



Real Estate Fund Sample PPM Excerpt

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REAL ESTATE FUND PPM EXCERPT

Capital Fund Law Group

INTRODUCTION

The Following is a concise model excerpt of a private equity fund private placement memorandum (PPM). The PPM is based on a fictitious closed-end real estate fund investing in multi-family residential real estate in California. The excerpt highlights many of the fund investment terms that should be considered when forming in a private equity real estate fund. The excerpt is intended to provide an idea of the type of information and level of detail that should be expected in a fund and provide a starting point for discussions with an investment fund attorney.

Name _____

Copy No. _____

ABC Real Estate Fund I, LP

A DELAWARE LIMITED PARTNERSHIP

CONFIDENTIAL OFFERING MEMORANDUM¹

(AN ILLUSTRATIVE EXCERPT)

January 1, 2015

GENERAL PARTNER:

ABC REAL ESTATE PARTNERS, LLC
A Fictitious Real Estate Fund Sponsor

¹ This document is an illustrative excerpt of a private placement memorandum for a fictitious, California-based real estate fund focused acquiring multi-family residential real estate. This excerpt contains no complete sections.

IMPORTANT GENERAL CONSIDERATIONS

A prospective investor (an “Investor”), in ABC Real Estate Fund I, LP, (the “Partnership”), should not construe the contents of this Confidential Offering Memorandum, as amended or restated from time to time (this “Memorandum”), as legal, tax or investment advice and, if an Investor desires to acquire a limited partnership interest in the Partnership (an “Interest”), and agrees to become a limited partner in the Partnership (a “Limited Partner”), such Investor will be required to make a representation to that effect. Each Investor should review the proposed investment and the legal, tax and other consequences thereof with its own professional advisors. The purchase of an Interest involves certain risks and conflicts of interest between the General Partner and the Partnership. (See “RISK FACTORS AND CONFLICTS OF INTEREST.”). The General Partner reserves the right to refuse any subscription for any or no reason.

In making an investment decision, an Investor must rely on its own examination of the Partnership and the terms of the offering of Interests, including the merits and risks involved. Each Investor and its representative(s), if any, are invited to ask questions and obtain additional information from the General Partner concerning the terms and conditions of the offering, the Partnership, and any other relevant matters to the extent the General Partner possesses such information or can acquire it without unreasonable effort or expense.

Neither the SEC nor any state securities commission has passed upon the merits of participating in the Partnership, nor has the SEC or any state securities commission passed upon the adequacy or accuracy of this Memorandum. Any representation to the contrary is a criminal offense. The General Partner anticipates that: (i) the offer and sale of the Interests will be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), and the various state securities laws and (ii) the Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to an exemption provided by Section 3(c)(1) thereunder. The Investment Manager is not registered as an investment adviser.

A Limited Partner may not withdraw from the Partnership unless such withdrawal is pursuant to the provisions specified in the Limited Partnership Agreement of the Partnership (the “Partnership Agreement”), which should be read in full prior to subscription.

The offering of Interests is made only by delivery of a copy of this Memorandum to the person whose name appears hereon. The offering is made only to “accredited investors.” This Memorandum may not be reproduced, either in whole or in part, without the prior express written consent of the General Partner. By accepting delivery of this Memorandum, an Investor agrees not to reproduce or divulge its contents and, if an Investor does not purchase any Interests, to return this Memorandum to the General Partner.

There is no public market for the Interests nor is any expected to develop. Even if such a market develops, no distribution, resale or transfer of an Interest will be permitted except in accordance with the provisions of the Securities Act, the rules and regulations promulgated thereunder, any applicable state securities laws and the terms and conditions of the Partnership Agreement. Any transfer of an Interest by a Limited Partner, public or private, will require the consent of the General Partner. Accordingly, if an Investor purchases an Interest, he, she or it will be required to represent and warrant that he, she or it has read this Memorandum and is aware of

and can afford the risks of an investment in the Partnership for an indefinite period of time. An Investor will also be required to represent that he, she or it is acquiring the Interest for its own account, for investment purposes only, and not with any intention to resell or transfer all or any part of the Interest. This investment is suitable for an Investor who has adequate means of providing for its current and future needs, has no need for liquidity in this investment and can afford to lose the entire amount of its investment.

