LANSON CAPITAL FUND I, L.P.

A Delaware Limited Partnership

Minimum Initial Investment $50,000.00

August 30, 2013

General Partner:
Larson Capital Management, LLC
1015 Corporate Square Dr., Ste. 300
St. Louis, MO 63132
This Confidential Private Placement Memorandum (the “Memorandum”) has been prepared on a confidential basis and is intended solely for the use of the recipient named on the cover hereof in connection with this offering. Each recipient, by accepting delivery of this Memorandum, agrees not to make a copy of the same or to divulge the contents hereof to any person other than a legal, business, investment or tax advisor in connection with obtaining the advice of any such persons with respect to this offering.

The Memorandum relates to the offering (the “Offering”) of limited partnership interests (the “Interests” or “Partnership Interests”) of Larson Capital Fund I, L.P., a Delaware limited partnership (the “Partnership”). Partnership Interests are suitable only for sophisticated investors (a) who do not require immediate liquidity for their investments, (b) for whom an investment in the Partnership does not constitute a complete investment program and (c) who fully understand and are willing to assume the risks involved in the Partnership’s investment program. The Partnership’s investment practices, by their nature, involve a substantial degree of risk. See “Investment Program” and “Risk Factors.” The Offering is made only to certain qualified investors. See “Qualification of Investors.” Prospective investors should carefully consider the material factors described in “Risk Factors,” together with the other information appearing in this Memorandum, prior to purchasing any of the Partnership Interests offered hereby.

THE PARTNERSHIP INTERESTS OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC” OR “COMMISSION”) OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE COMMISSION OR ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE PARTNERSHIP INTERESTS ARE BEING OFFERED PURSUANT TO EXEMPTIONS FROM REGISTRATION WITH THE COMMISSION AND STATE SECURITIES REGULATORY AUTHORITIES; HOWEVER, NEITHER THE COMMISSION NOR ANY STATE SECURITIES REGULATORY AUTHORITY HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREIN ARE EXEMPT FROM REGISTRATION.
THE INFORMATION IN THIS MEMORANDUM IS GIVEN AS OF THE DATE ON THE COVER PAGE, UNLESS ANOTHER TIME IS SPECIFIED, AND INVESTORS MAY NOT INFERENCE FROM EITHER THE SUBSEQUENT DELIVERY OF THIS MEMORANDUM OR ANY SALE OF INTERESTS THAT THERE HAS BEEN NO CHANGE IN THE FACTS DESCRIBED SINCE THAT DATE.

This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Partnership Interests by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

No offering literature or advertising in any form other than this Memorandum and the agreements and documents referred to herein shall be considered to constitute an Offering of the Interests. No person has been authorized to make any representation with respect to the Partnership Interests except the representations contained herein. Any representation other than those set forth in this Memorandum and any information other than that contained in documents and records furnished by the Partnership upon request, must not be relied upon. This Memorandum is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date.

Sales of Partnership Interests may be made only to investors deemed suitable for an investment in the Partnership under the criteria set forth in this Memorandum. The Partnership reserves the right, notwithstanding any such offer, to withdraw or modify the Offering and to reject any subscriptions for the Partnership Interests in whole or in part for any or no reason.

The Partnership Interests being offered have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and have not been registered under the securities laws of any state, but are being offered and sold for purposes of investment and in reliance on the statutory exemptions contained in Sections 4(2) and/or 3(b) of the Securities Act and in reliance on applicable exemptions under state securities laws. Such Partnership Interests may not be sold, pledged, transferred or assigned except in a transaction which is exempt under the Securities Act and applicable state securities laws, or pursuant to an effective registration statement thereunder or in a transaction otherwise in compliance with the Securities Act, applicable state securities laws, this Memorandum and the Partnership’s Limited Partnership Agreement.

THERE IS NO PUBLIC MARKET FOR THE PARTNERSHIP INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE.

Prospective investors are invited to meet with their advisors to discuss, and to ask questions and receive answers, concerning the terms and conditions of this Offering of the Interests, and to obtain any additional information, to the extent the General Partner
or its delegate possess such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein.

**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.
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Larson Capital Fund I, L.P.

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EXECUTIVE SUMMARY

Larson Capital Fund I, L.P., was organized as a Delaware limited partnership (the "Partnership") on August 5, 2013 to operate as a private investment partnership. The Partnership’s investment objective is to provide an alternative investment opportunity offering to qualified investors interested in a non-traditional asset for long-term portfolio growth and diversification. The Partnership intends to achieve this objective by seeking out commercial real estate properties in a disciplined manner suitable for those investors who understand and are financially comfortable with the high risk of alternative investments.

Larson Capital Management, LLC, a Missouri limited liability company, serves as the general partner (the “General Partner”) of the Partnership. Under the Partnership’s Limited Partnership Agreement (as the same may be amended, supplemented or revised from time to time, the “Partnership Agreement”), the General Partner is primarily responsible for the management of the Partnership. The office of the General Partner is located at 1015 Corporate Square Dr., Ste. 300, St. Louis, Missouri 63132 and the telephone number is 314.787.7436. The directors of the General Partner are Paul D. Larson, Jeffrey S. Larson and Thomas R. Martin.

The Partnership is presently accepting subscriptions from a limited number of sophisticated investors (as described in the “Summary of Key Terms,” below), generally in minimum amounts of not less than $50,000.00. The Partnership is seeking aggregate capital contributions of $7,500,000.00 from its investors. The General Partner, in its sole discretion, may increase or decrease the aggregate amount of capital contributions sought by the Partnership.

Investors in the Partnership will generally be subject to (i) a quarterly management fee, payable in advance, equal to 0.125% of such investor’s capital account balance as of the beginning of such quarter; and (ii) a carried interest equal to 20% of each investor’s ratable share of the Partnership’s realized profits with respect to the Partnership Investments (as defined below).

An investment in the Partnership is illiquid. Investors may not voluntarily withdraw any capital from the Partnership. In certain circumstances, however, an investor may be required to withdraw from the Partnership if the General Partner reasonably determines, in its sole discretion, that such investor’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 may
distribute realized proceeds with respect to the Partnership Investments (as described in the “Summary of Key Terms,” below).
DIRECTORY

The Partnership: Larson Capital Fund I, L.P.  
c/o Larson Capital Management, LLC  
1015 Corporate Square Dr., Ste. 300  
St. Louis, MO 63132  
Tel: 314.787.7436

Legal Advisor: Cott Law Group, P.C.  
4788 Long Island Drive NE  
Atlanta, GA 30342  
Tel: 770.674.8481
INVESTMENT PROGRAM

Investment Objective

The Partnership’s investment objective is to provide an alternative investment opportunity offering to qualified investors interested in a non-traditional asset for long-term portfolio growth and diversification. The Partnership intends to achieve this objective by seeking out commercial real estate properties in a disciplined manner suitable for those investors who understand and are financially comfortable with the high risk of alternative investments.

Investment Strategy

The Partnership intends to purchase and operate core office building assets in strong demographic markets at attractive prices. The Partnership’s portfolio will be comprised of quality properties with strong tenants, favorable lease agreements of varying duration and the potential to improve operating efficiencies to derive value. The Partnership may employ leverage to diversify the portfolio by geographical location, property type and tenant mix.

Limits of Description of Investment Program

The General Partner is not limited by the above discussion of the investment program. Further, the investment program is a strategy as of the date of this Memorandum only. The General Partner has wide latitude to invest or trade the Partnership’s assets, to pursue any particular strategy or tactic, or to change the emphasis without obtaining the approval of the Limited Partners. The investment program imposes no significant limits on the types of instruments in which the General Partner may take positions, the type of positions it may take, its ability to borrow money, or the concentration of investments. The foregoing description is general and is not intended to be exhaustive. Prospective investors must recognize that there are inherent limitations on all descriptions of investment processes due to the complexity, confidentiality, and subjectivity of such processes. In addition, the description of virtually every trading strategy must be qualified by the fact that trading approaches are continually changing, as are the markets invested in by the General Partner.

There can be no assurance that the Partnership will achieve its investment objective or avoid substantial losses. An investor should not make an investment in the Partnership with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult with their personal advisers before investing in the Partnership. Because risks are inherent in all the investments in
which the Partnership engages, no assurances can be given that the Partnership’s investment objectives will be realized.
MANAGEMENT OF THE PARTNERSHIP

Larson Capital Management, LLC, a Missouri limited liability company, serves as the General Partner of the Partnership. Under the Partnership Agreement, the General Partner is primarily responsible for the management of the Partnership. The office of the General Partner is located at 1015 Corporate Square Dr., Ste. 300, St. Louis, Missouri 63132 and its telephone number is 314.787.7436. The directors of the General Partner are Paul D. Larson, Jeffrey S. Larson and Thomas R. Martin (the “Principals”). Biographies of the Principals are set forth below.

The General Partner is not registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or the securities bureau of any state.

Paul D. Larson. Principal. Paul is the Managing Member of the General Partner. In 2006, he started his career in the real estate business in the multi-family sector and then later acquired office buildings. Recognizing the need to control costs and oversee the properties he owned, he launched Emmanuel Real Estate Group, LLC (“EREG”) in 2007. EREG is a full service, licensed real estate brokerage firm that coordinates acquisitions, lease negotiations, property management, and financial analysis for real estate.

