KCAP RE FUND XII, LP

$30,000,000

This Confidential Private Placement Memorandum (this "Memorandum") is being furnished to selected investors on a confidential basis, and, by accepting this Memorandum, the recipient agrees to keep confidential the information contained herein. The information contained in this Memorandum may not be provided to persons who are not directly concerned with an investor's decision regarding the investment offered hereby.

No person has been authorized to make any statement concerning KCAP RE Fund XII, LP, a Delaware limited partnership (the "Partnership"), or the offering being made hereby other than as set forth in this Memorandum. This Memorandum and the information contained herein may not be reproduced or distributed to others, at any time, in whole or in part, for any purpose, and may not be used for any other purpose, without the prior written consent of KCAP RE Fund XII GP, LP, a Delaware limited partnership (the "General Partner"). All recipients of this Memorandum agree that they will keep confidential all information contained herein and will use this Memorandum for the sole purpose of considering the purchase of a limited partner interest in the Partnership and will not use this Memorandum or the information contained herein for any other purpose. Each prospective investor accepting this Memorandum hereby agrees to return it to the General Partner promptly upon request. Acceptance of this Memorandum by prospective investors constitutes an agreement to be bound by the foregoing terms.

Prospective investors in the Partnership should make their own investigations and evaluations of the interests offered hereby. Prior to the consummation of this offering, the General Partner will provide to each prospective investor and such prospective investor's representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the General Partner may possess or can obtain without unreasonable effort or expense that is necessary to verify the accuracy of the information furnished to such prospective investor. Prospective investors in the Partnership should inform themselves as to the legal requirements applicable to them in respect of the acquisition, holding, and disposition of interests in the Partnership, and as to the income and other tax consequences to them of such acquisition, holding, and disposition.

Certain information contained in this Memorandum constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Furthermore, any projections or other estimates in this Memorandum, including estimates of returns or performance, are "forward-looking statements" and are based upon certain assumptions that may change. Due to various risks and uncertainties, including those set forth under "*Investment Considerations and Risk Factors*," actual events or results or the actual performance of the Partnership may differ materially from those reflected or contemplated in such forward-looking statements. Moreover, actual events are difficult to project and often depend upon factors that are beyond the control of the General Partner and its affiliates. Neither the delivery of this Memorandum at any time nor any sale hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time after the earlier of the relevant date specified herein or the date of this Memorandum. In addition, unless the context otherwise expressly requires, the words "include," "includes," "including" and other words of similar import are meant to be illustrative rather than restrictive.

Prospective purchasers should not construe the contents of this Memorandum as business, accounting, investment, tax, legal, or other advice. Each prospective purchaser should consult its own advisors as to legal, business, tax, accounting, U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and other related matters concerning an investment in the Partnership. This Memorandum, the Amended and Restated Limited Partnership Agreement of the Partnership (as amended, restated, waived and/or otherwise modified from time to time, the "Partnership Agreement"), the subscription agreement in respect of the Partnership (the "Subscription Agreement"), the subscription booklet accompanying this Memorandum (the "Subscription Booklet"), as well as the nature of an investment in interests in the Partnership, should be reviewed carefully by each prospective investor in the Partnership.

This Memorandum contains a summary of certain terms of the Partnership Agreement and certain other documents referred to herein. However, the summaries set forth in this Memorandum do not purport to be complete. They are subject to and qualified in their entirety by reference to the Partnership Agreement or such other documents, copies of which will be provided to any prospective investor upon request and which should be reviewed for complete information concerning the rights, privileges and obligations of investors in the Partnership. If the descriptions in or terms of this Memorandum are inconsistent with or contrary to the descriptions in or terms of the Partnership Agreement or such other documents, or the Partnership Agreement or such other documents contain additional terms, then the Partnership Agreement and such other documents shall control. The limited partner interests of the Partnership are offered subject to the ability of the General Partner to accept or reject any subscription in whole or in part in the General Partner's sole discretion for any reason or no reason.

Interests in the Partnership will not be registered under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), or the securities laws of any U.S. state or non-U.S. jurisdiction and may not be sold or transferred without compliance with all applicable U.S. federal and state and non-U.S. securities laws. Interests in the Partnership will be offered for investment pursuant to the exemption from registration provided under Section 4(a)(2) of the Securities Act and Regulation D thereunder and exemptions from the registration requirements of applicable state securities laws. Each purchaser of the securities offered hereby must be an "accredited investor" within the meaning of Regulation D and must satisfy such other qualifications as necessary for purposes of the Partnership's compliance with applicable securities laws. There will be no public market for the interests in the Partnership. The Partnership will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "Investment Company Act"). Consequently, investors in the Partnership will not be afforded the protections of the Investment Company Act.

The limited partner interests of the Partnership have not been recommended, approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or by the securities regulatory authority of any U.S. state or of any other U.S. or non-U.S. jurisdiction, nor has the SEC or any such securities regulatory authority confirmed the accuracy or determined the adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, investors must rely on their own examination of the Partnership and the terms of the offering, including the merits and risks involved. The securities offered hereby will involve significant risks. Investors should have the financial ability and willingness to accept the risks characteristic of the types of investments proposed herein. In particular, the securities offered hereby are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted by the Partnership Agreement and under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. There will be no public market for the limited partner interests of the Partnership and, such interests, subject to certain limited exceptions, will not be transferable. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. **Please refer to the section herein entitled *"Investment Considerations and Risk Factors"* for a discussion of certain factors that should be considered in connection with the purchase of interests in the Partnership**.

It should not be assumed that investments made by the Partnership in the future will be profitable or will equal or exceed the performance of previous investment partnerships sponsored by KeyCity Fund Management, LLC, a Texas limited liability company (the "Manager"), KeyCity Capital, LLC, a Wyoming limited liability company (the "Firm"), or their respective affiliates. In considering the performance information contained herein, prospective investors should bear in mind that past performance is not necessarily indicative of future results, and there can be no assurances that the Partnership will achieve results comparable to other investments funds sponsored by the Manager or its affiliates, that the returns generated by the Partnership will be comparable to those of prior investment funds sponsored by the Manager or its affiliates, that the returns generated by the Partnership will equal or exceed those of other investment funds sponsored by the Manager or its affiliates or that the Partnership will be able to implement its investment strategy or achieve its investment objectives.

In order to invest in the Partnership, each prospective investor will be required to (i) complete and return a Subscription Booklet (a copy of which, accompanies this Memorandum); (ii) execute the signature page included in the Subscription Booklet (which constitutes the signature page for the Partnership Agreement, the Subscription

Agreement and the Prospective Investor Questionnaire included in the Subscription Booklet); and (iii) complete and sign certain other documents included in the Subscription Booklet.

This Memorandum is not an offer to sell or a solicitation of an offer to buy a limited partner interest in the Partnership, nor shall any such limited partner interests be offered or sold to any person in any jurisdiction in which such offer, solicitation, purchase, or sale would be unlawful under the securities laws of such jurisdiction. No person other than the General Partner has been authorized to give any information concerning the Partnership or this offering or to make any representation not contained in this Memorandum. Before the final closing of the Partnership, the General Partner and its affiliates reserve the right to modify any of the terms of the offering and the limited partner interests described herein and to revise and reissue this Memorandum at any time and without notice to the recipient of this Memorandum.

Certain information in this Memorandum may have been obtained from published sources and/or prepared by other parties. While such sources are believed to be reliable, none of the Partnership, the General Partner nor any of their respective affiliates assumes any responsibility for the accuracy or completeness of such information.

This Memorandum is based upon information available as of May 2023, except as otherwise set forth herein, and speaks only as of that date or as of any earlier date specified in this Memorandum. All of the information contained in this Memorandum is non-public, confidential and proprietary in nature and may constitute trade secrets under applicable law in respect of the Manager, the Partnership and the investments made by the Partnership, the disclosure of which could have adverse effects on the Partnership (or its affiliates) or their investments. However, each investor (and any employee, representative or other agent thereof) may disclose to any and all persons, without limitation of any kind, the tax treatment, tax structure and tax strategies of, and all tax strategies relating to, the offering and any potential transaction described herein and all materials of any kind (including opinions and other tax analyses) that are provided to the investor relating to such tax treatment and tax structure. For this purpose, "tax structure" means any facts relevant to the U.S. federal income tax treatment of the offering, but does not include information relating to the identity of the Partnership, any limited partner therein, the issuer of any assets underlying the interests in the Partnership or any of its affiliates.

The representation of the General Partner in connection with the private placement described herein by Egan Nelson LLP is limited to the specific matters as discussed under *"Certain Legal and Regulatory Considerations – Legal Counsel"* in this Memorandum. Defined terms used herein and not otherwise defined shall have the meanings given to such terms under "*Summary of Principal Terms*."

Any questions regarding this Memorandum should be directed to Stephen Patterson at (817) 601-5905 or stephen.patterson@keycitycapital.com.

May 2023

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EXECUTIVE SUMMARY

Introduction

KCAP RE Fund XII, LP, a Delaware limited partnership (together with any parallel investment vehicles, the "Partnership"), is an investment fund formed for the purpose of creating a portfolio of residential real estate assets. The Partnership's investment objective is to generate an attractive, risk-adjusted rate of return for its investors by investing in multi-family residential properties located in the United States; provided that the Partnership may invest in real estate investments that are not multi-family residential properties and are not located in the United States as determined by the General Partner (such investments of the Partnership, whether made directly or indirectly through one or more Portfolio Entities, are collectively referred to herein as the "Portfolio Investments" and, each such investment is referred to herein as a "Portfolio Investment"). From time to time the Partnership may (i) take an assignment of one or more contracts for the purchase of real estate that may be assigned to the Partnership by a real estate fund affiliated with the General Partner or the Manager (each, an "Affiliated Fund"), (ii) enter into one or more contracts for the purchase of real estate that may be assigned from the Partnership to an Affiliated Fund, (iii) make loans to, or borrow from, unaffiliated third parties and Affiliated Funds and (iv) invest in any other investment having the potential to generate income and/or realize an increase in value derived, in whole or in part, from (A) owning, (B) leasing and/or (C) holding mortgages in respect of real property (including, but not limited to, generating income or realizing an increase in value derived from converting the use of real property into (1) one or more other uses, (2) unimproved land or (3) storage). For the avoidance of doubt, each of the interests described in clauses (i), (ii), (iii) and (iv) of this paragraph constitutes a "Portfolio Investment." The Partnership is seeking aggregate capital contributions in the amount of $30 million. The Partnership will target an internal rate of return in the mid-teens. There can be no assurance that the Partnership will achieve its objective of obtaining an attractive, risk-adjusted rate of return for investors.

The General Partner believes it is well-positioned to execute the Partnership's business plan and, as an affiliate of KeyCity Capital LLC, a Wyoming limited liability company (the "Firm"), a financially stable real estate investment firm that manages a current portfolio of residential real estate located throughout the United States, will have access to experienced personnel and integrated management teams that can create revenue-generating opportunities.

KeyCity Capital Overview

Since its inception, the Firm's sole mission has been to connect capital to wealth, creating legacy wealth with its partners through real estate and strategic alternative investments. The Firm provides a select group of qualified high net worth individuals access to exclusive private investment opportunities in distressed real estate and alternative assets.

The Firm's investment experience has primarily been in the multi-family sector, targeting acquisitions of A, B & C class multi-family residential properties located within and outside the United States. .

SUMMARY OF PRINCIPAL TERMS

The following summary of the principal terms of the Partnership is not intended to be complete and is subject to and qualified in its entirety by reference to the more detailed information contained in the Partnership Agreement (a copy of which is attached hereto as Exhibit A), the Subscription Agreement (a copy of which is attached hereto as Exhibit B), and the Subscription Booklet accompanying this Memorandum. Prospective investors are urged to read such documents carefully before subscribing for an interest in the Partnership. Capitalized terms used but not otherwise defined herein have the meanings specified in the Partnership Agreement.

The Partnership:	KCAP RE Fund XII, LP, a Delaware limited partnership (together with any parallel vehicles and/or alternative investment vehicles, the "Partnership").
The General Partner:	KCAP RE Fund XII GP, LP, a Delaware limited partnership (the "General Partner").
The Manager:	KeyCity Fund Management, LLC, a Texas limited liability company (the "Manager"). The Manager will make all investment decisions for the Partnership and will be responsible for originating, negotiating, structuring and managing all investments of the Partnership. See "*Management of the Partnership – KeyCity Fund Management*." The Partnership will pay a Management Fee (as defined below) to the Manager for certain investment management services rendered by the Manager to the Partnership. See "*—Management Fees*."
Investment Strategy:	The Partnership will seek to generate an attractive rate of return for its investors by primarily investing in multi-family residential properties located in the United States; provided that the Partnership may invest in real estate investments that are not multi-family residential properties and are not located in the United States as determined by the General Partner (such investments of the Partnership, whether made directly or indirectly through one or more Portfolio Entities, are collectively referred to herein as the "Portfolio Investments" and, each such investment is referred to herein as a "Portfolio Investment"). From time to time the Partnership may (i) take an assignment of one or more contracts for the purchase of real estate that may be assigned to the Partnership by a real estate fund affiliated with the General Partner or the Manager (each, an "Affiliated Fund"), (ii) enter into one or more contracts for the purchase of real estate that may be assigned from the Partnership to an Affiliated Fund, (iii) make loans to, or borrow from, unaffiliated third parties and Affiliated Funds and (iv) invest in any other investment having the potential to generate income and/or realize an increase in value derived, in whole or in part, from (A) owning, (B) leasing and/or (C) holding mortgages in respect of real property (including, but not limited to, generating income or realizing an increase in value derived from converting the use of real property into (1) one or more other uses, (2) unimproved land or (3) storage). For the avoidance of doubt, each of the interests described in clauses (i), (ii), (iii) and (iv) of this paragraph constitutes a "Portfolio Investment." Any Portfolio Investments may be acquired by way of the Partnership or a Portfolio Entity being a sole direct or indirect owner and/or a co-investor with one or more other owners and/or entering into one or more contracts giving the Partnership or a Portfolio Entity an economic or other benefit of ownership with regard to unaffiliated third parties or Affiliated Funds.

The Partnership currently owns or anticipates acquiring the Warehoused Investments. See "*—Warehoused Investments*" below for further information. Loans, acquisitions and other transactions between the Partnership and an Affiliated Fund may introduce conflicts of interest on the part of the General Partner and the Manager. See "*—Potential Conflicts of Interest*" below for further information.

The Partnership will target an internal rate of return of up to approximately the mid-teens. This represents a target only and is based on a number of assumptions, including, but not limited to, future revenues and expenses of the Partnership, as well as future distributions to Limited Partners and the respective sale prices of the Portfolio Investments at the time those investments are sold. Accordingly, there can be no assurance that the Partnership will achieve its target or an otherwise attractive internal rate of return for investors. See *"Investment Considerations and Risk Factors*."

As used herein, the term "Portfolio Entity" means an entity the ownership interests of which have been acquired, directly or indirectly, in whole or in part, by the Partnership, and through which one or more Portfolio Investments is owned in whole or in part.

Investor Qualifications:

Offers of interests in the Partnership will be made solely to accredited investors who are qualified offerees under applicable law. See "Certain Legal and Regulatory Considerations" and the Subscription Agreement (a copy of which is attached hereto as Exhibit B) and the Subscription Booklet accompanying this Memorandum for additional information concerning "accredited investor" status and other investor qualifications.