Although this Memorandum contains summaries of certain terms of certain documents, an Investor should refer to the actual documents (copies of which are attached hereto or are available from the General Partner) for complete information concerning the rights and obligations of the parties thereto. All such summaries are qualified in their entirety by the terms of the actual documents. No person has been authorized to make any representations or furnish any information with respect to the Partnership or the Interests, other than the representations and information set forth in this Memorandum or other documents or information furnished by the General Partner upon request, as described above.

No rulings have been sought from the U.S. Internal Revenue Service (“IRS”), or any state or other taxing authorities with respect to any tax matters discussed in this Memorandum. Each Investor is cautioned that the views contained herein are subject to material qualifications and subject to possible changes to, or revised interpretations of, applicable statutes and regulations by the IRS, the U.S. Congress, the courts or pursuant to other legislative or administrative action with respect to such existing tax statutes or regulations.

The information contained herein is current only as of the date hereof and Investors should not, under any circumstances, assume that there has not been any change in the matters discussed herein since the date hereof.

NASAA UNIFORM DISCLOSURE

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Florida Residents:

IF SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, AND YOU PURCHASE SECURITIES HEREUNDER, THEN YOU MAY VOID SUCH PURCHASE

EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY YOU TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THIS PRIVILEGE IS COMMUNICATED TO YOU, WHICHEVER OCCURS LATER.

PRIVACY NOTICE

Current regulations require financial institutions (including investment funds) to provide their investors with initial and annual privacy notices describing the institution's policies regarding the sharing of information about their investors. In connection with this requirement, we are providing this Privacy Notice to each of our Investors.

We do not disclose nonpublic personal information about our Investors or former Investors to third parties other than as described below.

We collect information about you (such as name, address, social security number, assets and income) from our discussions with you, from documents that you may deliver to us (such as subscription documents) and in the course of providing services to you. In order to service your account and effect your transactions, we may provide your personal information to our affiliates and to firms that assist us in servicing your account and have a need for such information, such as the Investment Manager, fund administrator, auditors, or accountants. We do not otherwise provide information about you to outside firms, organizations or individuals except as required or permitted by law. Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation, and is not permitted to share or use this information for any other purpose.

[\[End of Section\]](#)

SUMMARY OF OFFERING AND PARTNERSHIP TERMS

The following summary is qualified in its entirety by the more detailed information contained elsewhere in this Memorandum and by the terms and conditions of the Partnership Agreement and other referenced documents. An Investor should read this entire Memorandum and the Partnership Agreement carefully before making any investment decision regarding the Partnership and should pay particular attention to the information under the heading “RISK FACTORS AND CONFLICTS OF INTEREST.” In addition, an Investor should consult its own advisors in order to understand fully the consequences of an investment in the Partnership. Unless specifically noted otherwise, references throughout this Memorandum to the Partnership will include the General Partner (as defined below) and any agent authorized to act on the Partnership’s behalf.

The Partnership: ABC Real Estate Fund I, LP (the “**Partnership**”), is a Delaware limited partnership formed on January 1, 2015, and will be funded with an initial Capital Commitments (as defined below) from the General Partner (defined below). The Partnership operates as a pooled investment vehicle through which the assets of the General Partner and Limited Partners (the “**Partners**”), are invested in a wide variety of multi-family real estate properties.

General Partner: ABC Real Estate Partners, LLC, is a limited liability company registered in the State of California on January 1, 2015 and is the general partner of the Partnership (the “**General Partner**”). The General Partner is responsible for all management decisions of the Partnership.

Management: ABC Capital Management, LLC is a limited liability company registered in the State of California on March 1, 2015 (the “**Investment Manager**”). The Investment Manager is responsible for all investment decisions of the Partnership. The Investment Manager is not registered as an investment adviser. The Investment Manager is responsible for the investment selection and positioning of the Partnership. (See “*Management.*”)

Investment Strategy: The Investment Manager will direct the Partnership’s investment strategy, decisions and selection of real estate investments. The Partnership was formed to provide investors with long-term risk-adjusted investment returns. The Investment Manager intends to use its previous hotel and multifamily experience to achieve above-average investor returns by: (i) investing in attractively-priced “off the radar” B and C class multifamily properties in secondary markets (e.g., Las Vegas); (ii) repositioning owned properties to increase competitive appeal to target millennial demographic; and (iii) implementing innovative programs to improve operating efficiency.

As its investment strategy, the Partnership will use proprietary investment selection criteria and methodologies developed by the Investment Manager to invest in multifamily real estate (the “**Real Estate Portfolio Investments**”).