Paul has invested in commercial real estate and owns a majority interest in several properties across the country. Acquiring distressed properties and then finding reputable tenants while cutting costs to manage buildings have been Paul’s key objectives for success.

Paul has a degree in Finance from Northwestern College and has earned the Certified Financial Planner designation. He is currently the President & Chief Executive Officer of Larson Financial Group, LLC (“LFG”) a financial planning firm that exclusively works with doctors. His aim in launching the Partnership was to give doctors a venue to invest in real estate in a wise and strategic way and provide access to purchasing power doctors may not have on their own.

Paul and his wife, Rebecca, have seven children (four international adoptions & three natural born). They live in St. Louis and are passionate about starting businesses using Biblical principles to bless those in greatest need. Paul formed the nonprofit, Larson Financial Foundation, with this vision in mind.

Jeffrey S. Larson. Principal. Jeff began focusing on the real estate market in 2005 and has since purchased several residential properties and owns interests in several
commercial properties across the country. Having exposure to both the residential and commercial sectors has allowed Jeff to better understand how to manage properties more efficiently and increase profits.

Since graduating from Biola University, Jeff has worked to specialize in providing financial education, information, and services to enable physicians to make informed financial decisions. Jeff is a frequent speaker to physician groups in St. Louis, Columbia, Cape Girardeau, and Kansas City, Missouri; Chicago and Orlando.

Jeff was listed as one of the “2011 Best Financial Advisors for Doctors” by Medical Economics Magazine. Jeff has also been honored with St. Louis Magazine’s Five Star Wealth Manager award. Jeff is a partner with LFG and serves as a Regional Director.

Jeff and his wife, Kim, have four children and live in St. Louis. Jeff and Kim are actively involved in their church community as small group leaders and high school youth group leaders.

Thomas R. Martin. Principal. Tom has been investing in real estate since 2002. His involvement includes residential development and construction, governmental, and senior housing.

Tom earned his bachelor’s degree from Indiana University and completed his graduate education in financial planning at the Institute of Personal Financial Planning at Kansas State University and through the University of Chicago’s Booth School of Business. As a specialist for physicians, Tom has been privileged to conduct private financial briefings for some of the top medical departments in the country, including those within Johns Hopkins University, Vanderbilt University, and the University of Michigan.

Tom is a partner at LFG and serves as a Regional Director. Tom is a co-author of Doctor’s Eyes Only: Exclusive Financial Strategies for Today’s Doctors and Dentists and a co-host of the Doctor’s Eyes Only podcast. Tom is a Certified Financial Planner, a Certified Private Wealth Advisor, and an Accredited Investment Fiduciary, as well as a member of the national Financial Planning Association, the Investment Management Consultants Association, and the Estate Planning Council of Fort Wayne.

Tom and his wife, Rachel, have three children and are active in their local community serving on various charitable boards and in their local church. They are also active in the Larson Financial Foundation’s efforts to empower international communities through sustainable business and sharing hope in places of greatest need.
Partnership Interests held by the General Partner and its affiliates will not be subject to the Management Fee or the Carried Interest (as such terms are defined elsewhere in this Memorandum), but will share pro rata in all other expenses and liabilities of the Partnership.

The General Partner and the Principals may, from time to time, provide investment advice to separate account clients and other pooled investment vehicles that may, from time to time, invest in some of the same financial instruments and pursue similar investment strategies as those of the Partnership. The General Partner may amend the Partnership Agreement in certain circumstances without the consent of the Limited Partners.
SUMMARY OF KEY TERMS

The following is a summary of certain of the principal terms governing an investment in Larson Capital Fund I, L.P. This summary is not complete and is qualified in its entirety by reference to the more detailed information set forth elsewhere in this Memorandum and by the terms and conditions of the Partnership Agreement, each of which should be read carefully by any prospective investor before investing. Prospective investors are urged to read the entire Memorandum and to seek the advice of their own counsel, tax consultants and business advisors with respect to the legal, tax and business aspects of investing in the Partnership. Capitalized terms used herein and not otherwise defined will have the same meaning as set forth in the Partnership Agreement. If any disclosure made herein is inconsistent with any provision of the Partnership Agreement, the provision of the Partnership Agreement will control.

THE PARTNERSHIP: The Partnership was organized as a Delaware limited partnership on August 5, 2013 to operate as a private investment partnership.

THE GENERAL PARTNER: The General Partner of the Partnership is Larson Capital Management, LLC, a Missouri limited liability company. Under the Partnership Agreement, the General Partner is primarily responsible for the management of the Partnership.

THE PROPERTY MANAGER: Emmanuel Real Estate Group, LLC (“Property Manager”), a Missouri limited liability company formed in 2006 and owned by Paul D. Larson, a Principal of the General Partner, will serve as the property manager to the Partnership investments.

ELIGIBLE INVESTORS: Interests in the Partnership are being offered to persons who are “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act.

The Interests will not be registered under the Securities Act or the securities laws of any state or any other jurisdiction, nor is any such registration contemplated.

An investment in the Partnership will be suitable only for investors who have adequate means of providing for current needs and personal contingencies, can bear
the economic risk of the investment, and have no need for liquidity in the investment. Investors will be required to make representations to the foregoing effect to the Partnership as a condition to acceptance of their subscription.

**CAPITAL CONTRIBUTIONS:**

The Partnership is seeking aggregate capital contributions of $7,500,000.00. The General Partner, in its sole discretion, may decrease or increase the aggregate amount of capital contributions sought by the Partnership.

Capital contributions will only be accepted in cash (by means of wire transfer or check) at the time of subscription.

**MINIMUM CAPITAL CONTRIBUTION:**

The minimum initial capital commitment to the Partnership is 50,000, subject to the General Partner’s sole discretion to accept subscriptions for lesser amounts. The General Partner may, in its sole discretion, elect to temporarily or permanently suspend the offering of Interests. The General Partner may, in its sole discretion, reject any subscription request for any reason or no reason.

The Partnership will establish and maintain on its books a capital account ("Capital Account") for each limited partner (each, a “Limited Partner,” and collectively with the General Partner, the “Partners”) into which its capital contribution(s) will be credited and in which certain other transactions will be reflected. (See “Profits and Losses,” below). At the beginning of each accounting period, an allocation percentage (the “Allocation Percentage”) will be determined for each Partner by dividing such Partner’s Capital Account balance as of the beginning of such period by the aggregate Capital Account balances of all Partners as of the beginning of such period.

**CLOSING:**

An initial closing of the Offering (the “Closing”) will be held as soon as practicable after the Partnership has received aggregate minimum capital commitments of $7,500,000.00 although the General Partner has the
discretion to increase or decrease the aggregate minimum capital commitments required to hold the Closing. The General Partner, in its sole discretion, will determine the date of the Closing (“Closing Date”).

TERM

The Partnership shall continue until the earlier of (i) the date that is five (5) years after the Closing Date (“Term”); provided, however, that the General Partner, in its sole discretion, may (a) extend the Term an additional two (2) years following such date (“First Additional Term”) and (b) if the General Partner elects to exercise the First Additional Term, extend the Term an additional two (2) years beyond the close of the First Additional Term (“Second Additional Term”); (ii) the termination, bankruptcy, insolvency or dissolution of the General Partner, or (iii) a determination by the General Partner that the Partnership should be dissolved.

CUSTODY:

The amounts paid by an investor to the Partnership shall be placed directly in an account with one or more financial institutions selected by the General Partner, under appropriate arrangements.

LIMITATION OF LIABILITY:

The Partnership Agreement provides that the General Partner and its affiliates, shareholders, members, partners, managers, directors, officers and employees shall not be liable, responsible nor accountable in damages or otherwise to the Partnership or any Partner, or to any successor, assignee or transferee of the Partnership or of any Partner, for (i) any acts performed or the omission to perform any acts, within the scope of the authority conferred on the General Partner by the Partnership Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; (ii) performance by the General Partner of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the Partnership; (iii) the negligence, dishonesty, bad faith, or other misconduct of any consultant, employee,
or agent of the Partnership, including, without limitation, an affiliate of the General Partner, selected or engaged by the General Partner with reasonable care and in good faith; or (iv) the negligence, dishonesty, bad faith, or other misconduct of any person in which the Partnership invests or with which the Partnership participates as a partner, joint venturer, or in another capacity, which was selected by the General Partner with reasonable care and in good faith.

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, in the following manner and priority:

(i) One hundred percent (100%) to the Partners in proportion to their respective capital contributions until the cumulative amount distributed to each Partner pursuant to this clause equals such Partner’s capital contribution;

(ii) A simple preferred return of eight percent (8%) per year (the "Preferred Return") on each such Limited Partner’s capital contribution;

(iii) Eighty percent (80%) of any excess over the amount allocated to the Partners in clauses (i) and (ii) to each Limited Partner in
proportion to such Limited Partner’s Allocation Percentage; and

(iv) The remaining twenty percent (20%) of such excess over the amount allocated to the Partners in clauses (i) and (ii) to the General Partner (such amount allocated to the General Partner, the “Carried Interest”).

