. Currently, neither the IRS nor the Department of Labor has promulgated regulations specifying how "fair market value" should be determined for these purposes.

It is not expected that a public market for our units will develop. To assist fiduciaries of plans subject to the annual reporting requirements of ERISA and IRA trustees or custodians to prepare reports relating to an investment in our units, we estimate that the net asset value of our units will be per share Capital Contribution Account. However, we do not expect to periodically conduct any appraisals or valuations of our investments or publish an estimated fair value per share. Accordingly, if you are a fiduciary of a benefit plan governed by ERISA or Section 4975 of the Code, you should confirm the requirements that may be applicable to you regarding the valuation of your plan's investments and ascertain whether an investment in our units is suitable for your plan.

Our investments in REIT Subsidiaries will be difficult to value, particularly to the extent that their underlying investments are not publicly traded. If we do prepare any estimates of fair value beyond those based on the offering price, there can be no assurance, with respect to any estimate of value that we prepare, that:

- the estimated value per share would actually be realized by our unitholders upon liquidation, because, among other reasons, these estimates do not necessarily indicate the price at which properties can be sold;
- our unitholders would be able to realize estimated net asset values if they were to attempt to sell their units, because no public market for our units exists or is likely to develop;
- that the value, or method used to establish value, would be sufficient to enable an ERISA fiduciary or an IRA custodian or trustee to comply with ERISA or Code requirements described above, and the Department of Labor or the IRS might determine that a plan fiduciary or IRA custodian or trustee is required to take further steps to determine value; or
- that the value, or method used to establish value, will comply with any contractual agreements that may exist with any third party administrator or IRA custodian or trustee.

Minimum and Other Distribution Requirements — Plan Liquidity

Potential plan or IRA investors who intend to purchase our units should consider the limited liquidity of an investment in our units as it relates to the minimum distribution requirements under the Code, if applicable, and as it relates to other distributions (such as, for example, cash out distributions) that may be required under the terms of the plan or IRA and the Code from time to time. If mandatory or other distributions are required to be made to the participant or beneficiary of such IRA or plan pursuant to the Code, then this might require that a distribution of units be made in kind to such participant or beneficiary or that a rollover of such units be made to an IRA or other plan. Such an in kind distribution of units may not be permissible under the terms and provisions of the IRA or plan making the distribution or rollover or the IRA or plan receiving the rollover, or under applicable federal or state securities laws. Even if permissible, a distribution of units in kind to a participant or beneficiary of an IRA or plan must generally be included in the federal taxable income of the recipient for the year in which the units are received at the then current fair market value of the units, even though there would be no corresponding cash distribution with which to pay the income tax liability arising because of the distribution of units. The fair market value of any such distribution-in-kind can be only an estimated value per share because no public market for our units exists or is likely to develop. Further, there can be no assurance that such estimated value could actually be realized by a unitholder because estimates do not necessarily indicate the price at which our units could be sold. Also, for distributions subject to mandatory income tax withholding under Section 3405 or other tax withholding provisions of the Code, the trustee of a plan may have an obligation to liquidate a portion of the in-kind units distributed in order to satisfy such withholding obligations, although there might be no market for such units. There may also be similar state and/or local tax withholding or other tax obligations that should be considered.

Rules Applicable to Foreign, Governmental and Church Plans

As a general rule, certain employee benefit plans, including foreign pension plans, governmental plans established or maintained in the United States (as defined in Section 3(32) of ERISA), and certain church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA and are not "benefit plan investors" within the meaning of the Plan Assets Regulation. Any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 and Section 4975 of the Code. Also, some foreign plans and governmental plans may be subject to foreign, state, or local laws which are, to a material extent, similar to the provisions of ERISA or Section 4975 of the Code. Each fiduciary of a plan subject to any such similar law should make its own determination as to the need for and the availability of any exemption relief.