The Partnership will attempt to execute consistent programs of implementing this methodology to maximize investment income for the Partnership while

at the same time minimizing the downside risk to the extent possible. In summary, the Partnership seeks to provide its Investors with superior returns.

This general summary does not constitute a complete description of the investment strategies or the securities that may be employed by the Investment Manager or the Partnership. The Investment Manager is not restricted to any investment strategy whatsoever.

The Partnership will use financial leverage in its investing based on the amount of capital actually contributed by Investors.

The Partnership reserves the right to convert into a U.S. feeder fund that implements its investment program and other activities through an offshore master-feeder fund and to amend its Limited Partnership Agreement in connection therewith to reflect such master-feeder fund structure without the consent of the Limited Partners.

Investment Risks:

The Partnership's investment program is speculative and entails substantial risks, including, among others: dependency on key individuals, risks associated with real estate investing, litigation risk, risks arising from the use of leverage, and the risk that exit strategies from positions may be unavailable and have limited liquidity. An Investor should not invest in the Partnership unless: (1) it is fully able to bear the financial risks of its investment for an indefinite period of time; and (2) it can sustain the loss of all or a significant part of its investment and any related realized or unrealized profits. A Limited Partner could lose some or all of its investment in the Partnership. There can be no assurance that the investment objectives of the Partnership will be achieved or that the Investment Manager's investment strategy will be successful. Past results of the Partnership, the Investment Manager or their principals, affiliated entities, funds or clients, are not necessarily indicative of the future performance of the Partnership.

The Offering:

The Partnership is offering commitments to purchase limited partnership interests (the "**Interests**"), through a private placement on a continuous basis to persons who are "accredited investors" (as such term is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"). Each Interest represents a percentage interest in the Partnership determined by reference to the Capital Account (as defined below) of each Partner in relation to the aggregate Capital Accounts of all Partners.

Marketing Fees and Sales Charges. The General Partner may sell Interests through broker-dealers, placement agents and other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the General Partner's own expense (except in circumstances involving directed brokerage). In certain cases, the General Partner reserves the right to charge an Investor a one-time fee or sales charge, on a fully disclosed basis, which fee is paid to a broker-dealer or placement agent based upon the Capital Commitment (as defined below) of the Investor introduced to the Partnership by such broker-dealer or agent. Any such sales charge would be assessed against the referred Investor and

would reduce the amount actually invested by the Investor in the Partnership. An Investor affected by such charge will be asked to consent to such arrangement.

**General Partner's
Commitment:**

The General Partner as a Limited Partner will commit to contribute certain acquisition properties to the Partnership, which in combined equity will equal approximately \$2.5 million.

The General Partner will also have the right, but not the obligation, to invest in transactions alongside the Partnership in any amount, provided that any such co-investment shall not be on terms more favorable to the General Partner than to the Partnership. The General Partner's Affiliates and Limited Partners shall also have the right, but not the obligation, to invest in Real Property Portfolio Investments along with the Partnership in any amount, provided that any such co-investment will not be on terms more favorable to the General Partner's Affiliates and Limited Partners than to the Partnership.

**Minimum Investment
Commitment:**

Each Investor must subscribe for an Interest representing a Capital Commitment of at least \$250,000, although the General Partner has discretion to accept lesser amounts. The General Partner, in its sole discretion, can accept or reject any initial or subsequent Capital Commitment subscription from Investors.

Subsequent Funds:

Following the Initial Closing, and subject to the limitations described herein, the Partnership will be the Investment Manager's exclusive investment vehicle with respect to other real estate investment opportunities. However, the Investment Manager, its principals, and their affiliates may organize and be associated with other investment funds with objectives similar to those of the Partnership without consent of the Limited Partners. The Limited Partners agree to waive any conflict of interests arising out of the operation of other funds by the Investment Manager, its principals, or their affiliates.

**Special Tax
or Regulatory
Parallel Funds:**

The General Partner may, in its discretion, create additional partnerships or other vehicles ("Parallel Funds"), for Investors with special investment needs, including Investors with special legal, regulatory, tax or other requirements. The Parallel Funds generally will invest side-by-side with the Partnership (except to be in proportion to unfunded Capital Commitments available to make a particular investment) on substantially the same terms and conditions as the Partnership, including the sharing of organizational and other Partnership expenses. The Parallel Funds may contain different terms and conditions than the Partnership. Votes of Limited Partners of the Partnership generally will require comparable votes of investors in Parallel Funds to be effective and changes in the Partnership generally will entail comparable changes in the Parallel Funds.