In certain circumstances, the General Partner may agree to suspend the valuation of the Partnership’s property, the right or obligation to receive Distribution Proceeds, and/or extend the period for payment of Distribution Proceeds. (See the Partnership Agreement, Section 4.03 “Limitations on Distributions.”)

The General Partner may establish reserves for expenses, liabilities or contingencies (including those not addressed by U.S. generally accepted accounting principles (“GAAP”)) which could reduce the amount of a distribution. (See the Partnership Agreement, Section 4.05 “Withholding from Distributions.”)

ERISA and current IRS regulations prohibit fee payments to oneself and/or an affiliate from one’s IRA or other self-directed retirement account. Accordingly, such an account of an officer of the General Partner (or of his spouse) will not be subject to the Management Fee or the Carried Interest.

**FEES & EXPENSES:**

A management fee (the “Management Fee”) is paid quarterly in advance to the General Partner. The Management Fee is equal to 0.125% (0.5% per annum) of the beginning Capital Account balance of each Limited Partner for such quarter.

All expenses of the Offering and organization of the Partnership (including legal and other expenses) (“Organizational Expenses”) will be paid by the Partnership and/or reimbursed by the Partnership to the extent paid by the General Partner.

The Partnership shall pay for all ordinary operating and other expenses, including, but not limited to,
investment-related expenses (such as custodial fees, interest expenses, expenses relating to consultants or other professionals or advisors who provide research, advice or due diligence services with regard to investments made by the Partnership, appraisal fees and expenses; research costs and expenses; legal expenses (including, without limitation, the costs of ongoing legal advice and services, blue sky filings and all costs and expenses related to or incurred in connection with the General Partner’s compliance obligations under applicable federal and/or state securities and investment adviser laws arising out of its relationship to the Partnership, as well as extraordinary legal expenses); the Management Fee; accounting fees and audit expenses; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Partnership; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the General Partner; costs of printing and mailing reports and notices; and other similar expenses related to the Partnership, as the General Partner determines in its sole discretion.

The General Partner may, in its sole discretion, enter into arrangements with Limited Partners under which the Management Fee is reduced, waived or calculated differently with respect to such Limited Partners, including, without limitation, Limited Partners that are members, affiliates or employees of the General Partner, members of the immediate families of such persons and trusts or other entities for their benefit, or Limited Partners that make a substantial investment or otherwise are determined by the General Partner in its sole discretion to represent a strategic relationship.

The General Partner intends to engage the Property Manager to serve as the property manager to the Partnership investments. In payment for these services, the Property Manager will receive standard fees for such services, all of which fees will be commensurate with the fees customarily charged by the Property Manager.
Manager in connection with similarly situated properties or projects (See “Conflicts of Interest.”)

RISK FACTORS: In general, investment in the Partnership Interests involves various and substantial risks, including (but not limited to) the risk that the Partnership assets may be invested in high risk investments, risks for certain tax-exempt investors, risks related to the limited transferability of a Limited Partner’s interest in the Partnership, the lack of operating history of the Partnership, the Partnership’s dependence upon the General Partner, and certain tax risks. (See “Risk Factors.”)

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 General Partner’s assessment of the available investment opportunities.

LEVERAGE: The Partnership may utilize leverage in its investment program when the General Partner considers it appropriate. However, the use of leverage may, in certain circumstances, maximize the adverse impact to which the Partnership’s investment portfolio may be subject.

NET ASSET VALUE: The Net Asset Value of the Partnership (“Net Asset Value”) will be determined as is required by the Partnership Agreement or as may be determined by the General Partner, but in any case no less than annually. Each Partner’s share of the Net Asset Value is determined by multiplying the total value of the Partnership’s investments and other assets less any liabilities, by the Partner’s Allocation Percentage. (See “Valuation of Investments.”)

RESTRICTIONS ON TRANSFER: A Limited Partner may not pledge, assign, sell, exchange or transfer its Interest (or any portion thereof), and no assignee, purchaser or transferee may be admitted as a substitute Limited Partner, except with the consent of the General Partner, which consent...
may be given or withheld in its sole and absolute discretion.

**FISCAL YEAR:**

The Partnership’s fiscal year shall end on December 31.

**REPORTS:**

The Partnership’s books of account will be audited at the end of each fiscal year by a firm of certified public accountants selected by the General Partner, although the General Partner may elect to postpone the first audit of the Partnership’s annual financial statements until the completion of the Partnership’s first full fiscal year, in which case the initial audit will cover the applicable fiscal year as well as the partial “stub” year in which the Partnership commenced operations. Books of account will generally be kept by the Partnership, in accordance with GAAP. The General Partner will furnish audited financial statements to all Limited Partners within 120 days, or as soon thereafter as is reasonably practicable, following the conclusion of each fiscal year. In addition, all Limited Partners will receive the information necessary to prepare federal and state income tax returns following the conclusion of such fiscal year as soon thereafter as is reasonably practical.

All Limited Partners will also receive unaudited performance reports and such other information as the General Partner determines on at least an annual basis. The General Partner will not be required to provide information with regard to specific investment transactions of the Partnership.

**AMENDMENT OF THE PARTNERSHIP AGREEMENT:**

The Partnership Agreement provides that the General Partner has the right to amend the Partnership Agreement to, among other things, conform to applicable laws and regulations, to correct any ambiguous, false, or erroneous provision, or to otherwise amend the Partnership Agreement; *provided*, that no such amendment shall adversely affect the rights, privileges, and powers of the Limited Partners as a group, unless agreed to by the holders of a majority of Allocation Percentages held by Limited Partners. The General Partner is authorized on its own
motion to institute proceedings for adoption of a proposed amendment to the Partnership Agreement. The General Partner may seek the approval of Limited Partners to such amendments by means of a “negative consent” process. Investors should note that Limited Partners have no voting rights except in very limited and specific situations.

LEGAL COUNSEL: Cott Law Group, P.C. acts as legal counsel to the General Partner and the Partnership in connection with the organization of the Partnership, the offering of Interests and other ongoing matters, and does not represent Limited Partners in any capacity.

AUDITOR: The Partnership’s independent certified public accountant will be selected at a later date. The Partnership reserves the right to use other and/or additional firms for audit services.

SUBSCRIPTION PROCEDURE: Persons interested in subscribing for Interests will be furnished, and will be required to complete and return to the General Partner, subscription documents.
An investment in the Partnership involves a number of significant risks. The risk factors set forth below are those that, at the date of this Memorandum, the General Partner deem to be the most significant. The following is not intended to be a complete description or an exhaustive list of risks. Other factors ultimately may affect an investment in the Partnership in a manner and to a degree not now foreseen. Prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Memorandum, the factors discussed below. An investment in the Partnership should form only a part of a complete investment program, and an investor must be able to bear the loss of its entire investment. Prospective investors should also consult with their own financial, tax and legal advisors regarding the suitability of this investment.

General

General Investment Risks. The Partnership’s success depends on the General Partner’s ability to implement its investment strategy. Any factor that would make it more difficult to execute timely investments, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the Partnership will be successful under all or any market conditions.

The Partnership may increase its cash position to up to 100% of its assets when the General Partner deems it prudent or when a defensive position is warranted in light of market conditions.

Investment Risks. All investments involve the risk of a loss of capital. The General Partner believes that the Partnership’s investment program and its research and risk-management techniques moderate this risk through the careful selection of investments. No guarantee or representation is made that the Partnership’s investment program will be successful, and investment results may vary substantially over time.

Investments

General Risks of the Real Estate Industry. The Partnership will invest directly in real estate. The direct ownership of real estate includes many risks including: declines in the value of real estate, general and local economic conditions, unavailability of mortgage funds, overbuilding, extended vacancies of properties, increased competition, increases in property taxes and operating expenses, changes in zoning laws, losses due to costs of cleaning up environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, changes in neighborhood values and the appeal of properties to buyers, tenants, changes in interest rates, etc. An economic downturn could have a material adverse effect on the real
estate markets, which in turn could result in the Partnership not achieving its investment objectives.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. The performance of the economy in each of the regions in which the real estate owned by the Partnership is located will impact the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties.

Real Estate Development Risks. The Partnership will engage in real estate development. As a result, the Partnership will be subject to the risks normally associated with development activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Partnership, such as adverse weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Partnership.

Environmental Considerations. In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, the Partnership may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as governmental fines and liabilities for injuries to persons and property and other costs. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of the Partnership.

Multifamily/Residential Properties. The value and successful operation of a multifamily and residential property may be affected by a number of factors, such as the location of the property, the ability of management to provide adequate maintenance and insurance, the types of services provided by the property, the level of mortgage rates, the presence of competing properties, the relocation of tenants to new projects with better amenities, adverse economic conditions in the locale, the amount of rent charged, and the oversupply of units due to new construction.

Single Tenant Properties. Certain properties held by the Partnership may be occupied by only one tenant or derive a majority of their rental income from one tenant.
The success of such properties will thereby be materially dependent on the financial stability of such tenants. In the event of a default by any such tenant, the Partnership may experience delays in enforcing its legal rights and may incur substantial costs in protecting its investment and re-letting the property. If a single tenant lease is terminated or an existing tenant elects not to renew a lease upon its expiration, there is no assurance that the Partnership will be able to lease the property for the rent previously received or sell the property without incurring a loss.