Targeted Capital:

The Partnership will target a capitalization of $30 million in capital contributions ("Capital Contributions"). The aggregate Capital Contributions will be in addition to and separate from the value of the Existing Investments described below. Capital Contributions of greater or lesser amounts may be accepted at the discretion of the General Partner.

Classes of Limited Partners:

The Partnership will have two classes of Limited Partners: (i) holders of Legacy Class Interests (the "Legacy Class Limited Partners"); and (ii) holders of Class A Interests (together with the Legacy Class Interests, the "Partnership Interests").

"Legacy Class Interests" are held by Limited Partners who are limited partners in RE Fund XI (as defined below) and comprise all of the Limited Partners of the Partnership prior to the issuance of Class A Interests in connection with the Initial Closing (as defined below). The Partnership will not accept any additional investments for Legacy Class Interests, but Legacy Class Limited Partners may subscribe for Class A Interests.

"Class A Interests" will be held by Limited Partners who subscribe for an offer of interests in the Partnership by, among other things, completing and returning a Subscription Booklet (a copy of which accompanies this Memorandum).

Minimum Capital Contribution:

The minimum Capital Contribution for a Class A limited partner (each, a "Class A Limited Partner" and, together with the Legacy Class Limited

Partners and the General Partner, the "Partners") will be $100,000, although Capital Contributions of lesser amounts may be accepted at the discretion of the General Partner.

Closings:

The initial closing ("Initial Closing") of the Partnership is anticipated to occur in May 2023. The Partnership may have one or more additional closings (each, a "Subsequent Closing") for subsequent capital contributions; provided, however, that the final Closing (the "Final Closing") shall occur no later than the date that is 18 months after the Initial Closing Date (as defined below), unless extended by the General Partner for an additional six-month period. The date of the Initial Closing is referred to herein as the "Initial Closing Date," the date of each Subsequent Closing, if any, is referred to herein as a "Subsequent Closing Date," and the date of the Final Closing is referred to herein as the "Final Closing Date." The term "Closing" means the Initial Closing and/or any Subsequent Closing (including, the Final Closing) and the term "Closing Date" means the Initial Closing Date and/or any Subsequent Closing Date (including the Final Closing Date).

Funding of Capital Contributions:

Class A Limited Partners will be required to fund 100% of their Capital Contributions at the time of Closing. Capital Contributions must be paid via wire transfer on or before the Closing Date and will be deemed paid when received by the Partnership.

Admissions at Subsequent Closings:

Each person admitted as a Class A Limited Partner on a Subsequent Closing Date (including any Limited Partners increasing their capital contributions in respect of such increase, a "Subsequent Closing Partner") shall contribute to the Partnership an amount equal to the sum of (i) the capital contributions of such Subsequent Closing Partner payable in connection with such Partner's admission to the Partnership (or increase in capital contributions for any Limited Partner increasing its capital contribution) as of such Subsequent Closing Date, plus (ii) notional interest at an effective annual rate equal to the Base Rate (as defined in the Partnership Agreement) plus two percent of the amount of the Subsequent Closing Partner's capital contribution calculated retroactively to the Initial Closing Date (such notional interest, "Notional Interest"). Any contribution in respect of Notional Interest shall not be deemed a capital contribution to the Partnership.

Subsequent Closing Partners generally shall not participate in (i) any distributions made prior to their admission to the Partnership as a Limited Partner (or any increase in capital contributions, to the extent of such increase) or (ii) any operating income, losses, deductions, or credits of the Partnership (including any distributions attributable to such activity) attributable to any period (or portion thereof) prior to the latter of the applicable Closing Date on which such Limited Partner is admitted as a Partner (or increases its capital contributions, to the extent of such increase) or such later date on which such capital contributions to the Partnership occur, as determined by the General Partner in its discretion; provided, however, that the capital contributions of Subsequent Closing Partners shall bear Committed Capital Fees and Administration Fees in an amount equal to the aggregate of such fees that would have been imposed had such investment been made on the Initial Closing Date.

Any capital contributions made by a Subsequent Closing Partner that are attributable to Committed Capital Fees and Administration Fees,

together with an allocable portion of any contributions made in respect of Notional Interest, shall be paid to the Manager. All other amounts paid in respect of the preceding two paragraphs will be retained by the Partnership.

Notwithstanding the foregoing, if the General Partner determines that there has been a material change or significant event relating to an investment such that it is appropriate to adjust upward or downward the amount that a Limited Partner should contribute on a Subsequent Closing Date, then the General Partner shall have the authority to make any such adjustment to reflect such revaluation of the investments and to cause the capital accounts of the Partners to be correspondingly adjusted.

Offset: The Partnership may, prior to making any distribution or other payment to any Limited Partner, withhold from such distribution or other payment all amounts owed by such Limited Partner to the Partnership, the General Partner, the Manager or any of their respective affiliates and credit any amounts so withheld against the amounts owed to the Partnership, the General Partner, the Manager or any of their respective affiliates.

Term: The Partnership will terminate on December 31 immediately after the fourth anniversary of the Final Closing Date, unless extended for up to three consecutive, one-year periods at the discretion of the General Partner to permit the orderly dissolution of the Partnership. The Partnership will be subject to earlier dissolution and termination in certain other limited circumstances.

Reinvestment: Any proceeds received by the Partnership in respect of any Portfolio Investment may, in the discretion of the General Partner, be reinvested at any time prior to the expiration of the termination of the Partnership.

Illiquid Investment: Prospective investors should be aware of the long-term, indefinite nature of an investment in the Partnership, and an investment in the Partnership should be viewed as illiquid. Voluntary redemptions of Partnership Interests are not permitted. The only liquidity that a Limited Partner will have will be as a result of a distribution (as described below). The General Partner, in its sole discretion may choose to have the Partnership make, or not make, a distribution. The Partnership has no obligation to make any distributions to Limited Partners in order to help them satisfy their required minimum distribution for tax purposes or any other individual liquidity needs. Distributions will only be approved by the General Partner to be made to all Limited Partners who have elected to receive distributions, and only when it is in the best interests of the Partnership to do so.

Distributions: The amount and timing of distributions by the Partnership will be at the sole discretion of the General Partner. Subject to the preceding sentence, distributions are expected to be made on a quarterly basis. In the case of Limited Partners who have not waived their distributions as provided below under *Waived Distributions*, in the event that the General Partner has determined that the Distributable Property of the Partnership is insufficient to distribute the full amount of the Limited Partners' Preferred Return, or the General Partner otherwise determines in its sole discretion that it is in the best interests of the Partnership to suspend distributions, the difference between the amount that would have been distributed as a quarterly distribution of Preferred Return and the amount

actually distributed shall (i) be treated as Unpaid Preferred Return and (ii) in respect of each such Limited Partner, be treated as having been contributed as additional Capital Contributions, solely for purposes of determining the respective Percentage Interests of the Limited Partners, until such time as the Unpaid Preferred Return has been reduced to zero. Any Unpaid Preferred Return for the Legacy Class Partners will be compounded on a quarterly basis. Unpaid Preferred Return for the Class A Limited Partners will not be compounded.

Subject to the foregoing, distributions of Distributable Property generally will be distributed to the Partners on a periodic basis after receipt by the Partnership to the extent not reinvested or applied by the General Partner, in its sole discretion, to pay or establish reserves for expenses, indebtedness and liabilities of the Partnership. Subject to the limitation on distributions to Limited Partners admitted to the Partnership or increasing their Capital Contributions at Subsequent Closings (see "*Admissions at Subsequent Closings*," above), such distributions will be initially apportioned among the Partners (including the General Partner) in proportion to their respective Percentage Interests. The amount apportioned to the General Partner and any Affiliated Limited Partner will be distributed to the General Partner or such Affiliated Limited Partner, as applicable, and the amount apportioned to each Non-Affiliated Limited Partner will be distributed as follows:

(1) first, 100% to such Limited Partner until such Limited Partner's Unpaid Preferred Return has been reduced to zero;

(2) second, 100% to such Limited Partner, until such Limited Partner's Unreturned Capital Contributions have been reduced to zero; and

(3) thereafter, 80% to such Limited Partner and 20% to the General Partner.

Notwithstanding the foregoing priority of distributions, the General Partner may cause distributions to be made to the Partners from time to time in amounts designed to assist the Partners (including the General Partner) in paying their tax liabilities attributable to their distributive shares of items of income and gain of the Partnership.

For the purposes of the foregoing, the term (i) "Affiliated Limited Partner" means any Limited Partner, who is (i) an officer, director, member, manager, partner employee or agent of the General Partner, the Manager or any of their respective affiliates (other than the Partnership or a Portfolio Entity) or (ii) otherwise designated as an Affiliated Limited Partner by the General Partner; (ii) "Distributable Property" means any cash or non-cash property (valued at its Fair Market Value) that the General Partner determines, in its discretion, is available for distribution, after the payment of all current Partnership Costs (as defined below) and the setting aside of reserves therefor or other liabilities or obligations of the Partnership; (iii) "Non-Affiliated Limited Partner" means any Limited Partner other than an Affiliated Limited Partner; (iv) "Percentage Interest" means, in respect of any Partner, a fraction (expressed as a percentage), the numerator of which is the total capital contributions of such Partner to the Partnership, and the denominator of which is the total capital contributions of all Partners to the Partnership;

(v) "Preferred Return" means, as applicable (A) at any time, in respect of any Legacy Class Interest, an 8% per annum, compounding quarterly, cumulative preferred return, or (B) at any time, in respect of any Class A Interest, an 8% per annum, non-compounding, cumulative preferred return, in either case determined on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days occurring in the period for which the Preferred Return is being determined, on the Unreturned Capital Contributions of such Limited Partner; provided, however, that the Preferred Return shall not begin to accrue in respect of any portion of a Limited Partner's capital contributions to the Partnership (or, in the case of the Legacy Class Limited Partners, capital contributions to RE Fund XI), until the latter of the applicable Closing Date (or applicable closing date of RE Fund XI) or such later date on which such capital contributions are contributed to the Partnership (or RE Fund XI, as applicable); (vi) "Unpaid Preferred Return" means, at any time, in respect of any Limited Partner, the positive excess, if any, of (A) the cumulative Preferred Return for such Limited Partner as of such date, over (B) the aggregate amount of distributions to such Limited Partner pursuant or by reference to clause (1) above; and (vii) "Unreturned Capital Contributions" means, in respect of any Limited Partner at any time, the excess, if any, of (y) the aggregate amount of all capital contributions of such Limited Partner to the Partnership (including, in the case of the Legacy Class Limited Partners, capital contributions to RE Fund XI), over (z) the aggregate amount of distributions made by the Partnership to such Limited Partner under or by reference to clause (2) above.

From time to time the Partnership may make distributions of Preferred Return to the Limited Partners under circumstances such that Partnership revenues net of expenses may not be sufficient to make such distributions in full as they are scheduled to be paid. In such cases, distributions may be made in the discretion of the General Partner to the extent of available cash, including cash held as reserves established by the General Partner and/or as a result of subscriptions from Class A Limited Partners the proceeds of which have not yet been deployed by the Partnership for the acquisition of new Portfolio Investments and/or the payment of expenses of the Partnership.

Waived Distributions:

If any Limited Partner, with the consent of the General Partner, agrees to waive the right to receive any distributions to which such Limited Partner would otherwise be entitled pursuant to the above waterfall (such amounts being referred to herein as a "Waived Distribution"), such Waived Distribution shall, without duplication of any such treatment pursuant to the preceding paragraph, be deemed a capital contribution to the Partnership by such Limited Partner in the full amount of the 8% Preferred Return applicable to such quarterly distribution for purposes of determining such Limited Partner's Percentage Interest; provided, however, that no Waived Distribution shall diminish any obligation of such Limited Partner to the Partnership pursuant to the Partnership Agreement. In connection with any Waived Distribution, the General Partner shall make such adjustments to the Percentage Interests of the Partners as of the effective date of such Waived Distributions, as otherwise required pursuant to the Partnership Agreement.

Tax Allocations:

Income, expenses, gains and losses of the Partnership will generally be allocated among the Partners in a manner that reflects the economic

interests of the Partners in the Partnership consistent with the above-described distribution provisions and, in the case of certain allocable items, requirements under the Internal Revenue Code of 1986, as amended (the "Code").

Management Fees: A portion of the Capital Contribution of each Limited Partner will be allocated to the payment of management fees and certain other specified expenses of the Partnership. The Partnership will pay to the Manager management fees (the "Management Fee") in an amount equal to 2% of the aggregate Gross Cash Receipts of all Portfolio Investments for the preceding calendar month; provided, however, that no Management Fee will be due on (A) Gross Cash Receipts received from the sale, exchange, condemnation, eminent domain taking, casualty or other disposition of capital assets of a Portfolio Investment, (B) any capital contributions, financing or refinancing of capital assets of a Portfolio Investment, (C) Gross Cash Receipts representing rent paid under any ground lease, or (D) Gross Cash Receipts which are not otherwise rental income, with "Gross Cash Receipts" being all receipts from the conduct of the business of a Portfolio Investment, however derived, and whether from operations or from the sale, exchange, condemnation, eminent domain taking, casualty or other disposition of capital assets of such Portfolio Investment but do not include capital contributions, advances or loans made by the partners to such Portfolio Investment, or any other loans to a Portfolio Investment. The Management Fee shall be payable quarterly in arrears.

Other Fees: A portion of the Capital Contribution of each Limited Partner will be allocated to the payment of the following fees paid or payable to the Manager (or to a person in which affiliates of the Manager may have an interest):

Committed Capital Fee. A committed capital fee ("Committed Capital Fee") equal to 2% per annum of the aggregate Capital Contributions of all Class A Limited Partners, provided, however, that after the date on which the Partnership first returns capital to the Class A Limited Partners, the fee shall be equal to 2% of the Remaining Capital of the Class A Limited Partners. As used herein, the term "Remaining Capital" means the aggregate Unreturned Capital Contributions of the Class A Limited Partners. The Committed Capital Fee shall be payable quarterly in arrears during the term of the Partnership.

Administration Fee. An administration fee ("Administration Fee") equal to 1% of each Class A Limited Partner's Capital Contribution, which will be deducted from the amount of each Class A Limited Partner's Capital Contribution when made to the Partnership.

Acquisition Fee. An acquisition fee ("Acquisition Fee") for each Portfolio Investment in an amount equal to 2.5% of the purchase price of such Portfolio Investment, payable to KeyCity Operations Management, LLC, a Texas limited liability company and affiliate of the Manager ("KCO"), at the closing of the purchase of such Portfolio Investment.

Finance Fee. A finance fee ("Finance Fee") equal to 1% of the aggregate amount of any bona fide, third-party loan to a Portfolio Investment and which loan is secured by a deed of trust encumbering such Portfolio

Investment's property or any portion thereof, due and payable on the date on which such loan is funded to the individuals who have an ownership interest in the General Partner (the "Affiliated Persons").

Disposition Fee. A disposition fee ("Disposition Fee") payable to KCO for any sale of a Portfolio Investment (or any portion thereof) other than Excluded Sales (as defined below) equal to 2% multiplied by the gross sales price set forth in the purchase and sale agreement for such sale, as such sales price may be amended from time to time. As used herein, the term "Excluded Sales" means (i) any sale, other conveyance or transfer, or ground lease of a Portfolio Investment (or any portion thereof) to an affiliate of the Partnership, (ii) any foreclosure sale or conveyance in lieu of foreclosure and (iii) any taking by condemnation or any transfer in lieu of a taking by condemnation.