- Fund Size:** The Partnership is seeking a target for Capital Commitments in an amount of \$30 million (including Capital Commitments of the General Partner and its affiliates).
- The Initial Closing:** The General Partner may choose to have the Initial Closing at any time upon receiving any amount of Capital Commitments (including the Capital Commitment of the General Partner).
- Subsequent Closings:** Additional Limited Partners may be admitted at any time up to eighteen months after the Initial Closing. Limited Partners admitted at any closing subsequent to the Initial Closing will be required to pay the Partnership their proportionate share of the sum of: (i) the original cost of any investments made prior to such closings, unless the General Partner determines that it is appropriate to re-value any such investment; and (ii) amounts previously funded for organizational and operating expenses of the Partnership.
- Commitment Period:** Capital Commitments will generally expire on the third anniversary of the Final Closing (the “**Commitment Period**”). At the end of the Commitment Period, all Partners will be released from further obligation with respect to their undrawn Capital Commitments, except to the extent necessary to: (i) pay amounts owing or which may become due under any existing or replacement credit facility; (ii) complete investments by the Partnership in transactions which were in progress as of the end of the Commitment Period; (iii) pay Partnership expenses and (iv) effect follow-on or additional investments, including funding of operating deficits, in existing Partnership Real Estate Portfolio Investments up to a maximum of 10% of aggregate Capital Commitments.
- Term:** The term of the Partnership will be ten years from the Final Closing, but may be extended for up to a maximum of two consecutive one-year periods with the approval of a majority interest of Limited Partners (excluding the interest held by the General Partner as a Limited Partner), in order to permit orderly dissolution.
- Reinvestment:** Realized gains and proceeds from the sale of Real Estate Portfolio Investments may be reinvested during the Commitment Period. During the Commitment Period, gains or proceeds from the sale of a Real Estate Portfolio Investment that are distributed to Limited Partners will be added back to unfunded Capital Commitments and may be drawn down again by the Partnership during the Commitment Period.
- Drawdowns:** Commitments generally will be drawn down *pro rata* on an as needed basis during the Commitment Period to fund investments and to meet Organizational Expenses, Partnership Expenses and Management Fees. A minimum of ten business days’ written notice (a “**Funding Notice**”), will be given by the General Partner specifying the Partnership date, amount and proposed use of proceeds for each drawdown, as well as provide appropriate

payment instructions. An initial drawdown shall occur in connection with the Initial Closing and shall be in an amount equal to at least ten percent (10%) of the total committed capital.

Diversification:

The Partnership does not have fixed guidelines for diversification and may concentrate its investments in particular types of real estate investments and may utilize different investment strategies, depending on the Investment Manager's assessment of the available investment opportunities.

Co-Investment Policy:

The Investment Manager may, but will be under no obligation to, provide co-investment opportunities to Limited Partners. Co-investment opportunities will only be offered to the Limited Partners if the Investment Manager determines in its sole, but good faith, discretion that reducing the size or risk of the direct investment in a Real Estate Portfolio Investment by the Partnership is in the Partnership's best interest. The terms of any co-investment opportunity must be mutually acceptable to the General Partner and the Limited Partners making such co-investment. Partners will have no obligation to make any co-investments. Notwithstanding the foregoing, the Partnership may invest side-by-side with a Limited Partner without providing co-investment opportunities to other Limited Partners in instances where such Limited Partner provides investment opportunities, operating capabilities or other strategic or competitive opportunities or advantages. However, nothing shall preclude the Partnership from entering into joint ventures with third parties.

The managers of the Investment (the "**Principals**"), have an extensive network of investment interests and may invest in other entities, including real estate investment companies. Therefore, the Investment Manager may manage other entities and offer to Limited Partners investment opportunities that may compete with the Partnership.

**Capital
Accounts:**

The Partnership will establish and maintain on its books a capital account ("**Capital Account**"), for each Limited Partner and the General Partner, into which their capital contribution(s) (each a "**Capital Contribution**"), will be credited and in which certain other transactions will be reflected. (See "*Allocation of Income, Gain or Loss,*" below).