**Uninsured Losses.** Although the Partnership intends to arrange for customary insurance coverage for the properties in which it holds an interest, such as comprehensive insurance, including liability, fire and extended coverage, there are certain types of losses (generally of a catastrophic nature, such as wars, terrorism, earthquakes and floods) that are either uninsurable or not economically insurable. Should any such uninsured risk occur or cause the destruction or damage of any property, or should a hazard insured against occur where the loss is in excess of insurance limits or should the insurance company be unable to pay the claim, both invested capital and potential profits could be lost.

**No Assurance of Property Appreciation or Cash Distributions.** There is no assurance that real estate investment properties will appreciate in value, maintain their present values, or be sold at a profit. The marketability and value of the properties will depend upon many factors beyond the control of the General Partner. There is no assurance that there will be a ready market for these properties, since investments in real property are generally illiquid, nor is there any assurance that sufficient cash will be generated from operations to permit cash distributions to Partners.

**Limited Number of Investments.** It is expected that the Partnership will invest in a limited number of investments. A consequence of a limited number of investments is that the aggregate returns realized by the Partners may be substantially adversely affected by the unfavorable performance of a small number of such investments.

**Availability and Ability to Acquire Suitable Investments.** The identification of attractive Partnership investments is difficult and involves a high degree of uncertainty. While the General Partner believes that many attractive investments of the type in which the Partnership may invest are currently available, there can be no assurance that such investments will be available when the Partnership commences investment operations, or that available investments will meet the Partnership's investment criteria. Although the General Partner believes it can successfully execute the strategy of the Partnership, there is no assurance that the General Partner will be able to find suitable investments or, if found, that the Partnership will be able to generate superior returns.

**Illiquid Investments.** The Partnership is intended for long-term investors who can accept the risks associated with investing primarily in illiquid real estate
investments. The Partnership may invest in assets for which no liquid market exists or that are subject to legal or other restrictions of transfer. The Partnership may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

No Return for a Period of Years. Even if the Partnership investments prove successful, they may not produce a realized return for Partners for a period of years.

Strategy Risks

Lack of Diversification. The Partnership is not subject to any restrictions with respect to investments in any geography or type of investment. The Partnership may have a non-diversified portfolio and may have large amounts of Partnership assets invested in a small number of investments. Such lack of diversification substantially increases market risks and the risk of loss associated with an investment in the Partnership.

The General Partner Methodology. Investment decisions of the General Partner are on a discretionary basis using fundamental analysis and no assurance can be given that such investment strategies used by the General Partner will be successful, or that losses could not occur.

Leverage. In order to raise additional cash for investment, the Partnership may borrow money from banks and other sources and will pay interest thereon. Any investment gains made with the additional monies in excess of interest paid will cause the Net Asset Value of the Partnership to rise faster than would otherwise be the case. On the other hand, if the investment performance of the additional investments purchased fails to cover their cost (including any interest paid on the money borrowed) to the Partnership, the Net Asset Value of the Partnership will decrease faster than would otherwise be the case. This is the speculative factor known as “leverage.”

Management Risks

Reliance on the General Partner and no Authority by Limited Partners. All decisions regarding the management and affairs of the Partnership will be made exclusively by the General Partner. Accordingly, no person should invest in the Partnership unless such person is willing to entrust all aspects of management of the Partnership to the General Partner. Limited Partners will have no right or power to take part in the management of the Partnership. As a result, the success of the Partnership for the foreseeable future depends solely on the abilities of the General Partner.
Dependence on Key Personnel. The General Partner is dependent on the services of the Principals and there can be no assurance that it will be able to retain the Principals, whose credentials are described under the heading “Management of the Partnership.” The departure or incapacity of one or more of those individuals could have a material adverse effect on the General Partner’s management of the investment operations of the Partnership.

Changes in Investment Strategies. The General Partner has broad discretion to expand, revise or contract the Partnership’s business without the consent of the Limited Partners. The Partnership’s investment strategies may be altered, without prior approval by the Limited Partners, if the General Partner determines that such change is in the best interest of the Partnership.

Discretionary Decision Making May Result in Missed Opportunities. The Partnership’s investment strategies do involve some discretionary aspects. Discretionary decision-making may result in failure to capitalize on certain market trends or unprofitable investments in a situation where a strictly systematic approach might not have done so.

Proprietary Nature of Investment Strategy. All documents and other information concerning the Partnership’s portfolio of investments will be made available to the Partnership’s auditors, accountants, attorneys and other agents in connection with the duties and services performed by them on behalf of the Partnership. However, because the General Partner’s investment techniques are proprietary, the Partnership Agreement will provide that neither the Partnership nor any of its auditors, accountants, attorneys or other agents will disclose to any person, including investors in the Partnership, any of the investment techniques employed by the General Partner in managing the Partnership’s investments or the identity of specific investments held by the Partnership at any particular time.

Limitations on the General Partner’s Liability and Indemnification. The Partnership Agreement provides that the General Partner and its affiliates, shareholders, members, partners, managers, directors, officers and employees shall not be liable, responsible nor accountable in damages or otherwise to the Partnership or any Partner, or to any successor, assignee or transferee of the Partnership or of any Partner, for (i) any acts performed or the omission to perform any acts, within the scope of the authority conferred on the General Partner by the Partnership Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appellateable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; (ii) performance by the General Partner of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the Partnership; (iii) the negligence, dishonesty, bad faith, or other misconduct of any consultant, employee, or agent of the Partnership, including,
without limitation, an affiliate of the General Partner, selected or engaged by the General Partner with reasonable care and in good faith; or (iv) the negligence, dishonesty, bad faith, or other misconduct of any Person in which the Partnership invests or with which the Partnership participates as a partner, joint venturer, or in another capacity, which was selected by the General Partner with reasonable care and in good faith. Furthermore, the Partnership, in the General Partner’s sole discretion, will indemnify and hold harmless the General Partner and its affiliates, shareholders, members, partners, managers, directors, officers and employees and the legal representatives of any of them (an “Indemnified Party”), from and against any loss, liability, damage, cost or expense suffered or sustained by an Indemnified Party by reason of (i) any acts, omissions or alleged acts or omissions arising out of or in connection with the Partnership, the Partnership Agreement or any investment made or held by the Partnership, including, without limitation, any judgment, award, settlement, reasonable attorneys’ fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, or claim, provided that such acts, omissions or alleged acts or omission upon which such actual or threatened action, proceeding or claim are based are not found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence by such Indemnified Party, or (ii) any acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, provided that such broker or agent was selected, engaged or retained by the Indemnified Party with reasonable care. The Partnership Agreement also provides that the Partnership will, in the sole discretion of the General Partner, advance to any Indemnified Party attorneys’ fees and other costs and expenses incurred in connection with the defense of any action or proceeding which arises out of such conduct.

Limited Reporting. The Partnership will provide at least annual unaudited reports of Partnership activity. As a result, Limited Partners will not be able to evaluate the Partnership’s activity at shorter intervals. Additionally, as a result of side letter arrangements, questions, due diligence requests, meetings or other communications, certain Limited Partners may receive information that is not generally available or otherwise provided to other Limited Partners, which may affect such Limited Partners’ decision to request a withdrawal of their respective Capital Accounts or take other actions on the basis of such information.

Other Risks

No Operating History. The Partnership is a recently formed entity and has no operating history upon which prospective investors can evaluate its likely performance. There can be no assurance that the Partnership will achieve its investment objective.
Start-Up Periods. The Partnership may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of the Partnership’s portfolio may be lower than in a fully invested portfolio.

Risk of Loss. A Limited Partner could incur substantial, or even total, losses on an investment in the Partnership. An investment in the Partnership is only suitable for persons willing to accept this high level of risk.

Effect of Carried Interest. The General Partner will receive a Carried Interest based on a percentage of any net profits. Carried Interests may create an incentive for the General Partner to make investments that are riskier or more speculative than would be the case in the absence of such incentive compensation arrangements.

Tax Considerations; Distributions to Limited Partners and Payment of Tax Liability. It is not possible to provide here a description of all potential tax risks to a person considering investing in the Partnership. Prospective investors are urged to consult their own legal counsel and tax advisors with respect thereto. The Partnership will not seek a ruling from the Internal Revenue Service (“IRS”) with respect to any tax issues affecting the Partnership.

It should also be noted that the Partnership’s tax return may be audited by the IRS, and any such audit may result in an audit of the returns of the Limited Partners for the year(s) in question or unrelated years. Further, any adjustment resulting from an audit would also result in adjustments to the tax returns of the Limited Partners and may result in an examination and adjustment of other items in such returns unrelated to the Partnership. Limited Partners could incur substantial legal and accounting costs in litigation of any IRS challenge, regardless of the outcome. (See “Federal Tax Aspects.”)

The Partnership does not intend to make periodic distributions of its net income or gains, if any, to Limited Partners. A Limited Partner will be required each year, however, to pay applicable U.S. federal and state income taxes on its share of the Partnership’s taxable income, and will have to obtain cash from other sources in order to pay such applicable taxes. The amount and timing of any distributions will be determined in the sole discretion of the General Partner.