Property Management Fees. Property management fees ("Property Management Fees") pursuant to which, if, in respect of any Portfolio Investment, (i) the property manager is an affiliate of the General Partner and the applicable property is staffed with on-site employees, then the property management fee will be the lesser of (A) 3% of the monthly gross rental income attributable to such property or (B) the standard rates for property managers in the applicable geographic location in which such property is located; (ii) the property manager is an affiliate of the General Partner and the applicable property is not staffed with on-site employees, then the property management fee will be the lesser of (A) 10% of the monthly gross rental income attributable to such property or (B) the standard rates for property managers in the applicable location in which such property is located, in each case as determined by the General Partner; and (iii) the property manager is not an affiliate of the General Partner, then the property management fee will be the standard rates for property managers in the applicable geographic location in which such property is located, as mutually agreed upon by the General Partner and such manager.

General Contractor Fees. General contractor fees ("General Contractor Fees") pursuant to which, if, in respect of any Portfolio Investment, (i) the general contractor is an affiliate of the General Partner, then any general contractor fees will be at market rates but will generally be between 15-20% of the total construction costs and (ii) the general contractor is not an affiliate of the General Partner, then any general contractor fees will be at market rates. Any general contractor fees will be payable in accordance with the terms of the agreement entered into between the Partnership or the applicable Portfolio Entity and the general contractor.

Due Diligence Fee. A due diligence fee ("Due Diligence Fee") for each Portfolio Investment in an amount equal to .75% of the purchase price of such Portfolio Investment, payable to KCO at the closing of the purchase of such Portfolio Investment.

Underwriting Fee. Underwriting fees ("Underwriting Fees") for each Portfolio Investment in an amount equal to .5% of the purchase price of such Portfolio Investment, payable to KCO at the closing of the purchase of such Portfolio Investment.

Selling Commissions. To the extent that one or more persons affiliated with the General Partner engages in the sale of Partnership Interests and is appropriately licensed as a representative of a registered broker dealer, such persons will receive a portion of the selling commissions paid to such broker dealer in respect of such sales.

Organizational Expenses: Class A Limited Partners will bear all legal, organizational and offering expenses, including the out-of-pocket expenses of the General Partner, the Manager and their respective affiliates incurred in connection with the formation of the Partnership and the General Partner and the offer and sale of interests in the Partnership up to an amount not to exceed $250,000 ("Organizational Expenses"). Organizational Expenses in excess of $250,000, if any, will be treated as an offset against the Management Fee.

Overhead Expenses: All Overhead Expenses (as defined below) will be borne by the General Partner, the Manager or their respective affiliates (other than the Partnership), as the case may be. As used herein, the term "Overhead Expenses" means (i) all salaries and benefits, rent, office furniture, fixtures, and computer equipment and other normal overhead expenses relating to the operations, business or affairs of the General Partner, the Manager and their respective affiliates (other than the Partnership) and (ii) all normal and recurring administrative expenses of the General Partner or the Manager.

Partnership Costs: The Partnership will bear and be charged with all Partnership Costs. The General Partner or its affiliates may elect to pay Partnership Costs subject to reimbursement by the Partnership. The General Partner may withhold on a pro rata basis from any distribution amounts necessary to create appropriate reserves for expenses and liabilities, contingent or otherwise, of the Partnership.

As used herein, "Partnership Costs" means all fees, costs, expenses, liabilities and obligations relating to the operations, business or affairs of the Partnership or actual or potential investments, whether incurred prior to, on or after, the Initial Closing Date, including all fees, costs, expenses, liabilities and obligations relating or attributable to (i) activities in respect of originating, identifying and sourcing of investment opportunities for the Partnership; (ii) activities in respect of the structuring, organizing, negotiating, consummating, financing, refinancing, conducting due diligence (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding-up, liquidating, dissolving or otherwise disposing of, as applicable, the Partnership's actual and potential investments (including Warehoused Investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, environmental consultants, expert networks, third-party diligence and deal-sourcing software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or

investment is consummated and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, the Partnership, the Manager, the General Partner or their respective affiliates on behalf of the Partnership (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest in respect thereof, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar fees and expenses; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vii) legal, accounting, research, auditing, administration (including fees and expenses associated with compliance with laws (including any anti-money laundering laws) and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services, as well as costs related to the establishment or maintenance of such other services), consulting (including certain consulting and retainer fees, salary and other compensation or reimbursements paid and benefits provided to, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies), tax and other professional services; (viii) reverse breakup, termination and other similar fees; (ix) insurance (including directors and officers liability, fidelity bond, cyber-security, portfolio company management liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and the costs of any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (x) filing, title, transfer, survey, registration and other similar fees and expenses; (xi) printing, communications, mailing, courier, marketing and publicity; (xii) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with Partners, any other administrative, compliance or regulatory filings or reports or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing; (xiii) compliance with any financial account reporting regime applicable to the Partnership and/or the General Partner, including FATCA, the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, and any fees, costs and expenses of any third-party service providers and professionals related to the foregoing; (xiv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems) or other administrative or reporting tools (including subscription-based services); (xv) any activities in respect of protecting the confidential or non-public nature of any information, material or data, including Confidential Information (as defined in the Partnership Agreement); (xvi) indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any Covered Person (as defined below) pursuant to the Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such Covered Person in defense or settlement of any claim that

may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth therein; (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xviii) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners, any other conference, meeting or webcast with any Limited Partner(s) or with the management or partners of any Portfolio Investment or other persons; (xix) the Management Fee; (xx) any expenses incurred in connection with the formation, management, operation, dissolution, liquidation or termination of any feeder vehicles related to the Partnership to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Partnership and/or its affiliated entities; (xxi) the dissolution, liquidation or termination of the Partnership, the General Partner and any legal entities owned directly or indirectly by the Partnership; (xxii) defaults by Partners in respect of the payment of any capital contributions or other payment obligations; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Partnership, the General Partner, the Manager and any entities owned directly or indirectly by the Partnership, including the preparation, distribution and implementation thereof; (xxiv)(A) compliance with any law, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto, any regulatory expenses of the General Partner incurred in connection with the operations, business or affairs of the Partnership and any costs and expenses related to compliance with any environmental, social or governance investment considerations and policies of the General Partner and/or the Partnership and/or (B) any costs and expenses related to the validation of any payments made to the Partnership or the General Partner in connection with any voluntary or compulsory review (including any anti-money laundering laws); (xxv) any action, suit or proceeding or any governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Partnership Agreement; (xxvi) any experts, including independent appraisers, engaged by the General Partner in connection with the Partnership considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more investment vehicles (other than the Partnership) managed or controlled by the General Partner or any of its affiliates; (xxvii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer of an interest in the Partnership contemplated by the Partnership Agreement or any Limited Partner's name change, internal restructuring or change in registered agent or custodian; (xxviii) any taxes, fees and other governmental charges levied against the Partnership and all expenses incurred in connection with any tax audit, inquiry, investigation, settlement or review of the Partnership and any costs and expenses of or related to the Tax Representative (as defined in the Partnership Agreement); (xxix) distributions to the Partners and other expenses associated with the acquisition, holding and

disposition of investments, including extraordinary expenses; (xxx) compliance or regulatory matters, except as otherwise set forth in the Partnership Agreement, including compliance with the Partnership Agreement and/or any letter agreement; (xxxi) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with Limited Partners; (xxxii) any travel (including the cost of using or chartering private aircraft or other private air travel), lodging, meals, gifts, mementos or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities (including closing dinners or similar events); (xxxiii) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner or the Manager at any trade conference or industry meeting or similar meeting or event, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xxxiv) any costs and expenses related to the investor verification services; (xxxv) any private placement or finders' fees paid by the Partnership to placement agents, finders or other third parties performing similar services in connection with the organization or funding of the Partnership; and (xxxvi) all Acquisition Fees; (xxxvii) all Finance Fees; (xxxviii) all Disposition Fees; (xxxix) all Property Management Fees; (xxxx) all General Contractor Fees; (xxxxi) all Due Diligence Fees; (xxxxii) all Underwriting Fees; and (xxxxiii) any costs and expenses related to back office and administration services provided to the Partnership by the General Partner or its affiliates.

For the avoidance of doubt, Partnership Costs may include any of the fees, costs, expenses and other liabilities described above incurred in connection with services provided, or other activities engaged in, by the General Partner, the Manager and their respective affiliates, in addition to third parties. In determining the amount of Partnership Costs that may be fairly allocable to the Partnership and to any investment vehicle sponsored by an affiliate of the General Partner that may participate in investments with the Partnership, if any, the General Partner will take into account such factors as it deems appropriate under the circumstances.

Co-Investments: During the term of the Partnership, where appropriate and feasible, as determined by the General Partner in its discretion, the General Partner may, but shall not be obligated to, offer co-investment opportunities to one or more Limited Partners or other persons on such terms and conditions as shall be determined by the General Partner. The General Partner may allocate a co-investment opportunity among such persons in such proportions as the General Partner determines to be appropriate. Each Limited Partner hereby acknowledges that (i) the General Partner or one or more of its affiliates may receive a carried interest and may hold a capital interest in respect of any such co-investment opportunity that is made through an investment vehicle managed or otherwise controlled by one or more affiliates of the General Partner and (ii) the Manager or an affiliate of the Manager may receive a management fee in respect of any such co-investment opportunity. See "*Investment Considerations and Risk Factors – Partnership Risks – Co-Investments*."

Warehoused Investments: To the maximum extent not prohibited by applicable law, the General Partner, the Manager or any of their respective affiliates may make investments prior to the Initial Closing Date that are designated by the

Manager as investments warehoused for the Partnership. Any such warehoused investments and the terms upon which such warehoused investments will be transferred to the Partnership will be identified in writing to the investors who become Limited Partners prior to the time of their admission to the Partnership. Warehoused investments, if any, will be disclosed through one or more supplements to this Memorandum.

The Partnership currently holds two multi-family residential properties: (i) a 264-unit apartment complex in Dallas, Texas ("Meadows at Ferguson"); and (ii) a 142-unit apartment complex in Farmer's Branch, Texas ("Villa Gardens" and, together with Meadows at Ferguson, the "Acquired Properties"). Further, the Partnership holds two executed purchase and sale agreements to purchase (A) a 217-unit apartment complex in Denton, Texas, and (B) an extended-stay-hotel-to-residential-multi-family-conversion property located in Wichita, Kansas (together, the "PSAs"). The Acquired Properties and PSAs (the "Existing Investments") were acquired from KCAP RE Fund XI, LP ("RE Fund XI"), an Affiliated Fund, on May 8, 2023.

In addition, in connection with the Partnership's acquisition of the Existing Investments, the Partnership assumed the following loan obligations of RE Fund XI, as borrower: (i) Promissory Note in the principal amount of $1,076,000, dated June 29, 2022, payable to KCAP TX College Station 4, LP, an Affiliated Fund, bearing (A) a current interest rate of 8% per annum, which is due and payable in arrears on the first business day of each month and (B) a deferred interest rate of 6% per annum, which is due and payable with any remaining principal amount owed on the earlier of June 29, 2024 (unless extended) or the occurrence of an Event of Default (as defined therein), and is unsecured and subordinated to any existing senior debt (the "College Station 4 Note"); (ii) Promissory Note in the principal amount of $3,500,000, dated December 23, 2022, payable to KCAP Hive Funding LLC, an Affiliated Fund, bearing an interest rate of 14% per annum, which such principal and interest will be due and payable by the Partnership on the earlier to occur of June 23, 2023 (unless extended) or the occurrence of an Event of Default (as defined therein), and is unsecured and subordinated to any existing senior debt (the "Hive Note"); and (iii) Promissory Note in the principal amount of $3,200,000, dated February 28, 2023, payable to KCAP Villa Gardens Funding, LLC, an Affiliated Fund, bearing an interest rate of 10%, which such principal and interest will be due and payable by the Partnership on May 28, 2023, and is secured by a second position Deed of Trust relating to Villa Gardens (the "Villa Gardens Note" and, together with the College Station 4 Note and the Hive Note, the "Bridge Loan Notes").

The Partnership also intends to acquire a direct or indirect interest in one or more multi-family residential properties held by one or more Affiliated Funds, including but not limited to KCAP RE Fund III LLC, an Affiliated Fund, on a co-investment basis (each, an "Affiliated Fund Investment" and, together with the Existing Investments, the Bridge Loan Notes and any other Portfolio Investments identified as appropriate for investment by the Partnership prior to the Initial Closing Date, the "Warehoused Investments").

Loans, acquisitions and other transactions between the Partnership and an Affiliated Fund may introduce conflicts of interest on the part of the

General Partner and the Manager. See "*—Potential Conflicts of Interest*" below for further information.

Partnership Borrowings: The Partnership may, but shall not be obligated to, borrow any amounts for the payment of Partnership Costs or to satisfy any other obligations of the Partnership. The General Partner or its affiliates may, but shall not be obligated to, loan or advance funds to the Partnership if the Partnership shall have insufficient cash to pay its obligations (including Partnership Costs) on such terms and conditions as the General Partner may determine in good faith, which determination shall be final, binding and conclusive. No such loan or advance shall be deemed a capital contribution.

Potential Conflicts of Interest: Transactions between affiliated entities, including other funds managed by the Manager, and the Partnership involve conflicts of interest on the part of the Manager and General Partner. In such circumstances, the Manager and General Partner may have an incentive to negotiate terms for such transactions that are favorable to the affiliated entity (or other fund) at the expense of the Partnership. It is possible that the terms of such transactions may be more favorable to affiliates (or other funds) than those that could have been obtained by the Manager or General Partner in the market on behalf of the Partnership. The Manager may also be responsible for administering the terms of these transactions and could have an incentive not to enforce them against the counterparty as strictly as an independent third party would.

As discussed above, the Partnership acquired the Existing Investments from RE Fund XI, an Affiliated Fund, on May 8, 2023, and intends to make one or more Affiliated Fund Investments. The Partnership's acquisition of the Existing Investments and its anticipated Affiliated Fund Investments involve conflicts of interest on the part of the General Partner and the Manager. The General Partner believes that the acquisition of the Existing Investments from RE Fund XI is in the best interests of the limited partners of RE Fund XI and the Limited Partners of the Partnership. Further, while the Manager intends to make the Affiliated Fund Investments on terms that the Manager believes are comparable to terms that would have been obtained by an independent third party in similar transactions, the Manager has an incentive to negotiate terms that are favorable to the Affiliated Funds, as applicable, at the expense of the Partnership. It is possible that the terms given to the Partnership in these transactions were less favorable than those that could have been obtained by the Manager in the market.