Description of Our Securities

We are a Delaware limited liability company organized in December 2019 under the Delaware Limited Liability Company Act, or "Delaware LLC Act," issuing limited liability company interests. Our limited liability company interests are denominated in units of limited liability company interests, in any combination of Class A Units and Class I Units or "units." The rights of our unitholders are governed by the Delaware LLC Act as well as our limited liability company agreement. The following summary of the terms of our securities is only a summary, and you should refer to the Delaware LLC Act and our limited liability company agreement for a full description. The following summary is qualified in its entirety by the more detailed information contained in our limited liability company agreement. Copies of our limited liability company agreement are available upon request.

Our limited liability company agreement allows us to issue an unlimited number of units with the approval of a majority of our board of directors and without unitholder approval. Our limited liability company agreement also contains a provision permitting our board of directors, without unitholder approval, to classify or reclassify any units into one or more classes or series, or to create a new class or series of units, by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, or terms or conditions, subject to restrictions that may be encompassed in any class of newly created securities, if any. We believe that the power to classify or reclassify units and issue new classes or series of units provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise.

Limited Liability Company Interests

Subject to any preferential rights of any other class or series of units and to the provisions of our limited liability company agreement regarding restrictions on the ownership and transfer of units, the holders of Class A Units and Class I Units are entitled to such pro-rata distributions as may be authorized from time to time by our board of directors out of legally available funds and declared by us and, upon our liquidation, are entitled to receive all assets available for distribution to our unitholders. Holders of Class A Units and Class I Units will not have preemptive rights, which means that they will not have an automatic option to purchase any new units that we issue, or preference, conversion, exchange, sinking fund or redemption rights. Our board of directors may create new classes or series of units and establish their preferences, conversion or other rights, which may rank senior to our Class A Units or Class I Units, as well as any other class-specific voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption. Holders of Class A Units and Class I Units will not have appraisal rights unless our board of directors determines that appraisal rights apply, with respect to all or any classes or series of units, to one or more transactions occurring after the date of such determination in connection with which holders would otherwise be entitled to exercise appraisal rights. Our Class A Units and Class I Units have equal distribution, liquidation and other rights.

Meetings and Voting Rights

There will be no annual or regular meetings of the unitholders. Our limited liability company agreement provides that special meetings of unitholders may only be called by our board of directors.

Except as expressly provided in our limited liability company agreement, applicable law, or the requirements of applicable regulatory agencies, if any, our common unitholders shall not have any voting rights with respect to any decision or matter of the Company or our REIT Subsidiaries. At the election of our board of directors, our board of directors may (but is not required to) present any transaction that presents a potential conflict of interest to the common unitholders for approval.

Each outstanding unit entitles the holder to one vote on all matters submitted to a vote of common unitholders. Generally, matters to be voted on by our unitholders must be approved by a majority of the votes cast by all units present in person or represented by proxy at a meeting of common unitholders at which there is a quorum. A majority of the units entitled to vote on any matter constitute a quorum of the transaction of business at a unitholders' meeting; provided, however, 25% of units entitled to vote on any matter shall constitute a quorum for purposes of adjourning meetings. Any adjourned session or sessions may be held, within a reasonable time after the date set for the original meeting without the necessity of further notice to unitholders.

Upon the affirmative vote of a majority of the outstanding units, a director may be removed for "cause" (as defined below) and a replacement director elected. In all other cases, our sponsor has the right to appoint each director and may also remove and replace each director and to remove and replace each director at any time and for any reason with or without cause and with or without notice to any other person, and without the vote of unitholders.

"Cause" is defined in the limited liability company agreement for removal purposes to mean the determination, in a final, non-appealable decision, that a director has committed an act constituting fraud, gross negligence, or willful misconduct, in each case that has a material adverse effect on the financial condition of the Fund.