Undistributed Income. The General Partner in its sole discretion may, but is not required to, make distributions to Limited Partners during the term of the Partnership. Taxable income realized in any year by the Partnership will be taxable to the Partners in that year regardless of whether they have received any distributions from the Partnership. Accordingly, Limited Partners may recognize taxable income for federal, state, and local income tax purposes without receiving any or a sufficient distribution
from the Partnership with which to pay the taxes thereon. The General Partner may consider such possible tax liability of the Limited Partners when determining whether to make distributions, but no assurance is given that distributions, if made, will equal the amount of any Limited Partner’s tax liability.

**Restrictions on Transfer.** The Partnership Interests are subject to certain restrictions on transfer, including a requirement that the General Partner consent to any such transfer. There is no present market for the Partnership Interests, and no market is likely to develop in the future. Accordingly, Limited Partners may not be able to liquidate their investment in the event of an emergency or for any other reason, and Interests may not be readily acceptable as collateral for loans. Interests should be purchased only by prospective Investors who can bear the economic risk of their investment, who can afford to have their funds committed to an illiquid investment according to the withdrawal provisions in the Partnership Agreement and who, if necessary, can afford a complete loss of their investment. (See “Restrictions on Transfers of Interests.”)

**Lack of Insurance.** The assets of the Partnership are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the Federal Deposit Insurance Corporation and such deposits are subject to such insurance coverage. Therefore, in the event of the insolvency of a depository or custodian, the Partnership may be unable to recover all of its funds so deposited.

**Side Letters.** The General Partner may enter into agreements with certain Limited Partners that will result in different terms of an investment in the Partnership than the terms applicable to other Limited Partners. As a result of such agreements, certain Limited Partners may receive additional benefits which other Limited Partners will not receive (e.g., lower Management Fee and/or Carried Interest rates). The General Partner will not be required to notify the other Limited Partners of any such agreement or any of the rights and/or terms or provisions thereof, nor will the General Partner be required to offer such additional and/or different terms or rights to any other Limited Partner. The General Partner may enter into any such agreement with any Limited Partner at any time in its sole discretion.

**Risks for Certain Benefit Plan Investors Subject to ERISA.** Prospective investors that are benefit plan investors subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Department of Labor Regulations issued thereunder should read the section hereof entitled “ERISA Considerations” in its entirety for a discussion of certain risks related to an investment by benefit plan investors in the Partnership.
Revised Regulatory Interpretations Could Make Certain Strategies Obsolete. In addition to proposed and actual accounting changes, there have recently been certain well-publicized incidents of regulators unexpectedly taking positions which prohibited trading strategies which had been implemented in a variety of formats for many years. In the current unsettled regulatory environment, it is impossible to predict if future regulatory developments might adversely affect the Partnership.

Importance of General Economic Conditions. Overall market, industry or economic conditions, which the General Partner cannot predict or control, will have a material effect on performance.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective Limited Partners should read the entire Memorandum and the Partnership Agreement and consult with their own advisers before deciding whether to invest in the Partnership. In addition, as the Partnership’s investment program develops and changes over time, an investment in the Partnership may be subject to additional and different risk factors.
POTENTIAL CONFLICTS OF INTEREST

The General Partner and/or its affiliates, shareholders, members, partners, managers, directors, officers and employees (collectively the “Affiliated Persons”) will only devote so much time to the affairs of the Partnership as is reasonably required in the judgment of the General Partner. The Affiliated Persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities and other investments for their own accounts, for the accounts of family members, for the accounts of other funds and for the accounts of individual and institutional clients (collectively, “Other Accounts”). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of the Partnership. The Affiliated Persons may also have investments in certain of the Other Accounts. Each of the Affiliated Persons may give advice and take action in the performance of their duties to their Other Accounts that could differ from the timing and nature of action taken with respect to the Partnership. The Affiliated Persons will have no obligation to purchase or sell for the Partnership any investment that the Affiliated Persons purchase or sell, or recommend for purchase or sale, for their own accounts or for any of the Other Accounts. The Partnership will not have any rights of first refusal, co-investment or other rights in respect of the investments made by Affiliated Persons for the Other Accounts, or in any fees, profits or other income earned or otherwise derived from them. If a determination is made that the Partnership and one or more Other Accounts should purchase or sell the same investments at the same time, the Affiliated Persons will allocate these purchases and sales as is considered equitable to each. No Limited Partner will, by reason of being a Limited Partner of the Partnership, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Affiliated Persons from the conduct of any business or from any transaction in investments effected by the Affiliated Persons for any account other than that of the Partnership.

The Affiliated Persons will attempt to allocate investment opportunities that come to their attention on a fair and equitable basis among the Partnership and the Other Accounts for which participation in the respective opportunity is considered appropriate pro rata in proportion to the relative net worth of each such account. In determining whether participating by an account is appropriate, the Affiliated Persons shall take into account, among other considerations: (a) whether the risk-return profile of the proposed investment is consistent with the objectives of the Partnership, which objectives may be considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio’s overall holdings and available capital; (b) the potential for the proposed investment to create an imbalance in the portfolio of the Partnership; (c) liquidity requirements of the Partnership; (d) potential
tax consequences; (e) legal or regulatory restrictions; (f) the need to re-size risk in the portfolio of the Partnership; and (g) whether the Partnership and/or Other Accounts have a substantial amount of investable cash (e.g., during a “ramp-up” period). Notwithstanding the foregoing, there can be no assurance that an investment opportunity which comes to the attention of any of the Affiliated Persons will not be allocated to an Other Account, with the Partnership being unable to participate in such investment opportunity or participating only on a limited basis. In addition, there may be circumstances under which the Affiliated Persons will consider participation by Other Accounts in investment opportunities in which the Affiliated Persons do not intend to invest, or intend to invest only on a limited basis, on behalf of the Partnership. Because these considerations may differ for the Partnership and the Other Accounts in the context of any particular investment opportunity, investment activities of the Partnership and the Other Accounts may differ considerably from time to time.

As a result of the foregoing, the Affiliated Persons may have conflicts of interest in allocating their time and activity between the Partnership and the Other Accounts, in allocating investments among the Partnership and the Other Accounts and in effecting transactions for the Partnership and the Other Accounts, including ones in which the Affiliated Persons may have a greater financial interest.

In addition, the Property Manager may be entitled to receive various fees in connection with the management of Partnership investments, as described in the “Summary of Key Terms,” above. Such fees may present an inherent conflict of interest for the General Partner and Paul D. Larson, as a Principal of the General Partner and owner and CEO of the Property Manager, and create an incentive for the General Partner to undertake projects on behalf of the Partnership that are riskier or more speculative than would be the case in the absence of such arrangements. Furthermore, there is a conflict of interest in that the General Partner may have incentives to pay the foregoing compensation to the Property Manager to the detriment of other third-party creditors of the Partnership, which could be detrimental to the Partners and may reduce the return of the underlying investments made by the Partnership pursuant to this offering.

The Partnership and the General Partner are not represented by separate professional advisers. The legal firm for the Partnership has represented the Affiliated Persons in the past and it is anticipated that such representation will continue in the future. Without independent legal and other professional representation, investors may not receive legal and other advice regarding certain matters that might be in their interests but contrary to the interest of the Affiliated Persons. However, should a dispute arise between the Partnership and any Affiliated Person, or should there be a need in the future to negotiate and prepare contracts and agreements between the Partnership and any of the Affiliated Persons, other than those existing or contemplated on the date of this Memorandum, the General Partner will cause the Partnership to retain separate counsel and, if necessary, other professionals for such matters.
VALUATION OF INVESTMENTS

The Net Asset Value of the Partnership will be determined as of such times as is required by the Partnership Agreement or as may be determined by the General Partner, but in any case no less than annually.

Each Partner’s share of the Net Asset Value of the Partnership is determined by multiplying (i) the sum of the value of the investments held by the Partnership plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses), by (ii) the Partner’s Allocation Percentage.

Each Partnership investment will generally be valued as reported in the Partnership’s most recent financial statements or independent, third-party appraisal of such investment; provided that, where no such financial statements and appraisals are available, such assets will generally be valued at cost until sold or liquidated.

The foregoing valuation guidelines may be modified by the General Partner, in its sole discretion, if and to the extent that the General Partner determines that such modifications are advisable in order to reflect restrictions upon marketability or other factors affecting the value of financial assets. Without limiting the generality of the foregoing, the valuation of an asset by the General Partner may reflect the amounts invested in such asset by the Partnership, notwithstanding that such amounts may not represent the market value of such asset.

All matters concerning the valuation of investments, the allocation of profits, gains, and losses among the Partners, and accounting procedures not specifically and expressly provided for by the terms of the Partnership Agreement, shall be determined by the General Partner and shall be final and conclusive as to all of the Partners.
SERVICE PROVIDERS

Legal Counsel

Cott Law Group will represent the Partnership and the General Partner in connection with the organization of the Partnership, the offering of Interests and other ongoing matters. In preparing this Memorandum, Cott Law Group has relied upon certain information furnished to it by the Partnership, the General Partner and its affiliates and has not investigated or verified the accuracy or completeness of such information. Cott Law Group has not been engaged to protect the interests of prospective Limited Partners or the Limited Partners. Prospective Limited Partners should consult with and rely upon their own counsel concerning an investment in the Partnership, including the tax consequences to Limited Partners of an investment in the Partnership. No independent counsel has been retained to represent the Limited Partners of the Partnership.