From time to time the Partnership may (i) be the borrower on loans made by other funds managed by the Manager, as well as loans made by affiliates of the Manager, including entities owned and controlled by one or more of the Manager's principals, in each case for the purpose of facilitating the acquisition and/or development of Portfolio Investments; and (ii) be the lender on loans secured by real estate to other funds managed by the Manager or one of its affiliates (each, an "Affiliated Loan"). Upon written request to the Manager or the General Partner, Limited Partners may review a schedule of the Affiliated Loans, as may be amended from time to time. Affiliated Loans, as well as loans made by the Partnership to other funds managed by affiliated entities, involve conflicts of interest on the part of the Manager and General Partner. In such circumstances, the Manager and General Partner may have an

incentive to negotiate rates and terms for such loans (including collateral) that are favorable to the affiliated entity (or other fund) at the expense of the Partnership. It is possible that the rates and terms given to affiliates (or other funds) may be more favorable than those that could have been obtained by the Manager or General Partner in the market on behalf of the Partnership. The Manager may also be responsible for administering the terms of these loans and could have an incentive not to enforce them against the counterparty as strictly as an independent third party would.

As discussed above, the Partnership has assumed certain debt obligations under the Bridge Loan Notes from RE Fund XI, an Affiliated Fund. The Bridge Loan Notes are owed to entities affiliated with the General Partner and the Manager and were incurred by RE Fund XI in connection with the purchase of the Acquired Properties, as well as one other property that is still held by RE Fund XI. The Bridge Loan Notes involve conflicts of interest on the part of the General Partner and the Manager. The Manager has an incentive to negotiate rates and terms for the Bridge Loan Notes (including collateral) that are favorable to RE Fund XI at the expense of the Partnership. It is possible that the rates and terms given to the Partnership were less favorable than those that could have been obtained by the Manager in the market.

Allocation of Investment Opportunities: The Partnership may consider investment opportunities that are also appropriate for Affiliated Funds and other entities affiliated with the General Partner and the Manager. In those cases, the Manager will seek to make allocations of investment opportunities in a fair and equitable manner, and will not favor or disfavor, consciously or unconsciously, any fund or class of funds in relation to any other funds. Further, the Manager will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any fund, (ii) the profitability of any fund or (iii) any person's interest in offering or participating in co-investment opportunities outside of any fund.

Leverage Limitations: The Partnership may employ leverage in the acquisition, operation and ownership of one or more Portfolio Investments, and may refinance Portfolio Investments, if the Manager determines that any such course is desirable. Debt may take the form of a mortgage or other financing at the property level or fund level. Without the approval of a majority in interest of the Limited Partners, the Partnership's leverage in the aggregate (whether at the property level or the fund level) may not exceed 85% of the market value of its Portfolio Investments (determined at the time that leverage is imposed), and the Partnership's leverage on any individual Portfolio Investment (whether at the property level or the fund level) may not exceed 85% of the market value of such Portfolio Investment (determined at the time that leverage is imposed).

Successor Funds: Without the prior written consent of a majority in interest of the Limited Partners, none of the General Partner, the Manager nor any of their respective affiliates will hold an initial closing admitting third-party investors in respect of another investment fund with substantially the same investment strategy and objectives as those of the Partnership until the earlier of (i) the date on which 75% of the aggregate Capital Contributions have been invested or committed for investments, (ii) the date on which the General Partner ceases to be general partner of the Partnership and (iii) the date of termination of the Partnership.

Removal of the General Partner: Subject to the satisfaction of certain conditions set forth in the Partnership Agreement, the Limited Partners may remove the General Partner and appoint a new general partner to manage the Partnership if the Partnership or the General Partner shall have engaged in Cause (as defined below) and 75% in interest of all Limited Partners by written consent or vote have elected to remove the General Partner for Cause and have elected a new general partner to manage the Partnership.

The term "Cause" means the entry of a final, non-appealable order of a court of competent jurisdiction that the General Partner or the Manager has committed, in connection with the performance of its duties under the Partnership Agreement, intentional fraud, gross negligence, willful malfeasance, bad faith or an intentional and material breach of the Partnership Agreement that in any such case has a material adverse effect on the operations, business and affairs of the Partnership.

Call Right: The General Partner or its designee shall have the option to purchase (the "Call Option") all (but not less than all) of the limited partner interest of a Limited Partner (the "Called Interest") for a cash purchase price ("Call Price") equal to the greater of (i) the Fair Market Value (as defined in the Partnership Agreement) of the Called Interest as of the Call Date and (ii) an amount equal to the sum of (A) the Unreturned Capital Contributions attributable to the Called Interest, plus (B) the Called Preferred Return, less (C) all Partnership Costs attributable to the Called Interest that are due or payable as of the Call Date, less (D) all amounts distributable to the General Partner in respect of the Called Interest pursuant to the above waterfall as of the Call Date, less (E) any other amount owed by such Limited Partner to the Partnership, the General Partner or any of their respective affiliates, in each case as determined by the General Partner. The term "Call Preferred Return" means, in respect of any Called Interest, a 12% per annum, cumulative preferred return, non-compounding, determined on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days occurring in the period for which the Call Preferred Return is being determined, on the Unreturned Capital Contributions in respect of the Called Interest (provided, however, that such Call Preferred Return shall not begin to accrue in respect of any portion of the capital contributions attributable to the Called Interest until the latter of the applicable Closing Date or such later date on which such capital contributions were actually contributed to the Partnership). See the Partnership Agreement (a copy of which is attached hereto as Exhibit A) accompanying this Memorandum for additional information concerning the call right.

Transfers and Withdrawals: Limited Partners may not sell, encumber or transfer any interest in the Partnership except under certain specified circumstances and then only with the prior written consent of the General Partner. No Limited Partner shall have any right to withdraw or resign from the Partnership. See "*Investment Considerations and Risk Factors – Investment Risks – Restrictions on Transfer and Withdrawal*." The General Partner may require a Limited Partner to withdraw from the Partnership under certain limited circumstances. See "*Investment Considerations and Risk Factors – Partnership Risks – Required Withdrawal*."

Exculpation: To the maximum extent not prohibited by applicable law, none of the General Partner, the Manager, their affiliates nor any of their respective officers, directors, stockholders, managers, members, partners,

employees or agents (collectively, "Covered Persons") will be liable to the Partnership or any Partner by reason of any of their activities on behalf of, the Partnership, the General Partner, the Manager or their respective affiliates, except to the extent that any of the foregoing is determined to have been primarily caused by the gross negligence, willful malfeasance or bad faith of such Covered Person. See "*Investment Considerations and Risk Factors – Partnership Risks – Exculpation*."

Indemnification: To the maximum extent not prohibited by applicable law, the Partnership will indemnify (i) the General Partner, (ii) the Manager and (iii) unless otherwise determined by the General Partner, in its discretion, any other Covered Person against any claim, loss, damage, liability or expense (including attorneys' fees) incurred by them by reason of their activities on behalf of the Partnership, the General Partner, the Manager or their respective affiliates, except to the extent any of the foregoing (A) is determined to have been primarily caused by the gross negligence, willful malfeasance or bad faith of such Covered Person, (B) is suffered or incurred as a result of any claim (other than a claim for indemnification under the Partnership Agreement) asserted by such Covered Person as plaintiff against the Partnership, or (C) includes any economic loss incurred by such Covered Person as a result of such Covered Person's ownership of an interest in the Partnership. See "*Investment Considerations and Risk Factors – Partnership Risks – Indemnification*."

Amendments and Waivers: Subject to the following paragraph, the Partnership Agreement may be amended, and any provision may be waived, with the consent of the General Partner and the consent of a majority in interest of the Limited Partners, except the General Partner may amend the Partnership Agreement without Limited Partner consent in limited circumstances specified in the Partnership Agreement.

In respect of any matter that requires the consent of the Limited Partners under the Partnership Agreement or any matter that the General Partner has otherwise requested the consent of the Limited Partners, each Limited Partner shall be deemed to have given its consent in respect of such matter if such Limited Partner has not given its consent or objected in writing within ten business days (or such shorter timeframe to respond as set forth in the Partnership Agreement, if any, or in the notice from the General Partner in respect of such matter) after notice of such matter requiring or requesting such consent has been provided to such Limited Partner.

Confidentiality: The Partnership Agreement contains confidentiality provisions applicable to the Limited Partners. The General Partner has the right to keep confidential from the Limited Partners any information that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner believes is not in the best interests of the Partnership or a Portfolio Investment, or could damage the Partnership or a Portfolio Investment, or is required to be kept confidential by applicable law or agreement.

Reports: The Partnership will provide quarterly reports and annual financial statements, periodic portfolio reports and annual federal income tax information.

Arbitration:	Other than equitable or injunctive relief, all disputes under the Partnership Agreement will be settled by binding arbitration in Dallas, Texas, as further detailed in the Partnership Agreement.
Side Letters:	The Partnership, the General Partner or the Manager may, without any further act, approval or vote of any Limited Partner, enter into side letters or other similar agreements with certain Limited Partners that have the effect of establishing rights under, or altering or supplementing the terms of, the Partnership Agreement.
Securities Law Matters:	Interests in the Partnership will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and must be acquired solely for investment purposes and without any view to the distribution thereof in violation of the Securities Act. See "*Certain Legal and Regulatory Considerations – Securities Act of 1933*." The General Partner anticipates that the Partnership will not be required to register under the Investment Company Act because it will not come within the definition of "investment company." See "*Certain Legal and Regulatory Considerations – Investment Company Act of 1940*."
Tax Considerations:	The Partnership expects to be treated as a partnership and not as an association taxable as a corporation for U.S. federal income tax purposes. Accordingly, each Limited Partner will be required to report its allocable share of the Partnership's income, gains, losses, deductions and credits, regardless of the extent to which, or whether, such Limited Partner receives cash distributions from the Partnership for such taxable year. For a discussion of certain income tax considerations relating to an investment in the Partnership, see "*Certain Tax Considerations*" below. Each prospective investor should consult with its own tax advisor concerning the U.S. federal, state, local and foreign income and other tax consequences applicable to an investment in the Partnership. Investors should be prepared to file for extensions, if possible, for the completion of their respective U.S. federal, state, local and other income tax returns for each year.
ERISA Considerations:	Subject to the considerations discussed herein, U.S. employee benefit plans and other retirement arrangements may generally invest in the Partnership. Each such investor should consult with its counsel in determining whether such an investment is appropriate, and in determining the potential restrictions on and consequences of such an investment under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 4975 of the Code or similar applicable law. The Partnership will require certain representations and assurances from investors that are subject to ERISA. See "*Certain Legal and Regulatory Considerations – Employee Retirement Income Security Act of 1974*."
Tax-Exempt Investors:	Tax-exempt investors may realize unrelated business taxable income as a result of their investment in the Partnership, and such amounts could be significant. Each prospective tax-exempt investor should carefully review the tax matters discussed in "*Certain Tax Considerations – Special Considerations Applicable to U.S. Tax-Exempt Investors*" and

	should consult with its own tax advisor as to the tax and other legal consequences of making an investment in the Partnership.
Foreign Investors:	The Partnership expects that it may make investments or engage in activities that will give rise to income that is effectively connected with a U.S. trade or business ("ECI"). If ECI or gain from the disposition of a U.S real property interest that is taxed as ECI under Section 897 of the Code is earned by the Partnership, a non-U.S. investor in the Partnership will realize ECI as a result of their investment in the Partnership, and such amounts could be significant. Each prospective non-U.S. investor should carefully review the discussion of certain tax considerations for non-U.S. Limited Partners set forth in "*Certain Tax Considerations – Special Considerations for Non-U.S. Limited Partners*" and should consult with its own tax advisor and other advisors as to the possible tax, exchange control or other consequences under the laws of the U.S. and jurisdictions of which it is a citizen, resident or domiciliary, in which it conducts business or in which it otherwise may be subject to tax, of making an investment in the Partnership.
Accountants:	Keiter CPA.
Third Party Administrator:	Fleming Fund Services, P.C.
Counsel:	Egan Nelson LLP.

MANAGEMENT OF THE PARTNERSHIP

KeyCity Capital

KeyCity Capital (the "Firm") was founded in 2018 by Tie Lasater, Boone Lasater and Leigh Archer. Since its inception, the Firm's sole mission has been to create legacy wealth with its partners through real estate and strategic alternative investments. The Firm provides a select group of qualified high net worth individuals access to exclusive private investment opportunities in distressed real estate and alternative assets.

Management of KeyCity Capital

Tie Lasater, MAcc, is a founding partner and the Firm's chief executive officer. Prior to starting the Firm with his brother, Boone Lasater, Mr. Lasater held roles at KPMG International in the audit and compliance division and was the controller and chief financial officer at a private equity firm. Additionally, Mr. Lasater brings experience as a professional speaker, with a focus on topics such as real estate, finance, leadership and entrepreneurship.

Mr. Lasater holds a bachelor's degree and a master's degree in accounting from Abilene Christian University and has been recognized as a Dallas 40 under 40 honoree by the Dallas Business Journal.

Boone Lasater is a founding partner and the Firm's chief operating officer. He has more than 15 years of real estate, accounting, and private equity experience. Prior to starting the Firm with his brother, Tie Lasater, Mr. Lasater spent six years as a public tax and audit accountant and worked as an assistant controller for a private equity oil and gas firm.

Mr. Lasater holds a bachelor's degree in accounting from Tarleton State University.

Leigh Archer is a managing partner and the Firm's chief acquisitions officer. He has more than 15 years of real estate brokerage, agency management and investing experience. Prior to joining the Firm, Mr. Archer owned a title company, served as the vice president of Keller Williams Realty in Amarillo, TX, and was the CEO of Keller Williams Realty in Denver.

Mr. Archer graduated with a bachelor's degree in business administration from Tarleton State University.

David Worley, J.D., CFA is the General Counsel and Chief Compliance Officer of the Firm and has 40 years of experience in financial services and senior management, having started his career in Washington, D.C. with the U.S Securities and Exchange Commission, serving in roles within Market Regulation and Enforcement.

Mr. Worley holds a bachelor's degree in business administration from Principia College and a juris doctor from Case Western Reserve University. He is also a CFA charterholder. Prior to joining the Firm, among other things, he was managing director – legal and compliance, for Osprey Funds, a crypto funds manager, global head of compliance for Arrowgrass Capital Partners, a London-based hedge fund manager with $6.5 billion in global AUM, and general counsel and/or chief compliance officer for two different fund managers within Guggenheim Partners.

Meliea Ware is the Senior Vice President of Operations of the Firm and has over 14 years of management experience, with seven of those years in the real estate industry. Ms. Ware received a BA in Psychology from West Texas A&M University.

Stephen Patterson is the Director of Investor Success of the Firm and has over 25 years of experience in both public and private finance and administration. Mr. Patterson has worked as a public administrator, was on the board of directors of a private operating foundation, served as a board member of the County Economic Development Corporation and has been on numerous civic boards focused on improving communities at large. He has also built a successful practice as a financial advisor.

Mr. Patterson received a degree in Finance from the University of Arkansas, a Master's degree and a degree in Education with a minor in Mathematics from Lamar University, and a doctorate from Stephen F. Austin State University. He also recently completed a competitive post-doctoral fellowship at Columbia University.

KeyCity Fund Management

KeyCity Fund Management, LLC (the "Manager") was formed in 2020 to provide management services to certain investment funds sponsored by the Firm. The Manager will make all investment decisions for the Partnership.

INVESTMENT CONSIDERATIONS AND RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below and all other information included in this Memorandum and the other documents referred to herein before deciding whether or not to purchase a limited partner interest in the Partnership. Each of the following risks could materially and adversely affect the Partnership's business, financial condition or operating results and could result in a complete loss of an investor's investment. The following considerations should be carefully evaluated before making an investment in the Partnership. Such considerations do not purport to be a complete discussion of all of the risks and other factors and considerations that relate to or might arise from investing in the Partnership.