Restrictions on Transfer

Our units will not be registered under the Securities Act or any state securities laws and may not be transferred unless an exemption from registration under applicable federal and state securities laws is available. Our limited liability company agreement limits the sale, assignment, pledge, hypothecation, encumbrance or other transfer of the units, and provides the circumstances under which the written consent of our board of directors must be obtained (which consent may be given or withheld by our board of directors in its sole discretion) in order to effectively transfer our units. For example, among others, our limited liability company agreement contains restrictions on transfer designed to (1) permit us to be exempt from registration under the Investment Company Act, (2) avoid causing our assets to be "plan assets" under ERISA, (3) avoid causing us to violate (or fail to qualify from any exemption with respect to) any applicable federal or state securities laws, and (4) avoid causing any of our REIT Subsidiaries to fail to maintain their status as a REIT. In addition, our unitholders have no right to make full or partial withdrawals prior to the final liquidation and termination of the Fund, except that in very limited circumstances (e.g., death of a unitholder) the Board of Directors may approve (in its sole and absolute discretion) a withdrawal subject to the restrictions of the limited liability company agreement. As a result, you may be required, and should expect, to hold your units for the entire term of the Fund.

Distribution Policy and Distributions

When we have sufficient cash flow from operations available to make distributions, we intend to continue to pay regular monthly distributions to our unitholders. We expect to declare the initial distributions to our unitholders effective on the date that we first acquire a property. If we do not have enough cash flow from operations to fund the distributions, we may borrow, issue additional securities or sell assets in order to fund the distributions or we may fund the distributions out of net proceeds from this offering. We have not established any limit on the amount of proceeds from this offering that may be used to fund distributions, except that, in accordance with Delaware law, we may not make distributions to the extent that at the time of the distribution, after giving effect to the distribution, all of our liabilities, other than liabilities for distributions to unitholders and liabilities for which the recourse of creditors is limited to specific property, exceed the fair value of our assets (except that the fair value of property that is subject to a liability for which the recourse of creditors is limited is only included in the determination of our assets to the extent that the fair value of that property exceeds that liability).

In addition, the fees, distributions and reimbursements payable to our advisor depend on various factors, including the assets we acquire, indebtedness incurred, and sales prices of investments sold, and therefore cannot be quantified or reserved until such fees have been earned. See the "Management Compensation" section of this memorandum for more information. We are required to pay these amounts to our advisor regardless of the amount of cash we distribute to our unitholders and, therefore, our ability to make distributions from cash flow from operations, as well as cash flow available for investment, to our unitholders may be negatively impacted.

Distributions will be made to the Class A unitholders and Class I unitholders on a *pari passu* basis. Each distribution authorized and declared with respect to our unitholders will be made in the following order of priority:

(1) First, to all unitholders, pro rata in proportion to their respective Target Common Return Account (as defined below) balances, until each unitholder's Target Common Return Account balance is reduced to zero ("target distributions");

(2) Second, to all unitholders, pro rata in proportion to their respective Capital Contribution Account (as defined below) balances, until each unitholder's Capital Contribution Account balance is reduced to zero;

(3) Third, to all unitholders, pro rata in proportion to their respective Accrued Common Return Account (as defined below) balances, until each unitholder's Accrued Common Return Account balance is reduced to zero; and

(4) Finally, any excess shall then be distributed (x) 80% to our unitholders, pro rata among the unitholders in proportion to the number of units held by each such unitholder relative to the units held by all unitholders, and (y) 20% to our advisor (the "carried interest").

"Capital Contribution Account" means an account maintained for each unitholder equal to (a) the product of (i) $1,000 and (ii) the number of units owned by such unitholder, less (b) the aggregate distributions made to such unitholder pursuant to clause (3) above.

"Target Common Return Account" means an account maintained for each unitholder equal to (a) a cumulative non-compounding return equal to 6% per annum on each unitholder's Capital Contribution Account balance, less (b) the aggregate distributions made to such unitholder pursuant to clause (1) above.

"Accrued Common Return Account" means an account maintained for each unitholder equal to (a) a cumulative non-compounding return equal to 8% per annum on each unitholder's Capital Contribution Account balance, less (b) the aggregate distributions made to such unitholder pursuant to clauses (1) and (2) above.