Cott Law Group’s representation of the Partnership is limited to the organization of the Partnership, the offering of Interests and to certain other specific matters as to which Cott Law Group has been consulted by the Partnership and/or the General Partner. There may exist other matters which could have a bearing on the Partnership and/or the General Partner as to which Cott Law Group has not been consulted. In addition, Cott Law Group does not undertake to monitor the compliance of the General Partner and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does Cott Law Group monitor compliance with all applicable laws. In the course of advising the Partnership, there are times when the interests of the Limited Partners may differ from those of the General Partner and its affiliates. For example, issues may arise relating to expenses to be charged to the Partnership, withdrawal rights of Limited Partners and other terms of the Partnership Agreement, such as those relating to amendments and indemnification. Cott Law Group does not represent the Limited Partners' interests in resolving such issues.

Auditor

The General Partner, in its sole discretion, will select the auditor which will complete the year-end audit for the Partnership. The Partnership’s books of account will be audited as of the close of each fiscal year by an independent accounting firm to be designated by the General Partner at a later date, although the General Partner may elect to postpone the first audit of the Partnership’s annual financial statements until the completion of the Partnership’s first full fiscal year, in which case the initial audit will cover the applicable fiscal year as well as the partial “stub” year in which the Partnership commenced operations. Within 120 days after the end of each fiscal year,
or as soon thereafter as is reasonably practicable, annual reports containing audited financial statements will be sent to all Limited Partners.
QUALIFICATION OF INVESTORS

AN INVESTMENT IN THE PARTNERSHIP IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. The Partnership intends to sell Partnership Interests only to “eligible investors.” An “eligible investor” in the Partnership must be an “accredited investor,” as defined in Rule 501(a) of Regulation D under the Securities Act.

In order to satisfy the criteria for an “accredited investor,” in the case of individuals, an investor must have either (i) an annual income of not less than $200,000.00 for each of the previous two years (or a combined income with such person’s spouse of not less than $300,000.00), and reasonably anticipate the same level of income for the current year, or (ii) a net worth in excess of $1,000,000.00 (excluding the value of such person’s home). Other types of accredited investors permitted to invest in the Partnership include (i) banks or savings and loan associations acting in an individual or fiduciary capacity, (ii) broker-dealers registered under the Securities Exchange Act of 1934, as amended, (iii) insurance companies, (iv) any trust, with total assets in excess of $5,000,000.00, not formed for the specific purpose of making the investment, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D, and (v) a corporation, business trust or partnership not formed for the purpose of making the investment (x) which has total assets in excess of $5,000,000.00, or (y) in which all of the equity owners are accredited investors.

Employee benefit plans and individual retirement accounts (“IRAs”) will qualify as accredited investors if either (i) the investment decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or investment adviser registered under the Advisers Act, (ii) the plan, including plans established by a state or its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of employees, has total assets in excess of $5,000,000.00, or (iii) the plan is a self-directed plan with investment decisions made solely by persons who are accredited investors. Foundations, endowments and other tax-exempt investors must not be formed for the purpose of investing in the Partnership and must have total assets in excess of $5,000,000.00. Other types of accredited investors include (i) any investment company registered under the Investment Company Act or a business development company as defined in Section 2(a)(48) of that Act; (ii) any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; (iii) any private business development company as defined in Section 202(a)(22) of the Advisers Act; or (iv) any entity in which all of the equity owners are accredited investors.
The Partnership reserves the right to reject subscriptions in its sole discretion. Each purchaser will be required to represent that such purchaser’s overall commitment to investments which are not readily marketable is not disproportionate to such purchaser’s net worth, and that such purchaser’s investment in the Partnership will not cause such overall commitment to become excessive; that such purchaser can sustain a complete loss of such purchaser’s investment in the Partnership and has no need for liquidity in such purchaser’s investment in the Partnership; and that such purchaser has evaluated the risks of investing in the Partnership.

Limited Partners may not be able to liquidate their investment in the event of an emergency or for any other reason because there is not now any public market for the Partnership Interests and none is expected to develop.

Investors who reside in certain states may be required to meet standards different from or in addition to those described above. Investors will be required to represent in writing that they meet any such standards that may be applicable to them. The General Partner may, without the consent of the existing Limited Partners, admit new Partners to the Partnership. The General Partner may reject a subscription for an Interest for any reason in its sole and absolute discretion. If a subscription is rejected, the payment remitted by the Investor will be returned without interest.

EACH PROSPECTIVE INVESTOR SHOULD CONSIDER WHETHER THE PURCHASE OF THE SECURITIES OFFERED HEREBY IS SUITABLE FOR HIM OR HER IN LIGHT OF HIS OR HER INDIVIDUAL INVESTMENT OBJECTIVES.
FEDERAL TAX ASPECTS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON THE U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following material describes certain Federal income tax aspects of an investment in the Partnership. No consideration has been given to state and local income tax consequences. This summary provides only a general discussion and does not represent a complete analysis of all income tax consequences of an investment in the Partnership, many of which may depend on individual circumstances, such as the residence or domicile of a Limited Partner. Capitalized terms used herein and not otherwise defined will have the same meaning set forth in the Partnership Agreement.

The summary is based on the Code, the regulations thereunder (the “Regulations”) and judicial and administrative interpretations thereof, all as of the date of this Memorandum. No assurance can be given that future legislation, Regulations, administrative pronouncements and/or court decisions will not significantly change applicable law and materially affect the conclusions expressed herein. Any such change, even though made after a Limited Partner has invested in the Partnership, could be applied retroactively. Moreover, the effects of any state, local or foreign tax law, or of federal tax law other than income tax law, are not addressed in these discussions and, therefore, must be evaluated independently by each prospective investor.

No ruling has been requested from the Internal Revenue Service (“IRS”) or any other federal, state or local agency with respect to the matters discussed below; nor has the General Partner asked its counsel to render any legal opinions regarding any of the matters discussed below. This summary does not in any way either bind the IRS or the courts or constitute an assurance that the income tax consequences discussed herein will be accepted by the IRS, any other federal, state or local agency or the courts. The Partnership is not intended and should not be expected to provide any tax shelter.
Partnership Status

The Federal income tax consequences to the Partnership and its Partners will depend primarily upon the characterization of the Partnership as a partnership for Federal income tax purposes rather than as a corporation. If the Partnership were treated as a corporation for Federal income tax purposes, all items of income, gain, loss, deduction, and credit would be those of the corporation and would not be passed through to the Partners, and distributions to Partners would be treated as dividends to the extent of current and accumulated earnings and profits. The General Partner has not requested, nor does it intend to request, a private letter ruling from the IRS that for Federal income tax purposes, the Partnership will be treated as a partnership and not as an association taxable as a corporation.

Recently issued Treasury Regulations provide a default classification as a partnership for Federal tax purposes for any entity formed after 1996 as a limited partnership under state law. Such an entity may elect to be treated as a corporation for Federal tax purposes. The Partnership was formed as a Delaware limited partnership and does not intend to elect to be treated as a corporation for federal tax purposes. Accordingly, the Partnership will be classified as a partnership for federal tax purposes.

A partnership is not a taxable entity subject to Federal income tax. Accordingly, the Partnership will report its operations for each calendar year and annually will file a United States partnership return of income. Each individual Partner should report on his tax return his distributive share of the Partnership’s income, loss, deductions, and credits, if any, for the taxable year of the Partnership ending within or with his taxable year. Each Limited Partner’s distributive share of such items is determined in accordance with his allocable share of Net Profit and Net Loss as provided in Article III of the Partnership Agreement. As soon as reasonably practicable following the end of the taxable year of the Partnership, the Partnership will provide each Limited Partner with reports showing the items of income, gain, loss, deductions, or credits allocated to the Limited Partner for use in the preparation of the tax return. It should be noted that a Limited Partner may recognize taxable income attributable to his Partnership Interest without receiving any cash distribution with which to pay the taxes thereon.

Publicly Traded Partnership Status. Under the Code, a “publicly traded partnership” ("PTP") generally is treated as a corporation. A partnership is a publicly...
traded partnership if interests therein (1) are traded on an established securities market (as defined under the applicable Regulations ("PTP Regulations")) or (2) are readily tradable on a secondary market (or the substantial equivalent thereof) ("readily tradable"). The Interests will not be listed for trading on an established securities market, and the Partnership will use its best efforts to ensure that its Interests will not be readily tradable.

The PTP Regulations include a “private placement safe harbor” under which partnership interests can avoid being treated as readily tradable. The PTP Regulations provide that this safe harbor applies if (1) the partnership interests were issued in a transaction or transactions not requiring registration under the Securities Act and (2) the partnership has no more than 100 partners.