Investment Risks

General Risks. There can be no assurance that the investments made by the Partnership will be profitable or that there will be proceeds from such investments available for distribution to the Limited Partners or that the Limited Partners will receive a return of their capital contributions to the Partnership. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Limited Value of Historical Performance Data. The Partnership is a newly-formed entity with no or a limited operating history on which prospective investors may base an evaluation of likely performance. The past performance of prior investment partnerships sponsored by the Manager is not necessarily indicative of the future results of the Partnership. The Partnership will make different investments than prior investment partnerships sponsored by the Manager and, therefore, the Partnership's results are independent of the previous results of the Manager and such prior investment partnerships. There can be no assurance that the Partnership will achieve its investment objectives.

Limited Number of Investments. The Partnership will invest in a limited number of investments and, as a consequence, the aggregate returns of the Partnership may be substantially adversely affected by the unfavorable performance of even a single investment. The Partnership's investments will also be concentrated in a single asset class and may be concentrated in a limited number of geographies. Other than as set forth in the Partnership Agreement or this Memorandum, there are no requirements as to the degree of diversification of the Partnership's investments, either by size, geographic region, asset type or sector. To the extent the Partnership's investments are concentrated in a particular Portfolio Investment or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions in respect thereof. For the Partnership to achieve attractive returns, one or a few of its investments may need to perform very well. There are no assurances that this will be the case.

Future Investments Unspecified. As of the date of this Memorandum, the Partnership is continuing to evaluate additional Portfolio Investments. Consequently, a prospective investor will not be able to evaluate for itself the merits of particular Portfolio Investments prior to such investor's subscription for a limited partner interest in the Partnership or prior to the Partnership's investment in a particular Portfolio Investment, nor will Limited Partners be entitled to participate in any manner in the decisions regarding refinancing or divestiture of a Portfolio Investment.

Long-Term Nature of Investment in the Partnership. Prospective investors should be aware of the long-term, indefinite nature of an investment in the Partnership. An investment in the Partnership should be viewed as illiquid. There is no public market for the interests in the Partnership and none is expected to develop. Further, Limited Partners will not have any right to withdraw from the Partnership. Accordingly, an investor may not be able to liquidate its investment in the Partnership. In addition, interests in the Partnership will not be registered under the Securities Act or the securities laws of any U.S. state or non-U.S. jurisdiction and may not be sold or transferred except in compliance with all applicable U.S. federal and state and non-U.S. securities laws. Interests in the Partnership will be offered for investment pursuant to the exemption from registration provided under Section 4(a)(2) of the Securities Act and Regulation D thereunder and exemptions from the registration requirements of applicable state securities laws. Each purchaser of an interest in the Partnership must be an "accredited investor" (within the meaning of Rule 501 of Regulation D under the Securities Act) and must satisfy certain other qualifications to ensure the Partnership's compliance with applicable securities laws. The interests in the Partnership cannot be transferred or resold unless they are registered under the Securities Act and under other applicable securities laws or pursuant to an exemption from such registration. Limited Partners must be prepared to bear the risks of owning interests in the Partnership.

Identification of Investment Opportunities. The success of the Partnership depends upon the ability of the General Partner or Manager and its affiliates to identify, select and consummate investments that it believes offer the potential for attractive returns. There can be no assurance that the General Partner, the Manager or their respective affiliates will be able to identify and complete investments that meet the Partnership's investment objectives or implement its investment strategy. The availability of such opportunities will depend, in part, upon general market conditions, the prevailing regulatory conditions in regions where the Partnership may invest, and other factors outside the control of the Partnership. The Partnership may incur significant fees and expenses identifying, investigating and attempting to acquire potential assets that the Partnership ultimately does not acquire. As of the date of this Memorandum, the General Partner and the Manager have not identified any other investments to be made by the Partnership other than the Warehoused Investments. See "*Summary of Principal Terms—Warehoused Investments*."

Investments Longer than Term. The Partnership may make investments which may not be advantageously disposed of prior to the date that the Partnership will be dissolved, either by expiration of the Partnership's term or otherwise pursuant to the Partnership Agreement. Although the General Partner expects that investments will be disposed of prior to dissolution, the Partnership may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of its dissolution.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire properties, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Partnership to execute its strategy and to receive attractive returns. This may slow the rate of future investments by the Partnership and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Portfolio Investments.

Limited Partner Due Diligence Information. Prior to the consummation of this offering, the General Partner will provide to each prospective investor, and such prospective investor's representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering from a representative of the General Partner and to obtain any additional information that the General Partner may possess or can obtain without unreasonable effort or expense that is necessary to verify the accuracy of the information set forth herein. See "*Additional Information*." Due to the fact that different potential investors may ask different questions and request different information, including information in respect of the Partnership, the General Partner may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors. None of the answers or additional information provided is or will be integrated into this Memorandum or form part hereof, and no prospective investor may or should rely on any such answers or information in making its decision to subscribe for an interest in the Partnership.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which companies are subject. To the extent that the Partnership or any Portfolio Investment is subject to cyber-attack or other unauthorized access is gained to such a company's systems, such company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) financial information, including investor financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. In certain events, a company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any such circumstances could subject a Portfolio Investment or the Partnership to substantial losses. In addition, if such a cyber-attack or other unauthorized access is directed at the Firm or one of its service providers holding its financial or investor data, the Firm or its affiliates (including, the Partnership), as the case may be, may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Pandemics, Epidemics and Other Public Health Crises. A pandemic, epidemic or other public health crisis could adversely impact the Partnership and the Portfolio Investments. Many countries have experienced outbreaks of infectious illnesses in recent decades, including swine flu, avian influenza, SARS and the Coronavirus. In December 2019, an initial outbreak of the Coronavirus was reported in Hubei, China. Since then, a large number of cases have been confirmed around the world. The Coronavirus outbreak has resulted in a great number of deaths and the

imposition of both local and more widespread "work from home" and other quarantine measures, border closures and other travel restrictions, causing social unrest and commercial disruption on a global scale. The World Health Organization has declared the Coronavirus outbreak a pandemic.

The ongoing spread of the Coronavirus has had, and will continue to have, a material adverse impact on local economies in the affected jurisdictions and also on the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. These developments could have adverse consequences for the Partnership and its Portfolio Investments, the operations of the Partnership could be adversely impacted, including through quarantine measures, business closures and suspensions, travel restrictions and health issues impacting personnel and service providers of the Partnership. Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) could adversely impact the Portfolio Investments, including by delaying or causing supply chain disruptions or by causing staffing shortages. Any of the foregoing events could materially and adversely affect the Partnership's ability to source, manage and divest its investments and its ability to fulfill its investment objectives. Similar consequences could arise in respect of other comparable infectious diseases.

The outbreak of the Coronavirus has contributed to, and will likely continue to contribute to, volatility in financial markets, including changes in interest rates. The Coronavirus outbreak could also have a material and negative impact on certain economic fundamentals and consumer confidence, could increase the risk of default, reduce the availability of debt financing and reduce potential purchasers of the Portfolio Investments, negatively impact market values, cause credit spreads to widen and reduce liquidity, all of which could have in the event of a continued outbreak, an adverse effect on the returns of the Partnership. No assurance can be made as to the long-term effect of these events on the value of the Portfolio Investments. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or other outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk in respect of the performance of the Partnership.

Management Risks

Reliance on Key Personnel. The success of the Partnership depends in substantial part upon the skill and expertise of the investment professionals of the Partnership, its affiliates and others providing investment advice in respect of the Partnership. There can be no assurance that these key investment professionals will continue to be associated with the General Partner or the Manager throughout the term of the Partnership. Should one or more of those individuals become incapacitated or in some other way cease to participate in the management of the Partnership, the Partnership's performance could be adversely affected.

Allocation of Time. Except as otherwise provided in the Partnership Agreement, the Limited Partners will delegate to the General Partner and the Manager the day-to-day management of the operations, business and affairs of the Partnership and the management of Partnership assets. Although the Manager and its investment professionals intend to devote sufficient time to the Partnership so that it can carry out its proposed activities, the Manager and its investment professionals have significant other responsibilities, including managing other investment partnerships sponsored or managed by the Manager. Conflicts of interest may arise in allocating management time, services or functions among the Partnership and such other partnerships and business ventures.

Lack of Management Control. Under the Partnership Agreement, the Limited Partners do not have the right to participate in the management, control or operation of the Partnership or, except in limited circumstances, to remove the General Partner. Accordingly, Limited Partners will be dependent on the General Partner's skill, knowledge and expertise in managing the Partnership. If the General Partner dissolves or becomes bankrupt or insolvent and no substitute general partner is admitted or elected within 90 days after such event, then the Partnership will dissolve. Should the Partnership dissolve, it will not be able to withdraw or redeem its investment in the Portfolio Investments, in whole or in part, until the Portfolio Investments are sold.

No Participation in Investment Decisions or Management. The Manager will make all investment decisions on behalf of the Partnership. Limited Partners will have no right to participate in any investment decisions or otherwise participate in management or control of the Partnership or its operations, business or affairs. Limited Partners will not acquire any direct economic or voting interest in any Portfolio Investment.

Partnership Risks

Restrictions on Transfer and Withdrawal. Interests in the Partnership will not be readily marketable, will not be redeemable and will not be transferable except under limited circumstances and then only with the prior written consent of the General Partner. There will be no public market for the interests in the Partnership and none is expected to develop. Limited Partners will not have any right to withdraw from the Partnership. Interests in the Partnership may not be pledged or otherwise used as collateral. Limited Partners must be prepared to bear the risks of owning interests in the Partnership and contributing capital for an extended period. The inability to transfer interests in the Partnership may limit the availability of certain estate planning and other strategies.

Required Withdrawal. The General Partner may require a Limited Partner to withdraw from the Partnership if (i) such Limited Partner's continued participation in the Partnership would; (A) result in a violation of the Securities Act or any comparable state law by the Partnership, (B) require the Partnership to register as an investment company under the Investment Company Act, (C) result in the Partnership being treated as other than a partnership for U.S. federal income tax purposes, (D) result in a violation of any law by the Partnership, the General Partner, the Manager, their respective affiliates or their respective officers, directors, stockholders, partners, managers, members, other equity holders, agents or representatives, (E) cause the Partnership to be deemed a "publicly traded partnership" as such term is defined in Section 7704(b) of the Code, (F) cause the Partnership or any entity in which it directly or indirectly holds an interest to become subject to withholding under the Foreign Account Tax Compliance Act of 2009 ("FATCA"), (G) cause the General Partner or the Partnership to be controlled by a "banking entity" as defined in Section 13(h)(1) of the U.S. Bank Holding Company Act of 1956, as amended, or a "nonbank financial company supervised by the Board of Governors" as defined in Section 102(a)(4)(D) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (H) likely result in a material adverse effect on the Partnership or any of its affiliates, any of its investments or any prospective investments, or (I) cause the Partnership to be subject to any material tax or withholding in respect of taxes or increase in tax or withholding in respect of taxes to which the Partnership would not otherwise be subject; or (ii) such Limited Partner becomes subject to any event specified in Rule 506(d)(1) of the Securities Act or any proceeding or event that could result in any such disqualifying event that would either require disclosure under Rule 506(e) of the Securities Act or result in disqualification under Rule 506(d)(1) of the Partnership's use of the Rule 506 exemption.

Transfer Costs and Fees. A Limited Partner will be responsible for all costs and expenses associated with any requested, attempted or realized transfer of all or any portion of its interest in the Partnership. These costs and expenses will generally include, among others, the cost of accounting for transfers for U.S. federal income tax purposes and legal expenses incurred by the General Partner and the Partnership in connection with such transfer. Furthermore, mandatory basis adjustment rules could require the adjustment of the Partnership's tax basis in its assets in respect of a transfer of an interest in the Partnership, which would significantly increase the cost of, and the complexity of accounting for, transfers of interests in the Partnership. In addition, as a condition precedent to any transfer where a Limited Partner requests the assistance of the General Partner in finding and obtaining a purchaser of such Limited Partner's interest in the Partnership, the transferring Limited Partner will be required to pay to the General Partner a transfer fee in an amount equal to 5% of the purchase price of the interest in the Partnership that is the subject of any such transfer.

Exculpation. The Partnership Agreement provides that the General Partner, the Manager, their affiliates and their respective officers, directors, stockholders, managers, members, partners, employees and agents (collectively, "Covered Persons") will not be liable, responsible or accountable in damages or otherwise to the Partnership or to any Partner by reason of, arising from or relating to the operations, business or affairs of, or any action or failure to act on behalf of, the Partnership, the General Partner, the Manager or their respective affiliates, except in certain limited circumstances. See "*Summary of Principal Terms – Exculpation.*" Moreover, the fiduciary duties of the General Partner and other Covered Persons are modified or in some cases eliminated pursuant to the terms of the Partnership Agreement. As a result, the Limited Partners may have a more limited right of action in certain cases then they would in the absence of such limitations.

Indemnification. The Partnership Agreement provides that the Partnership will indemnify (i) the General Partner, (ii) the Manager and (iii) unless otherwise determined by the General Partner, in its discretion, any other Covered Person, in each case except in limited circumstances. See "*Summary of Principal Terms – Indemnification.*"

Such indemnification obligations of the Partnership would be payable from the assets of the Partnership and could be material and significantly reduce the returns to Limited Partners.

Reinvestment. The amount and timing of distributions from the Partnership will be made by the General Partner. The General Partner may direct that distributions received by the Partnership from its Portfolio Investment be used to satisfy or establish reserves for any current or anticipated future obligations of the Partnership (including Management Fees).

Liability for Return of Distributions. If the Partnership is otherwise unable to meet its obligations, then the Limited Partners may, under applicable law, be obligated to return cash distributions with interest previously received by them if such distributions are deemed to have been wrongfully paid to them and they knew at the time of such distributions that they were wrongfully paid. Also, under applicable federal, state and foreign bankruptcy and insolvency laws, a Limited Partner may be liable to return distributions previously paid to them.

Dilution from Additional Closings. To the extent the Partnership has a Subsequent Closing, Limited Partners that are admitted or increase their Capital Contributions at any Subsequent Closing of the Partnership generally will participate in then-existing investments of the Partnership, thereby diluting the interests of existing Limited Partners in such investments.

Co-Investments. The General Partner may, but shall not be obligated to, offer co-investment opportunities to one or more Limited Partners or other persons on such terms and conditions as shall be determined by the General Partner. The General Partner may allocate a co-investment opportunity among such persons in such proportions as the General Partner determines to be appropriate. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the General Partner, may not be in the best interests of the Partnership or any individual Limited Partner. In exercising its discretion in connection with such co-investment opportunities, the General Partner may consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future investment partnership sponsored or managed by the Manager or its affiliates or the size of an investor's capital contribution.

Investment Company Act. Issuers that are "investment companies" within the meaning of the Investment Company Act, and that do not qualify for an exemption from the provisions of that act, are required to register with the SEC and are subject to substantial regulations in respect of capital structure, operations, transactions with affiliates and other matters. The Partnership will rely on current interpretations of law (and the representations of prospective investors) as the basis for not registering under the Investment Company Act. If a change in law or the circumstances of the Partnership's investments caused the Partnership to be required to register as an investment company under the Investment Company Act, the ability of the Partnership to carry out its operations would likely be significantly impacted and could subject the Partnership to monetary penalties. See "*Certain Legal and Regulatory Considerations – Investment Company Act of 1940*."