Distributions will be paid to our unitholders when and if authorized and declared by our board of directors, in its sole discretion, out of legally available funds as of daily record dates. We expect to declare and pay distributions on a regular monthly basis unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. Notwithstanding the foregoing intent, there is no guarantee that we will pay monthly distributions to our unitholders. Each distribution will be accompanied by a notice that sets forth (a) the relevant record dates; (b) the amount per share that will be distributed; and (c) the equivalent annualized yield. The funds we receive from operations that are available for distribution may be affected by a number of factors, including the following: the amount of time required for us to invest the funds received in the offering; our operating and interest expenses; the ability of tenants to meet their obligations under the leases associated with our properties; the amount of distributions or dividends received by us from our indirect real estate investments; our ability to keep our properties occupied; our ability to maintain or increase rental rates when renewing or replacing current leases; capital expenditures and reserves for such expenditures; the issuance of additional units; and financings and refinancings.

Because we may receive income from our REIT Subsidiaries at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period, but may be made in anticipation of cash flow that we expect to receive during a later period and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. In addition, such distributions may constitute a return of capital.

Amendment of the Organizational Documents

Our limited liability company agreement may be amended by our board of directors without unitholder approval, unless such amendment would adversely change the rights of the units. Creation of a new class or series of units that has preferences over the rights of existing units is not considered an amendment that would adversely affect the rights of the existing units.

Dissolution or Termination of the Company

We will continue as a limited liability company until terminated under our limited liability company agreement. Pursuant to the terms of our limited liability company agreement, we will dissolve upon: (1) the requisite approval of our board of directors; (2) the sale of all or substantially all of our assets; or (3) the entry of a decree of judicial dissolution of the Company.

Plan of Distribution

We are offering up to $200,000,000 of our units at a price of up to $1,000.00 per Class A Unit (which includes the maximum allowed to be charged for commission and fees) and $905.00 per Class I Unit, except as provided below. The units are being offered on a "best efforts" basis, which means generally that the dealer manager is required to use only its best efforts to sell the units and it has no firm commitment or obligation to purchase any of the units. Skyway will distribute Class A Units and Class I Units as our dealer manager. Skyway will sell a limited number of Class A Units to "qualified purchasers" (as defined under the Investment Company Act) at the retail level. Class A Units are also available for purchase through selling group members of Skyway in various distribution channels, and Class I Units are available through selling group members of Skyway.

We intend to offer our units in this offering until the earlier of (1) the time that $200,000,000 of our units have been sold, or (2) May 15, 2021 (unless our board of directors elects to extend the offering for up to 6 months (i.e., November 15, 2021) or otherwise elects to increase the maximum offering amount); provided, however, our board of directors may terminate this offering at any time in its sole discretion. Our board of directors has arbitrarily determined the initial selling price of the units, which is consistent with comparable investments in the market, and such price was not based on a relationship to our book or asset values, or to any other established criteria for valuing issued or outstanding units. Because such initial offering price is not based upon any independent valuation, the offering price is not indicative of the proceeds that you would receive upon liquidation. Investors who invest during the early investor discount period will receive more units per dollar invested than investors who invest the same dollar after the early investor discount period terminates; therefore, the early investor discount will result in dilution to the value of a unit purchased after the early investor discount period.

Dealer Manager and Compensation

Dealer Manager

Skyway was organized in March 2003 as a limited liability company and is a member firm of FINRA. Their address is 100 North Tampa Street, Suite 3550, Tampa, Florida 33602. Skyway will distribute Class A Units and Class I Units (through wrap accounts and Registered Investment Advisors). For additional information about our dealer manager, including information relating to our dealer manager's affiliation with us, please refer to the "Management – Dealer Manager" section of this memorandum.