**Distributions and
Carried Interest:**

Limited Partners may not voluntarily withdraw any capital from the Partnership. In certain circumstances, however, a Limited Partner may be required to withdraw from the Partnership if the General Partner reasonably determines, in its sole discretion, that such Limited Partner's continued participation in the Partnership would result in a violation of the applicable laws or could otherwise be expected to have a material adverse effect on the Partnership and/or the General Partner. Notwithstanding the foregoing, the Partnership will generally make distributions to the Partners after the

Partnership receives cash proceeds from each Partnership investment (the “*Distribution Proceeds*”), subject to the capital needs of the Partnership as determined in the sole discretion of the General Partner. All Distribution Proceeds from the Partnership will be apportioned among all Partners participating in the Partnership in accordance with their percentage participation (based on actual Capital Contributions) in the Partnership, except for the amount apportioned to the General Partner, all as set forth below:

[The above represents approximately half of the principal terms that should be included in a full PPM.]

[End of section]

RISK FACTORS AND CONFLICTS OF INTEREST

An investment in the Partnership involves significant risks not associated with other investment vehicles and is suitable only for persons of adequate financial means who have no need for liquidity in this investment. There can be no assurances or guarantees that: (i) the Partnership's investment objectives will prove successful; or (ii) Limited Partners will not lose all or a portion of their investment in the Partnership.

An Investor should regard an investment in the Partnership as a supplement to an overall investment program and should only invest if it is willing to undertake the risks involved. In addition, Investors who are subject to income tax should be aware that an investment in the Partnership is likely (if the Partnership is successful) to create taxable income or tax liabilities in excess of cash distributions to pay such liabilities. An Investor should therefore bear in mind the following risk factors and conflicts of interest before purchasing an Interest:

Real Estate Industry and Multi-Family Sector Risks

Our performance and the value of our Interests are subject to risks associated with the real estate industry.

If our assets do not generate income sufficient to pay our expenses and maintain our Portfolio Investments, we may not be able to make expected distributions to our security holders. Several factors may adversely affect the economic performance and value of our Portfolio Investments. These factors include changes in the national, regional and local economic climate, local conditions such as an oversupply of multi-family properties or a reduction in demand for such properties, the attractiveness of our Portfolio Investments to tenants, competition from other available real estate properties, changes in market rental rates and the need to periodically repair, renovate and re-rent space. Our performance also depends on our ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. In addition, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) and the possibility of bankruptcies of tenants may adversely affect our financial condition and results of operations.

The current demand for real estate investments and favorable market conditions may change.

We believe that an imbalance currently exists between the level of demand for investments in real estate and the supply of capacity from adequately capitalized real estate investment funds, resulting in an attractive pricing environment. Historically, real estate investment funds have experienced significant fluctuations in operating results due to competition, levels of capacity, general economic conditions and other factors. There can be no assurance that attractive pricing will be available to us or to the industry generally, nor can there be any assurance that if such pricing exists for us initially, it will continue.

Because real estate investments are illiquid, we may not be able to sell properties when appropriate or necessary.

Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions to meet our financing needs. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition, results of operations and ability to make distributions to our Partners.

Because our Real Estate Portfolio Investments will be subject to the Americans with Disabilities Act, we may have additional expenses.

Apartments must comply with Title III of the Americans with Disabilities Act (the “**ADA**”), to the extent that such apartments are “public accommodations” or “commercial facilities” as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of apartment properties where such removal is readily achievable. However, noncompliance with the ADA could result in substantial capital expenditures to remove structural barriers, as well as the imposition of fines or an award of damages to private litigants that might adversely affect the Partnership’s ability to make expected distributions to investors.

Our limited focus on multi-family real estate may adversely affect our performance.

Our Real Estate Portfolio Investments will be primarily focused on multi-family housing. As a consequence, the Partnership’s return may be substantially adversely affected by the unfavorable performance of the economy or the real estate market for apartment properties generally, or in the jurisdictions in which the properties are located.

Our Real Estate Portfolio Investments will be subject to operating risks.

The properties acquired by the Partnership will be subject to all operating risks common to the real estate industry. These risks include: changes in general economic conditions; the level of demand for apartment units; cyclical over-building in the apartment industry; restrictive changes in zoning and similar land use laws and regulations or in health, safety and environmental laws, rules and regulations; and the inability to secure property and liability insurance to fully protect against all losses or to obtain such insurance at reasonable rates. Since apartment lease terms are typically one year or less, apartment revenues are generally more susceptible to adverse economic conditions. In addition, the real estate industry is highly competitive. The Partnership’s properties will compete with other properties in their geographic markets, and some competitors may have substantially greater marketing and financial resources than the Partnership.