Prevention of Money Laundering. As part of the General Partner's responsibility for the prevention of money laundering under the Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") and similar laws in effect in foreign countries, the Partnership may require a detailed verification of a prospective investor's identity and the source of such prospective investor's capital contributions to the Partnership. In the event of delay or failure by a prospective investor to produce any such information required for the verification process, the General Partner may refuse to accept the subscription and any monies relating thereto. In addition, each prospective investor will be required to represent and warrant to the Partnership and the General Partner, among other things, that (i) the proposed investment by such prospective investor will not directly or indirectly contravene U.S. federal, state, international or other laws or regulations, including the PATRIOT Act, (ii) no capital contribution to the Partnership by such prospective investor will be derived from any illegal or illegitimate activities, (iii) such prospective investor is not a country, territory, person or entity named on a list promulgated by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") prohibiting, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals, nor is such prospective investor or any of its affiliates a natural person or entity with whom dealings are prohibited under any OFAC regulations or (iv) such prospective investor is not otherwise prohibited from investing in the Partnership pursuant to other applicable U.S. anti-money laundering, anti-terrorist and foreign asset

control laws, regulations or orders. Each Limited Partner will be required to promptly notify the General Partner if any of the foregoing ceases to be true in respect of such Limited Partner.

As a result of the money laundering regulations described in the preceding paragraph, the General Partner may from time to time request (outside of the subscription process), and the Limited Partners will be obligated to provide the General Partner upon such request, additional information as from time to time may be required for it and the Partnership to satisfy their respective obligations under these and other laws that may be adopted in the future. In addition, the General Partner may from time to time be obligated to file reports with various jurisdictions in respect of, among other things, the identity of the Limited Partners and suspicious activities involving the interests in the Partnership.

If it is determined that any Limited Partner, or any direct or indirect owner of any Limited Partner, is a person identified in any of these laws as a prohibited person, or is otherwise engaged in activities of the type prohibited under these laws, then the General Partner may be obligated, among other actions to be taken, to withhold distributions of any funds otherwise owing to such Limited Partner or to cause such Limited Partner's limited partner interest in the Partnership to be cancelled or otherwise be redeemed (without the payment of any consideration in respect of such interest).

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Partnership's activities, including its ability to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

Conflicting Investor Interests. Investors in the Partnership may have conflicting investment, tax, and other interests in respect of their investments in the Partnership, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partner or Manager of the Partnership, as the case may be, regarding an investment that may be more beneficial to one investor than another, especially in respect of tax matters. In structuring, acquiring and disposing of investments, the General Partner or the Manager generally will consider the investment and tax objectives of the Partnership and its Partners as a whole, not the investment, tax, or other objectives of any investor individually.

Potential Conflicts of Interest

Carried Interest of the General Partner. The existence of the General Partner's carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Partnership than it would otherwise make in the absence of such incentive allocation. In addition, due to the method of calculating such carried interest, the distributions to the General Partner may be affected by the timing of dispositions and other factors within the control of the General Partner. The General Partner believes that the foregoing potential conflict will be mitigated to a material extent by, among other things, the fact that senior management of the General Partner will have a significant investment in the Partnership.

Fees for Services. It is contemplated that one or more affiliates of the General Partner will receive acquisition, disposition, due diligence and underwriting fees in connection with the acquisition and sale of Portfolio Investments. Furthermore, one or more affiliates of the General Partner may receive finance fees in connection with third-party loans to the Portfolio Investments, which loans are secured by deeds of trust encumbering such Portfolio Investments' property or any portion thereof. In addition, one or more affiliates of the General Partner may provide property management services to one or more Portfolio Investments in exchange for customary property management fees. Moreover, one or more affiliates of the General Partner may perform general contractor services for one or more Portfolio Investments in exchange for customary general contractor fees. Affiliates of the General Partner will also receive a fee in connection with insurance premiums paid by the Partnership for insurance coverage in respect of Portfolio Investments. Such commissions or fees may be paid without regard to the success of the Portfolio Investments made by the Partnership or whether such Portfolio Investments generate a profit. In addition, it should be noted that the General Partner may not obtain pricing information from unaffiliated third-party service providers

in connection with the services described above and, accordingly, such fees could be in excess of the cost of comparable services provided in an arm's length transaction. See "*Summary of Principal Terms – Other Fees*."

Transactions with Affiliated Entities. From time to time the Partnership may enter into transactions with other funds managed by the Manager, as well as affiliates of the Manager, including entities owned and controlled by one or more of the Manager's principals, in each case for the purpose of facilitating the acquisition and/or development of a Portfolio Investment owned or to be acquired by the Partnership.

Transactions between affiliated entities, including other funds managed by the Manager, and the Partnership involve conflicts of interest on the part of the Manager and General Partner. In such circumstances, the Manager and General Partner may have an incentive to negotiate terms for such transactions that are favorable to the affiliated entity (or other fund) at the expense of the Partnership. It is possible that the terms of such transactions may be more favorable to affiliates (or other funds) than those that could have been obtained by the Manager or General Partner in the market on behalf of the Partnership. The Manager may also be responsible for administering the terms of these transactions and could have an incentive not to enforce them against the counterparty as strictly as an independent third party would.

The Partnership has entered into transactions with affiliated parties in the past and is expected to do so in the future. On May 8, 2023, the Partnership acquired two multi-family residential properties from KCAP RE Fund XI, LP ("RE Fund XI"), an Affiliated Fund: (i) a 264-unit apartment complex in Dallas, Texas ("Meadows at Ferguson"); and (ii) a 142-unit apartment complex in Farmer's Branch, Texas ("Villa Gardens" and, together with Meadows at Ferguson, the "Acquired Properties"). In addition, on May 8, 2023, the Partnership was assigned from RE Fund XI two executed purchase and sale agreements to purchase (A) a 217-unit apartment complex in Denton, Texas, and (B) an extended-stay-hotel-to-residential-multi-family-conversion property located in Wichita, Kansas (together, the "PSAs" and, with the Acquired Properties, the "Existing Investments"). The Partnership also intends to acquire a direct or indirect interest in one or more multi-family residential properties held by one or more Affiliated Funds, including but not limited to KCAP RE Fund III LLC, an Affiliated Fund, on a co-investment basis (each, an "Affiliated Fund Investment"). The Partnership's acquisition of the Existing Investments and its anticipated Affiliated Fund Investments involve conflicts of interest on the part of the General Partner and the Manager. The General Partner believes that the acquisition of the Existing Investments from RE Fund XI is in the best interests of the limited partners of RE Fund XI and the Limited Partners of the Partnership. Further, while the Manager intends to make the Affiliated Fund Investments on terms that the Manager believes are comparable to terms that would have been obtained by an independent third party in similar transactions, the Manager has an incentive to negotiate terms that are favorable to the Affiliated Funds, as applicable, at the expense of the Partnership. It is possible that the terms given to the Partnership in these transactions were less favorable than those that could have been obtained by the Manager in the market.

Loans to and from Affiliated Entities. From time to time the Partnership may be the borrower on loans made by other funds managed by the Manager, as well as loans made by affiliates of the Manager, including entities owned and controlled by one or more of the Manager's principals, in each case for the purpose of facilitating the acquisition and/or development of real estate owned or to be acquired by the Partnership. In addition, the Partnership may from time to time be the lender on loans secured by real estate to other funds managed by the Manager or one of its affiliates.

Loans from affiliated entities, including other funds managed by the Manager, to the Partnership, as well as loans made by the Partnership to other funds managed by affiliated entities, involve conflicts of interest on the part of the Manager and General Partner. The Manager and General Partner have an incentive to negotiate rates and terms for such loans (including collateral) that are favorable to the affiliated entity (or other fund) at the expense of the Partnership. It is possible that the rates and terms given to affiliates (or other funds) may be more favorable than those that could have been obtained by the Manager or General Partner in the market on behalf of the Partnership. The Manager is also responsible for administering the terms of these loans and has an incentive not to enforce them against the counterparty as strictly as an independent third party would.

The Partnership has borrowed money from affiliated parties in the past and is expected to do so in the future. On May 8, 2023, in connection with the Partnership's acquisition of the Existing Investments from RE Fund XI, an Affiliated Fund, the Partnership assumed the following loan obligations of RE Fund XI, as borrower: (i) Promissory Note in the principal amount of $1,076,000, dated June 29, 2022, payable to KCAP TX College Station 4, LP, an

Affiliated Fund, bearing (A) a current interest rate of 8% per annum, which is due and payable in arrears on the first business day of each month and (B) a deferred interest rate of 6% per annum, which is due and payable with any remaining principal amount owed on the earlier of June 29, 2024 (unless extended) or the occurrence of an Event of Default (as defined therein), and is unsecured and subordinated to any existing senior debt; (ii) Promissory Note in the principal amount of $3,500,000, dated December 23, 2022, payable to KCAP Hive Funding LLC, an Affiliated Fund, bearing an interest rate of 14% per annum, which such principal and interest will be due and payable by the Partnership on the earlier to occur of June 23, 2023 (unless extended) or the occurrence of an Event of Default (as defined therein), and is unsecured and subordinated to any existing senior debt; and (iii) Promissory Note in the principal amount of $3,200,000, dated February 28, 2023, payable to KCAP Villa Gardens Funding, LLC, an Affiliated Fund, bearing an interest rate of 10%, which such principal and interest will be due and payable by the Partnership on May 28, 2023, and is secured by a second position Deed of Trust relating to Villa Gardens.

Allocation of Time. Except as otherwise provided in the Partnership Agreement, the Limited Partners will delegate to the General Partner and/or the Manager the day-to-day management of the operations, business and affairs of the Partnership and the management of Partnership assets. Although the key personnel of the General Partner and the Manager intend to devote sufficient time to the Partnership so that it can carry out its proposed activities, they have significant other responsibilities and are actively engaged in other business ventures, including managing other investment partnerships and pooled investment vehicles and expect to be involved in additional investment partnerships and other pooled investment vehicles in the future. Conflicts of interest may arise in allocating management time, services or functions among the Partnership and such other existing or future partnerships and business ventures.

No Arms'-Length Negotiations. All agreements and arrangements, including those relating to compensation, expense reimbursement and indemnification between the Partnership and the General Partner, the Manager and/or their respective affiliates, are not the result of arms'-length negotiations. The General Partner will determine whether or not various affiliates of the General Partner and the Partnership are, in accordance with the Partnership Agreement, entitled to expense reimbursement, exculpation and indemnification.

Determination of Reserves. The determination of distributable cash is subject to, among other things, the discretion of the General Partner in establishing and maintaining reasonable reserves for the Partnership. As the determination of such reserves affects the amount of cash available for distribution by the Partnership and, accordingly, to the General Partner, the General Partner may have a conflict of interest in establishing the amount of such reserves.

Other Determinations of the General Partner. The General Partner has certain interests in income, gain, loss, credits, deductions and distributions. As the timing and amount of such items received by or allocated to the General Partner may be affected by various determinations by the General Partner under the Partnership Agreement, the General Partner may have a conflict of interest in respect of such determinations. See the Partnership Agreement, a copy of which accompanies this Memorandum.

Conflicts of Interests between the Partnership and Other Entities Related to the Firm. The Manager may consider investment opportunities for the Partnership that are also appropriate for Affiliated Funds and other entities affiliated with the General Partner and the Manager. In those cases, the Manager will seek to make allocations of investment opportunities in a fair and equitable manner, and will not favor or disfavor, consciously or unconsciously, any fund or class of funds in relation to any other funds. Further, the Manager will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any fund, (ii) the profitability of any fund or (iii) any person’s interest in offering or participating in co-investment opportunities outside of any fund. However, except as expressly prohibited under the Partnership Agreement and any other contractual restriction, the Manager, the General Partner and their affiliated entities will be permitted to market, organize, sponsor, act as general partner or manager or as the primary source of transactions for other investment vehicles or to engage in other investment and business activities. Such activities may raise conflicts of interest for which resolution may not be currently determinable.

Legal Representation. Egan Nelson LLP has acted as counsel to the Partnership in connection with this offering of limited partner interests in the Partnership. Egan Nelson LLP also acts as counsel to the General Partner

and the Manager. In connection with this offering and ongoing advice to the Partnership, the General Partner and the Manager, Egan Nelson LLP will not represent any Limited Partner.

Tax Representative. Pursuant to the Partnership Agreement, the General Partner (or its designee) will be the "partnership representative" (as defined in Section 6223 of the Code) of the Partnership, and as a result, the General Partner may make various determinations that are binding on all of the Partners. It is possible that issues could arise on which the General Partner or its affiliates might benefit from the General Partner taking positions as "partnership representative" that are not in the best interests of the Limited Partners.

Real Estate Risks and Risks Related to Portfolio Investments.

General Real Estate Risks. An investment in the Partnership and indirectly in the Portfolio Investments will be subject to the risks incident to the ownership and operation of real estate. Real estate historically has experienced fluctuations and cycles in value, and local market conditions may result in reductions in the value of real property. The marketability and value of real property will depend on many factors beyond the control of the Partnership, including changes in general or local economic conditions in various markets; changes in supply of, or demand for, competing properties in an area; fluctuations in interest rates; changes in the availability (or unavailability) of debt financing or mortgage funds; credit or other risks relating to the financial condition of tenants, buyers, and sellers of properties; the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions; issues relating to environmental protection and occupational safety; condemnation or other taking of property by the government; changes in real estate tax rates and operating expenses; the imposition of rent controls; energy, supply and material shortages; the availability and cost of property insurance, including insurance covering earthquake and acts of terrorism; and various uninsured or uninsurable risks and acts of God, natural disasters and other uninsurable losses.

Competition for Investments. The Partnership will encounter competition for real property investments from numerous other real estate investment partnerships, limited liability companies and trusts, as well as from individuals, corporations, bank and insurance companies' investment accounts, foreign investors and other entities engaged in real estate investment activities. Competition for investments may have the effect of increasing costs, thereby reducing investment returns to Limited Partners.

Competition within the Multi-Family Market. Competition within the multi-family market may adversely affect the operations of the Portfolio Investments and the rental demand for their communities. There are numerous housing alternatives that will compete with the Portfolio Investments' multi-family communities in attracting residents. These include other multi-family communities, condominiums and single-family homes that are available for rent in the markets in which those communities are located. If the demand for the Portfolio Investments' multi-family communities is reduced or if competitors develop and/or acquire competing multi-family communities, rental rates may drop, which may have a material adverse effect on the Portfolio Investments' (and consequently the Partnership's) financial condition and results of operations.

Local Conditions. Local conditions in the markets in which the Partnership owns multi-family communities or in which the collateral securing the Partnership's loans is located may significantly affect occupancy or rental rates at, and the values of, such properties. The risks that may adversely affect conditions in those markets include the following:

- layoffs, plant closings, relocations of significant local employers and other events negatively impacting local employment rates and the local economy;
- an oversupply of, or a lack of demand for, apartments;
- a decline in household formation;
- the inability or unwillingness of residents to pay rent increases; and

- rent control or rent stabilization laws or other housing laws, which could prevent the Portfolio Investments from raising rents.