Selling Commissions and Dealer Manager Fee

Except as provided below, Skyway will receive selling commissions of up to 7.0% of the gross offering proceeds from the sale of Class A Units in the offering, which Skyway will reallow in its entirety to selling group members. Skyway will receive a dealer manager fee in the amount of 1.5% of the gross offering proceeds from the sale of Class A units in the offering which Skyway may, in its sole discretion, reallow a portion of the dealer manager fee it receives to selling group members. Skyway will not receive selling commissions in connection with Class I Units. Skyway will reallow all selling commissions to selling group members. Pursuant to the dealer manager agreement with Skyway, the fees payable to Skyway with respect to completed sales of our units will be paid to Skyway immediately after each Closing, which includes, among other things, the receipt by us or on our behalf of a properly completed and executed subscription agreement, together with payment of the full purchase price of each purchased unit (which includes the applicable selling commissions, dealer manager fees, and marketing reallowance fees, as applicable).

Marketing Reallowance Fee

Skyway will receive a marketing reallowance fee in an amount equal to 1.0% of the gross offering proceeds from Class A Unit, which Skyway will reallow in its entirety to selling group members.

Sponsor Marketing Fee

Skyway will receive a sponsor marketing fee in an amount equal to 2.0% of the gross offering proceeds from Class A Units and 2.0% of the gross offering proceeds from Class I Units, all of which will be funded by our advisor

without reimbursement by us. Skyway will not reallow the sponsor marketing fee to selling group members.

Distribution Consultant

Our advisor has entered into a consulting services agreement with Rep Driven Results, LLC, an independent third-party (the "Consultant") and Skyway, pursuant to which the Consultant will provide certain marketing and sales services to our advisor and Skyway to help maximize our advisor's exposure to broker-dealers in the industry and to aid in the distribution of this offering. Such services will include, but are not limited to, increasing awareness of our advisor's brand and programs through product education, participation in conferences, conference calls and meetings on behalf of our advisor, and the maintenance and expansion of selling agreements with broker-dealers. Our advisor will pay the Consultant a monthly fee of $7,500 during the term of the consulting services agreement. The agreement shall terminate upon the satisfactory completion of the services to be provided thereunder and the payment in full to the Consultant for the services rendered and may be terminated earlier under certain circumstances. Our advisor agreed to indemnify the Consultant against certain liabilities arising from the performance of the Consultant's services pursuant to the agreement. The Consultant's services to be provided are in addition to those services of Skyway as discussed in this memorandum.

Due Diligence Expenses

We will reimburse Skyway and certain selling group members for reasonable bona fide due diligence expenses incurred by Skyway or such selling group members to the extent reimbursement requests are supported by a detailed itemized invoice. These due diligence reimbursements are considered an organization and offering expense.

Other Expenses

Our sponsor will reimburse Skyway, consultants, and certain selling group members that are directly involved in the marketing and distribution efforts for reasonable, customary, and actual out-of-pocket costs and expenses incurred by Skyway, our consultants, and selling group members that are directly involved in the marketing and distribution efforts, in connection with this offering, including travel, lodging, meal expenses, costs and expenses of conducting educational conferences and seminars, costs of attending broker-dealer sponsored conferences, industry sponsored conferences, informational seminars and educational conferences sponsored by the Fund, legal fees related to this offering and other reasonable expenses.

Indemnification

We have agreed to indemnify the selling group members, including Skyway, and selected registered investment advisors, against certain liabilities arising under the Securities Act. However, the SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and is unenforceable.

Distribution Channels

Class A Units are available for purchase through selling group members of Skyway in various distribution channels, and Class I Units are available through limited distribution channels. Skyway will sell a limited number of Class A Units to "qualified purchasers" (as defined under the Investment Company Act) at the retail level. More specifically, Class I Units are available for purchase only (1) through RIAs not affiliated with participating broker-dealers; (2) by endowments, foundations, pension funds and other institutional investors; or (3) to other categories of investors that we name in an amendment or supplement to this memorandum. No selling commissions will be charged (and the price will be correspondingly reduced) for sales of units (1) to retirement plans of participating broker-dealers; (2) to participating broker-dealers in their individual capacities or to their family members; (3) to IRAs and qualified plans of their registered representatives; or (4) to any one of their registered representatives in their individual capacities. No selling commissions will be paid for sales of units through the following distribution channels where the investor: (1) pays a broker a single fee (e.g., a percentage of assets under management, for investment advisory and broker services, or a "wrap" fee); (2) has engaged the services of a registered investment advisor with whom the investor has agreed to pay compensation for investment advisory services or other financial or investment advice (other than a registered investment advisor that is also a registered broker-dealer who does not have a fixed or "wrap

fee" feature or other asset fee arrangement with the investor); or (3) is investing through a bank acting as a trustee or fiduciary.