For purposes of determining the number of partners, a person owning a partnership interest through a partnership, grantor trust or S corporation (a “flow-through entity”) is counted as a partner only if substantially all the value of that person’s interest in the flow-through entity is attributable to the underlying partnership and a principal purpose for using a tiered structure was to satisfy the 100-partner condition. Because the offering of Interests is not required to be registered under the Securities Act, if the Partnership has no more than 100 Limited Partners (as determined in accordance with the rules regarding “flow-through” entities noted above), the Partnership will meet this “private placement safe harbor” and thus should not be treated as a publicly traded partnership for federal tax purposes. Thus, the Partnership should qualify for the “private placement safe harbor.”

Taxation of Operations

The tax consequences to investors of the Partnership’s investment activities are complex. Prospective investors should consult with tax advisers who have substantial expertise with this aspect of the tax law.

Gains from property held for more than one year generally will be eligible for favorable tax treatment. As of the date of this memorandum, the maximum Federal income tax rate applicable to a non-corporate taxpayer’s net capital gain (the excess of net long-term capital gain over net short-term capital loss) recognized on the sale or exchange of capital assets held for more than one year is 20%. Tax rates are subject to change.

Allocation of Income, Deductions, or Loss

The Partnership Agreement provides that Net Profits shall be allocated to the Partners, including the General Partner, according to their Allocation Percentages. For each Fiscal Year of the Partnership, Net Loss shall be allocated to the Partners in
accordance with their Allocation Percentages. Section 704(b) of the Code honors allocations of profits and losses as set forth in partnership agreements provided that such allocations have “substantial economic effect.” The General Partner believes that the allocations provided for by the Partnership Agreement have substantial economic effect. However, if an allocation is determined not to have “substantial economic effect”, a Partner’s allocable share of the item or items involved must be determined on the basis of the Partner’s Interest in the Partnership after taking into account all the facts and circumstances. No assurance can be given that the IRS will not challenge the allocation of income, gain, loss, deductions or credits contained in the Partnership Agreement, or in modifications to the Partnership Agreement. If such a challenge is made, no assurance can be given that a court will uphold the allocations so made.

**Tax Elections**

The Code generally provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. Under the Partnership Agreement, the General Partner, in its sole discretion, may cause the Partnership to make such an election. Any such election, once made, cannot be revoked without the IRS’s consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the General Partner presently does not intend to make such election.

**Mandatory Basis Adjustments**

The Partnership is generally required to adjust its tax basis in its assets in respect of all Partners in cases of partnership distributions that result in a “substantial basis reduction” (*i.e.*, in excess of $250,000.00) in respect of the partnership’s property. The Partnership is also required to adjust its tax basis in its assets in respect of a transferee, in the case of a sale or exchange of an interest, or a transfer upon death, when there exists a “substantial built-in loss” (*i.e.*, in excess of $250,000.00) in respect of partnership property immediately after the transfer. For this reason, the Partnership will require (i) a Partner who receives a distribution from the Partnership in connection with a complete withdrawal, (ii) a transferee of an Interest (including a transferee in case of death) and (iii) any other Partner in appropriate circumstances to provide the Partnership with information regarding its adjusted tax basis in its Interest.

**Alternative Minimum Tax**

The extent, if any, to which the federal alternative minimum tax will be imposed on any Limited Partner, will depend on the Limited Partner’s overall tax situation for the taxable year. Prospective investors should consult with their tax advisers regarding the alternative minimum tax consequences of an investment in the Partnership.
General Rules Applicable to Tax-Exempt Organizations

A tax-exempt organization generally is exempt from Federal income tax on its passive investment income, such as dividends, interest, and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner. (Tax-exempt organizations which are private foundations currently are subject to a 2% tax on their “net investment income.”)

The general exemption from tax afforded to tax-exempt organizations does not apply to their “unrelated business taxable income” (“UBTI”). A type of UBTI is income or gain derived directly or through a partnership from “debt-financed property”, which is any income-producing property with respect to which there is “acquisition indebtedness” at any time during the taxable year. Gain from the sale or exchange of, and derived from, debt-financed property generally is taxable in the proportion in which the property is financed by “acquisition indebtedness.” The Partnership Agreement allows the Partnership to incur indebtedness (through the purchase of securities on margin and otherwise). Tax-exempt organizations which are Partners will be subject to Federal income tax on such portion of their income from the Partnership that is considered to be UBTI.

There are special considerations which should be taken into account by certain beneficiaries of charitable remainder trusts that invest in the Partnership. Charitable remainder trusts should consult their own tax advisers concerning the tax consequences of such an investment on their beneficiaries. In particular, a charitable remainder trust will not be exempt from federal income tax under Code Section 664(c) for any year in which it has UBTI. Moreover, the charitable contribution deduction for a trust under Code Section 642(c) may be limited for any year in which the trust has UBTI.

Passive Activity Losses

The Code restricts the deductibility of losses from a “passive activity” against certain income which is not derived from a passive activity. This restriction applies to individuals, estates or trusts, personal service corporations and certain closely-held corporations. Pursuant to Temp. Treas. Reg. §1.469-1T(e)(6)(i), however, the activity of trading personal property for the account of owners of interests in the activity is not a passive activity. Moreover, an example issued pursuant to such regulation expressly provides a partnership is not engaged in a passive activity if its activities consist of trading stocks, bonds, and other securities where the capital employed by the partnership consists of amounts contributed by the partners in exchange for their partnership interests and funds borrowed by the partnership. Therefore, to the extent the Partnership limits its activities to trading stocks, bonds, and other securities, the income or loss allocated to a Limited Partner will not constitute passive income or passive loss. Consequently, any income allocated to a Limited Partner will be portfolio
income which cannot be used to shelter passive losses from a Limited Partner’s other investments.

Distributions

A distribution by a partnership to a partner generally is not taxable to the partner except to the extent the distribution consists of cash (and, in certain circumstances, marketable securities) and exceeds the partner’s adjusted basis of its interest in the partnership immediately before the distribution. A partner who receives a distribution of property other than cash may recognize gain if such partner contributed appreciated property (other than the property being distributed) to the partnership within seven years before the distribution. In addition, a partner who has contributed appreciated property to a partnership may recognize gain if such property is distributed to another partner within seven years after the property was contributed. Ordinarily, any such excess will be treated as gain from a sale or exchange of the partner’s interest. However, the Partnership does not generally intend to make distributions to its Limited Partners.

Sale of Interest

A Limited Partner receiving a cash liquidating distribution from the Partnership, in connection with a complete withdrawal from the Partnership generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner’s adjusted tax basis in its Partnership Interest. Such capital gain or loss will be short-term or long-term depending upon the Limited Partner’s holding period for its interest in the Partnership. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner’s allocable share of the Partnership’s “unrealized receivables” exceeds the Limited Partner’s basis in such unrealized receivables, as determined pursuant to the Regulations. For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable with respect to the withdrawing Limited Partner.

As discussed above, the Partnership Agreement provides that the General Partner may specially allocate items of Partnership capital gain or loss, including short-term capital gain or loss, to a withdrawing Limited Partner to the extent its liquidating distribution would otherwise exceed its adjusted tax basis in its Partnership interest. Such a special allocation may result in the withdrawing Partner recognizing capital gain or loss, which may include short-term gain or loss, in the Partner’s last taxable year in the Partnership, thereby reducing the amount of long-term capital gain or capital loss recognized during the tax year in which it receives its liquidating distribution upon withdrawal.
Except as provided below, distributions of property other than cash, whether in complete or partial liquidation of a Limited Partner’s interest in the Partnership, generally will not result in the recognition of taxable income or loss to the Limited Partner, except to the extent such distribution is treated as made in exchange for such Limited Partner’s share of the Partnership’s unrealized receivables. Gain generally must be recognized where the distribution consists of marketable securities unless the distributing partnership is an “investment partnership” and the recipient is an “eligible partner” as defined in Code Section 731(c). While there can be no assurance, it is anticipated that the Partnership will qualify as an “investment partnership.” Thus, if a Limited Partner is an “eligible partner,” which term should include a Limited Partner whose sole contributions to the Partnership consisted of cash, the non-recognition rule described above should apply.

Audit of Tax Returns

The IRS is applying greater scrutiny to a proper application of the tax laws to partnerships. An audit of the Partnership’s information returns may precipitate an audit of the income tax returns of the Limited Partners. Any expense involved in an audit of a Limited Partner’s return must be borne by the Limited Partner. If the IRS successfully asserts an adjustment of any item of income, gain, loss, deduction, or credit reported on a Partnership information return, corresponding adjustments will be made to the income tax returns of the Limited Partners. Further, any audit might result in the IRS making adjustments to items of non-Partnership income or loss. If a tax deficiency is determined, the taxpayer is liable for interest on the deficiency from the due date of the return and possible penalties.

In general, the tax treatment of items of partnership income, gain, loss, deduction, or credit is to be determined at the partnership level in a unified partnership proceeding, rather than in separate proceedings with the partners. Generally, the “tax matters partner” ("TMP") would represent the Partnership before the IRS and may enter into a settlement with the IRS as to the partnership tax issues, which generally will be binding on all the partners. Similarly, only one judicial proceeding contesting an IRS determination may be filed on behalf of a partnership and all partners. The TMP may consent to an extension of the statute of limitations for all partners with respect to partnership items. The Partnership has designated the General Partner as the TMP.