There can be no assurance that the Portfolio Investments will be profitable or that the Partnership will realize growth in the value of its real estate properties.

Short-Term Multi-Family Community Leases. Short-term multi-family community leases expose the Portfolio Investments to the effects of declining market rent and could adversely impact their ability to make cash distributions to their equityholders (including the Partnership) and, therefore, the Partnership's ability to make cash distributions to its Limited Partners. Substantially all of the multi-family community leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, rental revenues of the Portfolio Investments may be impacted by declines in market rents more quickly than if such leases were for longer terms.

Lease Terminations. The Portfolio Investments are dependent on residents for revenue, and lease terminations could reduce the ability of the Portfolio Investments to make distributions to equityholders (including the Partnership) and, therefore, reduce the ability of the Partnership to make distributions to its Limited Partners. The success of the Partnership's real property investments is materially dependent on the financial stability of the residents of the multi-family communities. Lease payment defaults by residents could cause the Portfolio Investments to reduce the amount of distributions to equityholders (including the Partnership). A default by a significant number of residents on their lease payments would cause a loss of revenues associated with such leases and could cause the applicable Portfolio Investment to have to find an alternative source of revenue to meet mortgage payments and prevent a foreclosure if the property is subject to a mortgage. In addition, in the event of a lease default, the applicable Portfolio Investment may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-letting the subject property. If a substantial number of leases are terminated, there can be no assurance that the Portfolio Investments will be able to lease the subject properties for the rent previously received or sell the subject properties without incurring a loss.

Lease Expirations. The Portfolio Investments may be unable to renew leases or relet units as leases expire. When residents decide not to renew their leases upon expiration, the Portfolio Investments may not be able to relet such units. Even if the residents do renew or such units can be relet, the terms of renewal or reletting may be less favorable than current lease terms. If the Portfolio Investments are unable to promptly renew the leases or relet the units, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then the results of operations and financial condition of the Portfolio Investments (and therefore the Partnership) will be adversely affected.

When residents do not renew their leases or otherwise vacate their space, in order to attract replacement residents, the Portfolio Investments may be required to expend funds for capital improvements to the vacated units. In addition, the Portfolio Investments may require substantial funds to renovate a multi-family community in order to sell it, upgrade it or reposition it in the market. If the Portfolio Investments have insufficient capital reserves, they will have to obtain financing from other sources. There can be no assurance that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to the Portfolio Investments.

Properties with Vacancies. Properties that have significant vacancies could be difficult to sell, which could diminish the return on a Limited Partner's investment in the Partnership. A property may incur vacancies either by the continued default of residents under their leases or the expiration of such leases. If vacancies continue for a long length of time, then the Portfolio Investments may suffer reduced revenues resulting in decreased distributions to their equityholders (such as the Partnership). In addition, the resale value of such properties could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Difficulty of Selling Multi-Family Communities. The difficulty of selling multi-family communities could limit the Partnership's flexibility. Federal tax laws may (subject to a statutory "safe harbor") limit the ability of a Portfolio Investment to recognize a capital gain on the sale of a community (unless such community is owned through a subsidiary which will incur a taxable gain upon sale) if such Portfolio Investment is found to have held, acquired or developed the community primarily with the intent to resell the community or otherwise hold the asset as a "dealer,"

and this limitation may affect the ability of the Portfolio Investments to sell communities without adversely affecting returns to their equityholders, including the Partnership.

Development and Construction Delays and Increased Costs. An investment in real property by a Portfolio Entity will be subject to uncertainties associated with governmental approvals required for development, environmental concerns of governmental entities and/or community groups, and the contractor's ability to build or redevelop in conformity with plans, specifications, budgeted costs and timetables. If a contractor fails to perform, such Portfolio Company could resort to legal action to rescind the purchase or the construction contract or to compel performance, which would result in additional expenses. A contractor's performance may also be affected or delayed by conditions beyond the contractor's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases that could impair the investment. A Portfolio Entity may incur additional risks when it makes periodic advances to contractors before they complete construction. 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 investment and on the amount of funds available for distribution to the partners or members of a Portfolio Entity (including the Partnership) or loss of the Partnership's investment. In addition, the Portfolio Entities will be subject to normal lease-up risks relating to real property. The Portfolio Entities also must rely on rental income and expense projections and estimates of the fair market value of the project upon completion of construction.

Expedited Transactions. Investment analyses and decisions by the Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Manager at the time an investment decision is made may be limited, and the Manager may not have access to detailed information regarding the Portfolio Investment. Therefore, no assurance can be given that the Manager will have knowledge of all circumstances that may adversely affect a Portfolio Investment.

Risks of Multi-Step Transactions. If the Partnership elects to effect a transaction by means of a multi-step acquisition, there can be no assurance that all of such required steps can be successfully consummated. This could possibly result in the Partnership owning a significant real estate investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition and without being able to dispose of such position at prices equal to or greater than its purchase price.

Targeted Returns. The Partnership will make Portfolio Investments based on the Manager's and/or the General Partner's estimates or projections of internal rates of return and current returns. While the Partnership intends to make Portfolio Investments that have estimated returns commensurate with the uncertainties involved, there is no assurance that the Partnership will achieve its targeted total return on its Portfolio Investments. In addition, the General Partner may adjust the targeted returns to reflect any changes in market conditions. Loss of principal is possible for any and all of the Partnership's Portfolio Investments.

Projections. Projected operating results of a Portfolio Investment normally will be based primarily on financial projections prepared by the management of such Portfolio Investment. In all cases, projections are only estimates of future results that are based upon information received from the Portfolio Investment and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, that are not predictable, can have a material effect on the reliability of projections.

Contingent Liabilities upon Disposition. In connection with the disposition of a Portfolio Investment by the Partnership, the Partnership, the General Partner and the Manager may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties concerning a Portfolio Investment (including, but not limited to, representations and warranties about its business and financial affairs, the condition of its assets and the extent of its liabilities) generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. The Partnership, the General Partner and the Manager may also be required to indemnify the purchasers or underwriters of such investment to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities that would be borne by the Partnership.

Investment in Troubled Assets. The Partnership may make investments in nonperforming or other troubled assets that involve a degree of financial risk. In these and other instances, there can be no assurance that the Partnership's internal rate of return and/or cash multiple of invested capital objectives will be realized or that there will be any return of capital. Furthermore, investments in properties operating in workout modes or under Chapter 11 of the Bankruptcy Code may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the investor's original investment, including equitable subordination and/or disallowance of claims or lender liability. In addition, under certain circumstances, payments to the Partnership and distributions by the Partnership to Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment under applicable law.

Third-Party Involvement. The Partnership may coinvest with third parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Partnership may at any time have economic or business interests or goals that are inconsistent with those of the Partnership, or may be in a position to take action contrary to the Partnership 's investment objectives. Additionally, the co-venturer or partner may become bankrupt or otherwise insolvent. As a result, the Partnership may be unable to fully realize its expected return on any such investment. Furthermore, in certain circumstances the Partnership may be liable for actions of its co-venturers or partners.

Potential Environmental Risks. Under various federal, state or local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, any of which could have an adverse effect on the Partnership's return from any such Portfolio Investment.

Uninsured Losses. The Partnership will seek to maintain insurance coverage against liability to third parties and property damage as is customary for similar businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as terrorism, earthquakes or floods, may be unavailable, available in amounts that are less than the full market value or replacement cost of investment properties or subject to a large deductible. In addition, there can be no assurance that the particular risks that are currently insurable will continue to be insurable on an economically feasible basis. Because the Partnership is a pooled investment fund, all Partnership assets may be at risk in the event of an uninsured liability to third parties.

Leverage. Leverage may be used by the Partnership and/or its Portfolio Investments. Leverage generally magnifies both the Partnership's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage, if any, by the Partnership and/or the Portfolio Investments will also result in interest expense and other costs to the Partnership and the Portfolio Investments that may not be covered by distributions made to the Partnership or appreciation of its investments. If used, leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. In addition, any leveraged capital structure of the Portfolio Investments will increase the exposure of the Partnership's investments to any deterioration in a Portfolio Investment's condition or sector, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the leveraged Portfolio Investments in a down market. If a Portfolio Investment cannot generate adequate cash flow to meet its debt service, then the Partnership may suffer a partial or total loss of capital invested in such Portfolio Investment, which could adversely affect the returns of the Partnership. Furthermore, should the credit markets be limited or costly at the time the Partnership determines that it is desirable to sell all or a part of a Portfolio Investment, the Partnership may not achieve an exit multiple or valuation consistent with its forecasts. To the extent the Partnership incurs leverage, such amounts may be secured by the Partnership's assets.

Seller Financing. When the Partnership sells properties, the Partnership will attempt to sell them for cash. However, in some instances, it may sell properties by providing financing to the purchasers. In such cases, the Partnership bears the risk that the purchaser may default, which could negatively impact the return to the Partnership. Even in the absence of a purchaser default, cash flow to the Partnership will be delayed until the promissory notes or other property the Partnership may accept upon the sale are actually paid, sold, refinanced or otherwise disposed of. If any purchaser defaults under a financing arrangement with the Partnership, it could increase Partnership expenses and delay cash flow, negatively impacting the Partnership's ability to make distributions to the Partners and make new investments.

Americans with Disabilities Act; Fair Housing Act. The costs associated with and the risk of failing to comply with the Americans with Disabilities Act and the Fair Housing Act may affect cash available for distributions. The properties underlying the Partnership's investments are generally expected to be subject to the Americans with Disabilities Act of 1990, as amended ("Disabilities Act"). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. The Partnership will attempt to make investments in properties that comply with the Disabilities Act or place the burden on the seller or other third party to comply with such laws. However, there can be no assurance that the Partnership will be able to make investments in such properties or allocate responsibilities in such manner. If the Partnership cannot, the funds used for compliance with these laws may affect cash available for distributions.

The multi-family communities in which the Partnership will invest must comply with Title III of the Disabilities Act, to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the Disabilities Act. Compliance with the Disabilities Act could require removal of structural barriers to handicapped access in certain public areas of the Partnership's multi-family communities where such removal is readily achievable. The Disabilities Act does not, however, consider residential properties, such as multi-family communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as the leasing office, are open to the public.

The Partnership's investments also must comply with the Fair Housing Amendment Act of 1988 ("FHAA"), which requires that multi-family communities first occupied after March 13, 1991 be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of multi-family housing communities for compliance with the requirements of the FHAA and Disabilities Act and an increasing number of substantial enforcement actions and private lawsuits have been brought against multi-family communities to ensure compliance with these requirements. Noncompliance with the FHAA and Disabilities Act could result in the imposition of fines, awards of damages to private litigants, payment of attorneys' fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

Tax Risks and Considerations

Tax Considerations. For each taxable year, a Limited Partner must report its allocable share of the Partnership's income, gains, losses, deductions and credits regardless of the extent to which, or whether, it receives cash distributions from the Partnership for such taxable year, and thus, a Limited Partner may incur income tax liabilities in excess of any distributions received by such Limited Partner from the Partnership. In addition, a Limited Partner may be subject to various limitations on its ability to use its allocable share of deductions and losses of the Partnership (*e.g.,* "at risk" limitations, passive loss limitations, investment interest limitations, capital loss limitations, and limitations on the deductibility of miscellaneous itemized deductions). Furthermore, tax law changes could occur during the term of the Partnership that may adversely affect the Partnership. The United States Internal Revenue Service ("IRS") or other tax authorities may audit the Partnership and challenge any of the positions taken in regard to its formation, investments or operations, and such audit may result in an audit of a Partner's own tax returns and possibly adjustments to the tax liability reflected thereon. Similarly, tax authorities may audit the tax returns of a Portfolio Entity and challenge any of the positions taken in regard to its formation, investments or operations, and such audit may affect the tax reporting and liability of the Partnership and its Partners. The legal and accounting costs

incurred in connection with any taxing authority's review of the Partnership's tax returns will be borne by the Partnership. The cost of any review of a Partner's tax return will be borne solely by such Partner. For a more detailed discussion of these, as well as other, U.S. federal income tax consequences of an investment in the Partnership, see "*Certain Tax Considerations*."

Annual Income Tax Information. Each Partner will be furnished information on a Schedule K-1 for preparation of such Partner's individual income tax return. However, the timing of such information is subject to, among other things, the timely receipt by the Partnership of information that may be outside the control of the General Partner. Accordingly, no assurance can be provided by the Partnership in respect of the timing of such information and Limited Partners should plan to obtain extensions of time for filing their U.S. federal, state and local and non-U.S. income tax returns.

Tax-Exempt Investors and UBTI. Tax-exempt investors may recognize unrelated business taxable income ("UBTI") for U.S. federal income tax purposes from an investment in the Partnership, and such amounts of UBTI could be significant. See "*Certain Tax Considerations—Special Considerations Applicable to U.S. Tax-Exempt Investors*."

Non-U.S. Persons and Effectively Connected Income. Non-U.S. Persons investing in the Partnership may recognize "effectively connected income" from the Partnership, and such amounts of effectively connected income could be significant. See "*Certain Tax Considerations— Special Considerations for Non-U.S. Limited Partners — Net Federal Income Tax on Effectively Connected Income*."

FATCA Withholding Tax; Tax Information Exchange Regimes. The United States, pursuant to FATCA, has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. One or more of these information exchange regimes may apply to the Partnership, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). A Limited Partner's failure to provide such information may result in expulsion from the Partnership. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of certain payments attributable to investments in the United States. The Partnership may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies. See "*Certain Tax Considerations— The Foreign Account Tax Compliance Act*."

U.S. Federal Income Tax Liability Resulting from IRS Audits. U.S. federal income taxes arising from an IRS audit may be required to be paid by the Partnership itself and thus could be effectively borne by the current Partners of the Partnership even if such audit relates to a prior taxable period, unless an election otherwise is available and utilized. The General Partner, as the "partnership representative," will have the power to act on behalf of the Partnership and its Partners in all IRS audits and other proceedings involving the Partnership's U.S. federal income, loss, deductions and credits. See "*Certain Tax Considerations—Partners, Not Partnership, Subject to Tax—Tax Returns and Audits.*"

Changes in U.S. Federal Income Tax Laws. On December 22, 2017, legislation commonly referred to as the "Tax Cuts and Jobs Act" (the "TCJA") was enacted containing significant changes to U.S. federal income tax law. This Memorandum does not address all of the changes in U.S. federal income tax law that result from the TCJA. Furthermore, there is substantial uncertainty in respect of the proper interpretation of certain provisions of the TCJA, and the full implications of the TCJA for investors are not yet clear. The TCJA, as well as possible interpretations thereof or other future U.S. tax legislation and administrative guidance, could materially affect the tax consequences of a Limited Partner's investment in the Partnership and the tax treatment of the Partnership's investment in any Portfolio Investment. While some of these changes may be beneficial, others could negatively affect the after-tax returns of the Partnership and the Limited Partners. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Partnership, or of investments made by the Partnership, will not be modified by legislative, judicial or administrative changes or clarification, possibly with retroactive effect, to the detriment of the Limited Partners. See "*Certain Tax Considerations*" for additional details concerning certain specific changes made by the TCJA.

CERTAIN TAX CONSIDERATIONS

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING ALL U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP AND RECENT CHANGES IN APPLICABLE LAW.