Early Investor Discount

We will offer the units to all investors at a 10% discount to the offering price of each unit (the "first tier early investor discount") until we have raised $10,000,000 and then we will offer the units to all investors at a 5% discount to the offering price of each unit until we have raised an additional $10,000,000 (the "second tier early investor discount" and referred to with the first tier early investor discount as simply "early investor discount"). The board of directors may extend such early investor discount, in its sole discretion, at any time.

Units Purchased by Related Parties and Family

Our sponsor, advisor, executive officers of our advisor, other affiliates, dealer manager, and "related parties" may purchase Class I Units. The purchase price for such units is $905.00 per Class I Unit (unless an early investor discount applied); however, no sponsor marketing fees will be paid by our advisor in connection with such purchases. "Related parties" means those individuals who have prior business and/or personal relationships with our sponsor, advisor and dealer manager.

Notice to Investors of Certain Pre-Disqualifying Events

One of the selling group members selling units in this offering, Newbridge Securities Corporation ("Newbridge"), has informed us that it has been subject to certain of the "disqualifying events" under Rule 506, as set forth below.

Newbridge is subject to certain orders from several state securities commissions concerning alleged violations regarding the obligation to properly disclose transaction handling fees charged by Newbridge to its investors (the "Allegations"). The orders to which Newbridge is subject are as follows: (i) on November 10, 2011, Newbridge entered into a consent order with the Connecticut Department of Banking regarding the Allegations, and agreed to reimburse each Connecticut customer for the handling fee, and Newbridge agreed to pay a fine of $10,000 to Connecticut; (ii) on February 1, 2013, Newbridge entered into a consent order with the New Jersey Bureau of Securities regarding the Allegations, and Newbridge agreed to grant a 10% discount on all fees and/or commission charges to New Jersey residents for 6 months following the date of the NJ Consent Order, as well as pay a civil penalty of $15,000 to New Jersey; (iii) on February 10, 2013, Newbridge entered into a stipulation and consent agreement with the State of Florida, Office of Financial Regulation regarding the Allegations, and agreed to pay an administrative fine of $40,000 to Florida; and (iv) on April 2, 2013, Newbridge entered into a consent order with the Arkansas Securities Commissioner regarding the Allegations, and agreed to refund and return handling fees in the total amount of $17,377.44 to Arkansas investors.

Supplemental Sales Material

In addition to this memorandum, we may utilize certain sales material in connection with the offering of our units. An offer of our units is made only by means of this memorandum. Although the information contained in such sales material will not conflict with any of the information contained in this memorandum, such material does not purport to be complete, and should not be considered a part of this memorandum or as forming a basis of the offering.

Reports to Unitholders and Independent Auditor

We will provide you with periodic business updates from management, including quarterly reports with unaudited financial statements. We may also supplement this memorandum upon the occurrence of certain events, such as material property acquisitions. We also will provide annual audited financial statements. We will prepare our financial statements using U.S. Generally Accepted Accounting Principles. We will use the accrual method of accounting to report income and deductions for tax purposes and intend to mail your Schedule K-1 (Form 1065) tax information for each year, if required, by March 31 of the following year. We retained KPMG LLP as the outside independent auditor of our financial statements.

Unitholders and prospective investors may inspect copies of the documents referred to in this memorandum or otherwise related to us at our office or, upon request, a copy of such information will be delivered to you provided that we are able to do so without unreasonable cost or undue burden to us, by writing or telephoning us at:

Investor Services
c/o Great Lakes Fund Solutions, Inc.
500 Park Avenue, Suite 114
Lake Villa, Illinois 60046
(847) 265-5000

How to Subscribe

Investors who meet the suitability standards described in the "Suitability Standards" section of this memorandum may purchase our units, subject to our right to reject any subscribers at our discretion.