We may be unable to renew leases or re-rent space as leases expire.

When our future tenants decide not to renew their leases upon expiration in our future Real Estate Portfolio Investments, we may be unable to re-rent the space. Even if the tenants do renew or we can re-rent the space, the terms of renewal or re-renting (including the cost of required renovations) may be less favorable than current lease terms. If we are unable to promptly renew the leases or re-rent this space, or if the rental rates upon such renewal or re-renting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected. Consequently, our cash flow and ability to make distributions to Limited Partners would be adversely affected.

We will operate in a highly competitive environment.

The real estate industry is highly competitive. We will compete with major U.S. and international real estate operating companies and real estate investment funds, many of which may have greater financial, marketing and management resources than we do. In addition, other companies may enter the

real estate investment and development markets. Competition in the type of business that we will operate is based on many factors. Increased competition could result in fewer development and investment opportunities, which could adversely impact our growth and profitability. We cannot predict the extent to which competition from new companies or existing competitors raising capital could mitigate the investment and management opportunities and favorable market conditions that we believe currently exist.

Environmental problems are possible and may be costly.

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances, petroleum product releases or mold at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Environmental laws also govern the presence, maintenance and removal of asbestos. Such laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement, if asbestos would be disturbed during the renovation or demolition of a building. Such laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Some potential losses may not be covered by insurance.

We plan to carry customary and reasonable insurance on all of our properties. We expect that the policy specifications and insured limits of these policies will be adequate and appropriate. There are, however, certain types of losses, such as lease and other contract claims that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligation related to the property.

Suitable Real Estate Portfolio Investments may be difficult to locate.

The identification of attractive real estate investment opportunities is difficult and involves a high degree of uncertainty. There can be no assurance that the Investment Manager will be able to identify and complete investments that meet the Partnership's investment objectives or that the Investment Manager will be able fully to invest the Partnership's available committed capital. Furthermore, the General Partner may encounter competition in connection with its selection of investments from other providers of capital, some of which may have greater financial and other resources and more extensive experience than the Investment Manager. There can be no assurance that there will be a sufficient number of suitable investments available for the Partnership or that the investments made by the Partnership will generate the targeted rate of return on invested capital.

We may not be able to diversify Real Estate Portfolio Investments.

The Partnership may participate in a limited number of investments and the Partnership investments may not be widely diversified. As a consequence, the aggregate return of the Partnership may be substantially adversely affected by the unfavorable performance of even a single investment. The ability of the Partnership to diversify the risks of making investments will depend upon a variety of factors, including the size, characteristics, type and class of the real property being developed or repositioned, and the number and quality of developers and operators in need of such financing. The Partnership may not be able to make investments that would provide a desired level of diversification.

The concentrated on the multi-family real estate sector can result in disproportionate risks.

The Partnership intends concentrate its investments in multi-family apartments. This focus may constrain the liquidity and the number of Real Estate Portfolio Investments available for investment by the Partnership. In addition, the investments of such Partnership will be disproportionately exposed to the risks associated with the industry sectors of concentration.

New acquisitions may fail to perform as expected and competition for acquisitions may result in increased prices for properties.

We intend to actively acquire multi-family real estate properties and under the appropriate circumstances develop multi-family properties. Newly-acquired properties may fail to perform as expected. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position. Additionally, we expect other major real estate investors with significant capital will compete with us for attractive investment opportunities. These competitors include publicly-traded REITs, private REITs, investment banking firms, real estate operating companies, private institutional investment funds and other institutions and individuals. This competition has increased prices for multi-family housing properties in the past. We expect to acquire properties with cash from secured financings and proceeds from offerings of equity and possibly debt. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms.

Our investments are geographically concentrated.

The Partnership may concentrate its investments in specific geographic regions. This focus may constrain the liquidity and the number of Real Estate Portfolio Investments available for investment by the Partnership. In addition, the investments of the Partnership will be disproportionately exposed to the risks associated with the region of concentration.

Any debt financing we obtain to finance a Real Estate Portfolio Investment presents risks to the Partnership.