Tax Shelter Disclosure

Certain rules require taxpayers to disclose -- on their Federal income tax returns and, under certain circumstances, separately to the Office of Tax Shelter Analysis -- their participation in “reportable transactions” and require “material advisors” to maintain investor lists with respect thereto. These rules apply to a broad range of transactions, including transactions that would not ordinarily be viewed as tax
shelters, and to indirect participation in a reportable transaction (such as through a partnership). For example, a Limited Partner that is an individual will be required to disclose a tax loss resulting from the sale or exchange of his or her Interest under Code Section 741 if the loss exceeds $2 million in any single taxable year or $4 million in the taxable year in which the transaction is entered into and the five succeeding taxable years — those thresholds are $10 and $20 million, respectively, for Limited Partners that are C corporations and $50,000.00 in any single taxable year for individuals and trusts, either directly or through a pass-through entity, such as the Partnership, from foreign currency transactions. Losses are adjusted for any insurance or other compensation received but determined without taking into account offsetting gains or other income or limitations on deductibility. Prospective investors are urged to consult with their own tax advisers with respect to the regulations’ effect on an investment in the Partnership.

State and Local Taxation

In addition to the Federal income tax considerations summarized above, prospective investors should consider potential state and local tax consequences of an investment in Interests. A Limited Partner’s distributive share of the Partnership’s taxable income or loss generally will be required to be included in determining the Limited Partner’s taxable income for state and local tax purposes in the jurisdiction in which it is resident. However, state and local laws may differ from the Federal income tax law with respect to the treatment of specific items of income, gain, loss, and deduction.
ERISA CONSIDERATIONS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF ERISA IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE PARTNERSHIP OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE PARTNERSHIP AND THE INVESTOR.

General

Persons who are fiduciaries with respect to a U.S. employee benefit plan or trust within the meaning of and subject to the provisions of ERISA (an “ERISA Plan”), an individual retirement account or a Keogh plan subject solely to the provisions of the Code1 (an “Individual Retirement Fund”) should consider, among other things, the matters described below before determining whether to invest in the Partnership. ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, avoidance of prohibited transactions and compliance with other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor (“DOL”) regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan’s portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan’s purposes, the risk and

1 References hereinafter made to ERISA include parallel references to the Code.
return factors of the potential investment, the portfolio’s composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan’s funding objectives, and the limitation on the rights of Limited Partners to withdraw all or any part of their Interests or to transfer their Interests. Before investing the assets of an ERISA Plan in the Partnership, a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the Partnership may be too illiquid or too speculative for a particular ERISA Plan and whether the assets of the ERISA Plan would be sufficiently diversified. If a fiduciary with respect to any such ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

Plan Assets Defined

ERISA and applicable DOL regulations describe when the underlying assets of an entity in which benefit plan investors (“Benefit Plan Investors”) invest are treated as “plan assets” for purposes of ERISA. Under ERISA, the term Benefit Plan Investors is defined to include an “employee benefit plan” that is subject to the provisions of Title I of ERISA, a “plan” that is subject to the prohibited transaction provisions of Section 4975 of the Code, and entities the assets of which are treated as “plan assets” by reason of investment therein by Benefit Plan Investors. Under ERISA, as a general rule, when an ERISA Plan invests assets in another entity, the ERISA Plan’s assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when an ERISA Plan acquires an “equity interest” in an entity that is neither: (a) a “publicly offered security”; nor (b) a security issued by an investment fund registered under the Investment Company Act, then the ERISA Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that: (i) the entity is an “operating company”; or (ii) the equity participation in the entity by Benefit Plan Investors is limited. Under ERISA, the assets of an entity will not be treated as “plan assets” if Benefit Plan Investors hold less than 25% (or such higher percentage as may be specified in regulations promulgated by the DOL) of the value of each class of equity interests in the entity. Equity interests held by a person with discretionary authority or control with respect to the assets of the entity and equity interests held by a person who provides investment advice for a fee (direct or indirect) with respect to such assets or any affiliate of any such person (other than a Benefit Plan Investor) are not considered for purposes of determining whether the assets of an entity will be treated as “plan assets” for purposes of ERISA. The Benefit Plan Investor percentage of ownership test applies at the time of an acquisition by any person of the equity interests. In addition, an advisory opinion of the DOL takes the position that a redemption of an equity...
interest by an investor constitutes the acquisition of an equity interest by the remaining investors (through an increase in their percentage ownership of the remaining equity interests), thus triggering an application of the Benefit Plan Investor percentage of ownership test at the time of the redemption.

**Limitation on Investments by Benefit Plan Investors**

It is the current intent of the General Partner to monitor the investments in the Partnership to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% of the value of any class of the Interests in the Partnership (or such higher percentage as may be specified in regulations promulgated by the DOL) so that assets of the Partnership will not be treated as “plan assets” under ERISA. Interests held by the General Partner and its affiliates are not considered for purposes of determining whether the assets of the Partnership will be treated as “plan assets” for the purpose of ERISA. If the assets of the Partnership were treated as “plan assets” of a Benefit Plan Investor, the General Partner would be a “fiduciary” (as defined in ERISA and the Code) with respect to each such Benefit Plan Investor, and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. In such circumstances, the Partnership would be subject to various other requirements of ERISA and the Code. In particular, the Partnership would be subject to rules restricting transactions with “parties in interest” and prohibiting transactions involving conflicts of interest on the part of fiduciaries which might result in a violation of ERISA and the Code unless the Partnership obtained appropriate exemptions from the DOL allowing the Partnership to conduct its operations as described herein. The Partnership reserves the right to require the withdrawal of all or part of the Interest held by any Limited Partner, including, without limitation, to ensure compliance with the percentage limitation on investment in the Partnership by Benefit Plan Investors as set forth above.

**Representations by Plans**

An ERISA Plan proposing to invest in the Partnership will be required to represent that it is, and any fiduciaries responsible for the ERISA Plan’s investments are, aware of and understand the Partnership’s investment objectives, policies and strategies, and that the decision to invest plan assets in the Partnership was made with appropriate consideration of relevant investment factors with regard to the ERISA Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA. WHETHER OR NOT THE ASSETS OF THE PARTNERSHIP ARE TREATED AS “PLAN ASSETS” UNDER ERISA, AN INVESTMENT IN THE PARTNERSHIP BY AN ERISA PLAN IS SUBJECT TO ERISA. ACCORDINGLY, FIDUCIARIES OF ERISA PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA OF AN INVESTMENT IN THE PARTNERSHIP.
ERISA Plans and Individual Retirement Funds Having Prior Relationships with the General Partner or its Affiliates

Certain prospective ERISA Plan and Individual Retirement Fund investors may currently maintain relationships with the General Partner or other entities that are affiliated with the General Partner. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any ERISA Plan or Individual Retirement Fund to which any of the General Partner or its affiliates provides investment management, investment advisory or other services. ERISA prohibits ERISA Plan assets to be used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Code with respect to Individual Retirement Funds. ERISA Plan and Individual Retirement Fund investors should consult with counsel to determine if participation in the Partnership is a transaction that is prohibited by ERISA or the Code. The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained herein is, of necessity, general and may be affected by future publication of regulations and rulings. Potential investors should consult with their legal advisors regarding the consequences under ERISA of the acquisition and ownership of Interests.
RESTRICTIONS ON TRANSFER OF INTERESTS

The Partnership Interests offered hereby have not been registered under the Securities Act, in reliance upon the exemptions provided by the Act and Regulation D thereunder, nor have the Interests been registered under the securities laws of any state in which they will be offered in reliance upon applicable exemptions in such states. Therefore, the Partnership Interests cannot be re-offered or resold unless they are subsequently registered under the Securities Act and any other applicable state securities laws or an exemption from registration is available under the Securities Act or such other laws. Pursuant to the terms of the Subscription Agreement, Limited Partners shall agree to pledge, transfer, convey or otherwise dispose of their Interests only in a transaction that is the subject of (i) an effective registration under the Securities Act and any applicable state securities laws or (ii) an opinion of counsel satisfactory to the Partnership to the effect that the registration of such transaction is not required. Accordingly, prospective investors in the Partnership must be willing to bear the economic risk of an investment in the Partnership for the period of time stipulated in the withdrawal provisions of the Partnership Agreement.
Prospective investors should understand that the discussions and summaries of documents in this Memorandum are not intended to be complete. Such discussions and summaries are subject to and are qualified in their entirety by reference to such documents. The Partnership will deliver to any prospective investor, upon request, a copy of any and all such documents. The General Partner will afford prospective investors and their purchaser representatives the opportunity to ask questions and receive answers concerning the terms and conditions of the Offering and to obtain any additional information which the Partnership possesses or can acquire without unreasonable effort or expense.
CURRENT REGULATIONS REQUIRE FINANCIAL INSTITUTIONS (INCLUDING INVESTMENT FUNDS) TO PROVIDE THEIR INVESTORS WITH AN INITIAL AND ANNUAL PRIVACY NOTICE 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 ADVISOR, FUND ADMINISTRATOR, ACCOUNTANTS OR AUDITORS. 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.

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