Investors seeking to purchase our units should:

- Read this entire memorandum, including any appendices and supplements provided.

- Complete an execution copy of the subscription agreement. You may complete the subscription agreement electronically. If you wish to do so, please contact your broker dealer or investment advisor for instructions.

- You are encouraged to make your subscription payment by wire transfer pursuant to the wire transfer instructions set forth in the subscription agreement. You may also fund your subscription by check by delivering a check for the full purchase price of our units being subscribed for along with the completed subscription agreement (unless you complete the subscription agreement electronically) to your representative or investment advisor. Should you execute the subscription agreement electronically, your electronic signature, whether digital or encrypted, included in the subscription agreement is intended to authenticate the subscription agreement and to have the same force and effect as a manual signature. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by you with your intent to sign such record, including facsimile or e-mail electronic signatures.

- Your check should be made payable to "UMB Bank, N.A., as escrow agent for Carter Multifamily Growth & Income Fund II, LLC".

By executing the subscription agreement and paying the total purchase price for the units subscribed for, you agree to be bound by all of the terms of the subscription agreement and our limited liability company agreement, and you are attesting that you meet the minimum income and net worth standards as described under "Suitability Standards" (page vi).

Subscriptions will be effective only when we accept them, and we reserve the right to reject any subscription in whole or in part. We will accept or reject subscriptions within 30 days of receiving your subscription agreement, and if we reject a subscription, all funds will be returned to subscribers without deduction for any expenses within 10 business days from the date the subscription is rejected. All proceeds from subscriptions in the Fund will be held in an escrow account by our escrow agent, UMB Bank, N.A. (the "Escrow Agent"), until such subscriptions are accepted by us. We expect to accept subscriptions, and to instruct the Escrow Agent to release proceeds to us (each, a "Closing"), on at least a twice-monthly basis. An approved trustee or custodian must process and forward to us subscriptions made through IRAs, Keogh plans and 401(k) plans. In the case of investments through IRAs, Keogh plans and 401(k) plans, we will send the confirmation and notice of our acceptance to the trustee.

Minimum Purchase Requirements

You must invest at least $50,000 in our units to be eligible to participate in this offering; provided, however, that we may permit, in our sole discretion, investments for less than this minimum purchase requirement. Funds from qualified accounts will be accepted.

Suitability Standards

We are offering and selling our units in reliance on an exemption from the registration requirements of the Securities Act. Accordingly, distribution of this memorandum is strictly limited to persons who meet the requirements and make the representations set forth below. We reserve the right to declare any prospective investor ineligible to purchase our units based on any information that may become known or available to us concerning the suitability of such prospective investor or for any other reason.

Investor Suitability Requirements

An investment in our units involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in their investment in the units. This investment will only be made available to investors who (1) invest a minimum of $50,000 (although we reserve the right to permit, in our sole discretion, investments in lesser amounts), and (2) represent in writing that they meet the investor suitability requirements established by us and as may be required under federal or state law.

In order to purchase our units, you must represent in writing that you meet, among other things, all of the following suitability requirements:

(1) You have received, read and fully understand this memorandum and all appendices and attachments to it, and in electing to invest in our units, you have relied only on the information contained in this memorandum and its appendices and attachments and have not relied upon any representations or information made or supplied by any other person.

(2) You understand that an investment in our units is speculative and involves substantial risks, and you are fully cognizant of and understand all of the risks relating to a purchase of our units, including, but not limited to, those risks set forth under the "Risk Factors" section of this memorandum.

(3) Your overall commitment to investments that are not readily marketable is not disproportionate to your individual net worth, and your investment in our units will not cause such overall commitment to become excessive.

(4) You have adequate means of providing for your financial requirements, both current and anticipated, and have no need for liquidity in your investment in our units.

(5) You can bear and are willing to accept the economic risk of losing your entire investment in our units.

(6) You are acquiring our units for your own account and for investment purposes only, and you have no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the units.