The Partnership may employ leverage in connection with its operations and investments. The use of leverage involves a high degree of financial risk and may increase the exposure of the Partnership or its investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the properties underlying such investments. Principal and interest payments on any indebtedness of the Partnership would have to be made when they become due and payable regardless of whether sufficient cash is available. If sufficient cash flow is not available, the obligation to pay principal and interest on the Partnership's debt, if any, could result in a capital call to the Limited Partners (to the extent unfunded Capital Commitments are available or capital distributions have been made and may be recalled) to pay required debt service. If such capital is not available, the Partnership's default in paying such principal and interest could result in foreclosure of any security instrument securing the debt and the

complete loss of the Partnership's capital invested in the particular investment.

Any changes in interest rates could affect the amounts available for distributions.

Increases in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to our Partners.

We may require additional capital in the future.

Future capital requirements depend on many factors, including our ability to successfully develop and manage our Real Estate Portfolio Investments. To the extent that the funds generated by this offering and our investments are insufficient to fund future operating requirements and development expenses, it may be necessary to raise additional funds through financings or, in the alternative, curtail our growth and reduce our assets. Any equity or debt financings, if available at all, may be on terms that are not favorable to us. In the case of equity financings, dilution to our Limited Partners could result, and in any case such securities may have rights, preferences and privileges that are senior to those of the Interests offered herein. In the case of debt financings, the obligations related to such debt may restrict our operations and the operations of a Real Estate Portfolio Investment, encumber our assets and jeopardize our ability of obtain other financings. If adequate capital cannot be obtained, our business, operating results and financial condition could be adversely affected.

Failure to qualify as a real estate operating company could have serious and adverse consequences to Partners.

We intend to qualify and meet the requirements as a "real estate operating company" pursuant to ERISA and the relevant Department of Labor regulations. Many of these requirements, however, are highly technical and complex. The determination that the Partnership is a real estate operating company requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, if we receive qualified money from Limited Partners, generally, to qualify as a real estate operating company, (i) at least 50% of our assets, valued at cost (other than short-term investments pending long-term commitment or distribution to investors), must be invested in real estate which is managed or developed and with respect to which we have the right to substantially participate directly in the management or development activities, or (ii) Limited Partners that are regulated by ERISA and invest qualified money must not have 25% or more of the value of any class of equity interests in the Partnership. Even a technical or inadvertent mistake could jeopardize our real estate operating company status. Furthermore, Congress and the Department of Labor might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for the Partnership to remain qualified as a real estate operating company. We do not believe, however, that any pending or proposed Department of Labor law changes would jeopardize our real estate operating company status. If we fail to qualify as a real estate operating company, then we would be subject to ERISA. This could have a significant adverse effect on the value of our securities.

Co-investors present substantial risks to the fund.

The Partnership may co-invest with third parties through consortiums of private equity investors, joint ventures or other similar arrangements. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties, resulting in a negative impact on such investment, may have economic or

business interests or goals that are inconsistent with those of the Partnership or may be in a position to take (or block) action in a manner contrary to the Partnership's investment objectives. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Our investment strategies may evolve over the term of the fund.

We have not yet identified any specific investments for our portfolio and, thus, the Investor will be unable to evaluate the allocation of the net proceeds of this Offering and the concurrent private placement or the economic merits of our investments before making an investment decision with respect to the Partnership. While the General Partner intends generally to apply the investment strategy and investment process described herein to the Partnership's portfolio investments, the General Partner may pursue a wide variety of investment strategies and may modify or depart from the investment strategy and investment process described herein if it identifies investment opportunities that it believes are sufficiently attractive on a risk/reward basis.

Investments might extend longer than the term of the fund.

The Partnership may acquire Real Estate Portfolio Investments, which may not be advantageously disposed of prior to the date the Partnership will be dissolved, either by expiration of the Partnership's term or otherwise. The Partnership may have to sell, distribute or otherwise dispose of Real Estate Portfolio Investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Partnership, the General Partner (or the relevant liquidator) will be required to use its reasonable best efforts to reduce to cash and cash equivalents such assets of the Partnership as the General Partner or such liquidator shall deem advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Limited Partners will occur.

[These risk factors contain only a single subsection of risk factors: "Real Estate Industry and Multi-Family Sector Risks." This represents less than one-quarter of the risk factor language that should be included in a full real estate fund PPM.]

[End of PPM excerpt]