(7) You understand that, due to the lack of any existing market for our units, and the probability that no such market will exist in the future, your investment is, and is likely to remain, highly illiquid and may have to be held indefinitely.

(8) You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of an investment in our units and have the ability to protect your own interests in connection with such investment.

(9) You have had the opportunity (a) to ask questions of, and receive answers from, us and officers and employees of our advisor concerning the creation and operation of our company and the terms and conditions of this offering and (b) to obtain any additional information you deemed necessary. You have been provided with all materials and information requested by either you or others representing you, including any information requested to verify any information furnished to you.

(10) You are an "accredited investor" as such term is defined under Regulation D promulgated under the Securities Act (as set forth in the subscription agreement you are required to complete to purchase our units), and you will immediately notify us if you no longer qualify as an "accredited investor."

(11) If you will purchase 20% or more of our units in this offering, you have not had any disqualifying events as described and defined under Rule 506(d) of Regulation D (and as set forth in an addendum to the subscription agreement you are required to complete to purchase our units in such situation).

The investor suitability requirements set forth above represent minimum suitability requirements we have established for investors in our units. Accordingly, if you satisfy these minimum suitability requirements, that does not necessarily mean that our units are a suitable investment for you (or that we will accept your subscription). Furthermore, we may modify such requirements in our sole discretion from time to time, and any such modification may raise the suitability requirements for investors.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

The United States and many other jurisdictions have created, and continue to revise and create, anti-money laundering, embargo and trade sanctions, and similar laws, regulations, requirements (whether or not with force of law) and regulatory policies, and many financial institutions have created, and continue to change, responsive disclosure and compliance policies, all of which we collectively refer to as the "AML Requirements." We could be requested or required to obtain additional information to verify the identity of potential and existing unitholders, obtain certain assurances from the unitholders subscribing for our units, disclose information pertaining to them to governmental, regulatory, or other authorities or to financial intermediaries or other relevant third parties, or engage in due diligence or take other related actions in the future. It is our policy to comply with any AML Requirements to which we and our affiliates may become subject and to interpret them broadly in favor of disclosure. Each prospective unitholder will be deemed to have agreed by reason of owning any of our units that it will provide additional information or take such other actions as may be necessary or advisable for us to comply with any AML Requirements, related legal process, or appropriate request (whether formal or informal).

In order to ensure our compliance with the AML Requirements, we may request each unitholder to provide documentation verifying, among other things, such unitholder's identity and source of funds used to purchase its units. Each unitholder will be required to represent that the funds contributed by it are not derived from any criminal enterprise. Each prospective unitholder will represent in the subscription agreement that neither the unitholder, its principals, beneficial owners, senior management officials or investors, as applicable, are not named on or blocked by the List of Specially Designated Nationals and Blocked Persons maintained by OFAC, as such list may be amended from time to time, or any other lists of similar import as to any non-U.S. country, individual, or entity. Requests for documentation and additional information may be made at any time during which a unitholder owns our units. We may provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the unitholders that the information has been provided. We reserve the right to require any payment or distribution to a unitholder to be paid into the account from which the unitholder's subscription funds originated.

We also reserve the right to refuse to make any distribution or other payment to a unitholder if we suspect or are advised that such payment might result in a breach or violation of any applicable anti-money laundering or other laws or regulations in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure our compliance with any such laws or regulations in any relevant jurisdiction.

Restrictions on Certain Tax-Exempt Investors

The following tax-exempt investors are precluded from acquiring units in the Fund: clubs organized for pleasure, recreation and other non-profitable purposes (also referred to as social clubs) under section 501(c)(7) of the Code; voluntary employees' beneficiary associations under section 501(c)(9) of the Code; supplemental unemployment compensation trusts under section 501(c)(17) of the Code; and qualified group legal services plans under section 501(c)(20) of the Code. In addition, a "qualified trust" (as defined in section 856(h)(3)(E) of the Code) may not own more than ten percent (10%) of the value of the units of the Fund at any time during a taxable year.