Certain U.S. Federal Income Tax Considerations

The following discussion is a general summary of certain U.S. federal income tax consequences of acquiring, holding and disposing of limited partner interests in the Partnership. It is based upon the Code, the U.S. Treasury regulations ("Treasury Regulations") promulgated thereunder, published rulings, court decisions and other applicable authorities, all as in effect on the date hereof and all of which are subject to differing interpretations or change (possibly with retroactive effect). This summary does not purport to deal with all of the U.S. federal income tax consequences applicable to the Partnership or to all categories of investors, some of whom may be subject to special rules (including, without limitation, dealers in securities or currencies, financial institutions or "financial services entities," life insurance companies, holders of interests in the Partnership held as part of a "straddle," "hedge," "constructive sale" or "conversion transaction" with other investments, U.S. persons whose "functional currency" is not the U.S. dollar, persons who have elected "mark to market" accounting, persons who have not acquired their interests in the Partnership upon their original issuance, persons who hold their interests in the Partnership through a partnership or other entity that is a pass-through entity for U.S. federal income tax purposes, persons for whom an interest in the Partnership is not a capital asset or persons who provide or have provided directly or indirectly services to the Partnership). The tax consequences of an investment in the Partnership will depend not only on the nature of the Partnership's investments, operations and the then-applicable U.S. federal tax principles, but also on certain factual determinations that cannot be made at this time, as well as upon a particular Partner's individual circumstances. Prospective investors also should be aware that uncertainty exists concerning various tax aspects of an investment in the Partnership, including, in particular, uncertainty arising from recently enacted U.S. federal income tax legislation. See "*—Recent U.S. Tax Legislation*" below. Possible future U.S. tax legislation and administrative guidance could also materially affect the tax consequences of a Limited Partner's investment in the Partnership and the tax treatment of the Partnership's investments. No advance rulings have been or will be sought by the Partnership or any other person from the IRS or any other taxing authority regarding any matter discussed in this Memorandum. Consequently, no assurance can be provided that the tax consequences described herein will continue to be applicable or that the positions taken by the Partnership, its Portfolio Investments or their respective affiliates in respect of tax matters will not be challenged, disallowed or adjusted by the IRS or any similar state, local or foreign tax authority.

* * * * *

For purposes of this discussion, a "U.S. Person" or a "U.S. Limited Partner" is a beneficial owner of an interest in the Partnership that is (i) an individual that is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust that (A) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person, or (v) an entity that is disregarded as separate from its owner if all of its interests are owned by a single person described in clauses (i) through (iv). A "Non-U.S. Person" or "Non-U.S. Limited Partner" is a beneficial owner of an interest in the Partnership that is (or is treated as) a nonresident alien individual or foreign corporation for U.S. federal income tax purposes, not otherwise subject to special treatment under the Code and not engaged (or deemed engaged) in a U.S. trade or business as a result of activities outside of its ownership of an interest in the Partnership. If a partnership (or entity treated as a partnership for U.S. federal income tax purposes) owns an interest in the Partnership, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership.

Recent U.S. Tax Legislation

The TCJA made substantial and material changes to U.S. federal income tax law, including as may affect the taxation of an investment in the Partnership and the Partnership's investment in its Portfolio Investments, only some of which are reflected in the discussion below. The long-term effect of the significant changes made by the TCJA is uncertain, and further administrative guidance will be required in order to fully evaluate the effect of many provisions. Any technical corrections or other guidance promulgated in respect of the TCJA could have an adverse effect on the Partnership or its Partners, including indirectly by an adverse effect on the Portfolio Investments. Additionally, the TCJA changes include modifications to the treatment of certain "carried interest" distributions attributable to certain partners of a partnership that deny long-term capital gain treatment to such partners' shares of carried interest gains from sales of capital assets, as determined for U.S. federal income tax purposes, unless the asset (or the interest in the entity holding such asset) has been held for more than three years. In addition to potentially reducing the after-tax value of a recipient's share of the General Partner's carried interest, the new carried interest rules could have the effect of increasing the amount of carried interest tax distributions to which the General Partner would be entitled to receive from the Partnership, and/or a similarly situated entity in respect of a Portfolio Entity otherwise would be entitled to receive under the governing agreements of such Portfolio Entity. The foregoing considerations could cause the Partnership or the Portfolio Investments to be managed in such a way as to attempt to reduce the likelihood of application of the new carried interest rule, in a manner which could be prejudicial to Limited Partners.

Partners, Not Partnership, Subject to Tax

Partnership Status. Subject to the discussion of "publicly traded partnerships" set forth below, under current Treasury Regulations, a partnership organized under U.S. law will generally be classified as a partnership for U.S. federal income tax purposes unless it elects to be treated as a corporation for U.S. federal income tax purposes. The Partnership does not intend to elect to be classified as a corporation for U.S. federal income tax purposes. Likewise, while not free from doubt, the Partnership does not expect that any of the Portfolio Entities will be classified as a corporation for U.S. federal income tax purposes. Thus, subject to the discussion of "publicly traded partnerships" set forth below, the Partnership expects that it will be treated as a partnership for U.S. federal income tax purposes, and that each Portfolio Entity will be treated as a partnership or disregarded as an entity separate from the Partnership for U.S. federal income tax purposes.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may, depending on the nature of its income, nonetheless be taxable as a corporation if it is a "publicly traded partnership." The General Partner intends to obtain and rely on appropriate representations and undertakings from each Limited Partner in order to ensure that the Partnership is not treated as a publicly traded partnership. In addition, it is anticipated that the Portfolio Entities will operate in a manner so that they are not treated as a publicly traded partnership. If, however, for any reason the Partnership or one or more of the Portfolio Entities were to be treated as a corporation for U.S. federal income tax purposes, the Partnership or such Portfolio Entity, as applicable, would be taxable as a corporation and such status would likely result in materially adverse direct and indirect tax effects on the Partnership and its Partners.

The discussion below assumes that the Partnership will be treated as a partnership for U.S. federal income tax purposes, and that each Portfolio Entity will be treated as a partnership or disregarded as an entity separate from the Partnership for U.S. federal income tax purposes. No application has been or is contemplated to be made to the IRS for a ruling on the classification of the Partnership or any Portfolio Entity for tax purposes.

Taxation of the Partnership. As a partnership or disregarded entity, as applicable, neither the Partnership nor any of the Portfolio Entities will itself be subject to U.S. federal income tax (unless the Partnership or a Portfolio Entity treated as a partnership for federal income tax purposes fails to make an election pursuant to Section 6226 of the Code as discussed below under "*—Tax Returns and Audits*").

Taxation of Limited Partners. Each Limited Partner will be required to report on its U.S. federal income tax return, and will be subject to tax in respect of, its distributive share of each item of the Partnership's income, gain, loss, deduction and credit for each taxable year of the Partnership ending with or within the Limited Partner's taxable year. See "*—Allocations of Income, Gain, Deduction, Loss and Credit*" below. Each item generally will have the same character as if the Limited Partner had realized the item directly. Limited Partners must report these items

regardless of the extent to which, or whether, they receive cash distributions from the Partnership for such taxable year, and thus may incur income tax liabilities in excess of any distributions from the Partnership. Moreover, the Partnership may be deemed to invest in certain securities, such as original issue discount obligations, which could cause the Partnership, and consequently the Limited Partners, to recognize taxable income without receiving any cash.

The Partnership's fiscal year will be the calendar year, unless the Code requires a year other than the calendar year to be used as the taxable year, in which case the fiscal year will be the taxable year required by the Code.

The Partnership will provide each Limited Partner with the information required to report its allocable share of the Partnership's tax items for U.S. federal income tax purposes. However, the ability of the Partnership to provide Limited Partners with such information will be dependent on the receipt of information that may be outside the General Partner's control. Thus, the receipt of such information by a Limited Partner may be significantly delayed beyond the date on which a Limited Partner's tax return is due. Limited Partners should be prepared to obtain extensions of time to file their tax returns. Each Limited Partner is responsible for keeping its own records for determining such Limited Partner's tax basis in its interest in the Partnership and calculating and reporting any gain or loss resulting from a Partnership distribution or disposition of an interest in the Partnership.

Pass-Through Items of the Partnership. The remainder of this discussion describes the U.S. federal income tax consequences of the realization of items of income, gain, deduction, loss and credit by the Partnership and the allocations thereof to the Limited Partners. Unless otherwise specified, references in the subsequent discussion to the realization of items by the Partnership also, as applicable, include an initial realization of such items by one or more applicable Portfolio Entities, and then the allocation of such items from such Portfolio Entity to the Partnership (in the case of any Portfolio Entity treated as a partnership for U.S. federal income tax purposes) or attribution of such items to the Partnership (in the case of any Portfolio Entity that is disregarded for U.S. federal income tax purposes).

Allocations of Income, Gain, Deduction, Loss and Credit. Pursuant to the Partnership Agreement, the Partnership's items of taxable income, gain, loss, deduction and credit are allocated so as to take into account the varying interests of the Partners over the term of the Partnership. Section 704(b) of the Code provides that a partner's distributive share of items of partnership income, gain, loss, deduction and credit will be determined in accordance with the partnership agreement if such allocations have "substantial economic effect," but must otherwise be determined in accordance with such partner's economic interest in such partnership. The General Partner believes the allocations provided for by the Partnership Agreement should comply with Section 704(b) of the Code. It is possible that the IRS may challenge the Partnership's allocations as lacking "substantial economic effect" and attempt to reallocate items of income, gain, loss, deduction or credit. Any such reallocation of tax items may have adverse tax and financial consequences to a Limited Partner.

Tax Treatment of Distributions. A Limited Partner generally will not recognize gain or loss on the receipt of a distribution of cash or property from the Partnership or as a result of the receipt of cash or other property by the Partnership from any Portfolio Entity that is treated as a partnership or disregarded entity for U.S. federal income tax purposes. A Limited Partner, however, will recognize gain on the receipt of a distribution of money and, in some cases, marketable securities, from the Partnership (including any constructive distribution of money resulting from a reduction of the Limited Partner's share of the indebtedness of the Partnership) to the extent such cash distribution or the fair market value of certain marketable securities distributed exceeds such Limited Partner's "adjusted tax basis" (as defined below) in its interest in the Partnership. Such distribution would constitute taxable income to such Limited Partner and would be treated as gain from the sale or exchange of its interest in the Partnership. The Partnership would likewise recognize gain on such a distribution from a Portfolio Entity that is treated as a partnership for U.S. federal income tax purposes. The recognition of gain by the Partnership that passes through to a Limited Partner should result in an increased basis in the Limited Partner's interest in the Partnership, preventing double recognition of gain. Generally, if a Limited Partner has held its interest in the Partnership (or the Partnership has held its interest in a Portfolio Entity treated as a partnership for U.S. federal income tax purposes) for more than one year, any such gain will be long-term capital gain.

A Limited Partner will recognize gain on the complete liquidation of its interest in the Partnership only to the extent the amount of money received (actually or constructively) exceeds its adjusted tax basis in its interest in the Partnership. Distributions of certain marketable securities are treated as distributions of money for purposes of determining gain. Any gain recognized by a Limited Partner on the receipt of a distribution from the Partnership

generally will be capital gain, but may be taxable as ordinary income, either in whole or in part, under certain circumstances. See "— *Sale or Transfer of Interests in the Partnership*" below. No loss can be recognized on a distribution in liquidation of an interest in the Partnership, unless the Limited Partner received no property other than money, "unrealized receivables" and "inventory" (as those terms are defined in the Code). For purposes of this restriction, marketable securities are not treated as money, unrealized receivables or inventory. The foregoing rules would also apply to the Partnership's interest in any Portfolio Entity classified as a partnership for U.S. federal income tax purposes.

A Limited Partner's initial tax basis in its interest in the Partnership generally will be equal to such Limited Partner's initial capital contribution to the Partnership. A Limited Partner's adjusted tax basis in its interest in the Partnership generally will be equal to such Limited Partner's initial tax basis, (i) increased by the sum of (A) any additional capital contribution such Limited Partner makes to the Partnership, (B) the Limited Partner's allocable share of the income of the Partnership, and (C) increases in the Limited Partner's allocable share of the indebtedness of the Partnership, and (ii) reduced, but not below zero, by the sum of (A) the Limited Partner's allocable share of the losses of the Partnership, and (B) the amount of money or the adjusted tax basis of property distributed to such Limited Partner, including constructive distributions of money resulting from reductions in such Limited Partner's allocable share of indebtedness of the Partnership.

Limitations on Deductibility of Partnership Deductions and Losses. A Limited Partner generally is allowed to deduct its allocable share of Partnership losses (if any) only to the extent of such Limited Partner's adjusted tax basis in its interest in the Partnership at the end of the taxable year in which the losses occur. In addition, Limited Partners who are individuals, trusts, partnerships or certain closely-held corporations could be subject to various limitations on their ability to deduct their allocable share of deductions and losses of the Partnership against other income. Such limitations include, but are not limited to, those relating to amounts "at risk" (as defined under Section 465 of the Code), "investment interest" (as defined under Section 163 of the Code and discussed more fully below), and miscellaneous itemized investment expenses (under Sections 67 and 68 of the Code).

The Code restricts individuals, certain non-corporate taxpayers and certain closely-held corporations from taking into account for U.S. federal income tax purposes any Partnership net loss in excess of the amounts for which such Partner is "at risk" in respect of its interest in the Partnership as of the end of the Partnership's taxable year in which such loss occurs. The amount for which a Partner is "at risk" in respect of its interest in the Partnership generally is equal to its adjusted tax basis for such interest, less any amounts borrowed (i) in connection with its acquisition of such interest for which it is not personally liable and for which it has pledged no property other than its interest in the Partnership; (ii) from persons who have a proprietary interest in the Partnership and from certain persons related to such persons; or (iii) for which the Partner is protected against loss, through nonrecourse financing, guarantees or similar arrangements.

As a result of the TCJA, most miscellaneous itemized deductions (*e.g.*, investment advisory fees, tax preparation fees, unreimbursed employee expenses and subscriptions to professional journals) are disallowed for non-corporate U.S. taxpayers for taxable years through December 31, 2025. Based on the anticipated activities of the Partnership in respect of the Portfolio Investments, certain of the Partnership's expenses as well as an allocable share of certain of the expenses attributable to the Portfolio Investments generally may be subject to such disallowance of deduction as investment expenses. Limited Partners that are corporations for U.S. federal income tax purposes are not affected by limitations on miscellaneous itemized deductions, but such limitations do apply to individual stockholders of Limited Partners that are classified as S corporations.

In addition, the TCJA imposes new limitations on the deductibility of certain expenses and losses attributable to an investment in an entity classified as a partnership or disregarded entity for U.S. federal income tax purposes that is engaged in a trade or business (hereinafter, a "Flow-Through Investment"). Very generally, a Limited Partner's allocable share of the net interest expense attributable to a Flow-Through Investment will be deductible by such Limited Partner only to the extent that such interest expense does not exceed 30% of the Limited Partner's allocable share of the applicable Flow-Through Investment's "adjusted taxable income" for the applicable taxable year. A Flow-Through Investment's adjusted taxable income generally means its ordinary taxable business income computed without reduction for any business interest expense. Interest that is not deductible in the year incurred because of the business interest limitation may be carried forward and deducted in a future year in which the taxpayer has sufficient adjusted taxable income. This limitation on interest deductibility also applies to interest expense incurred by corporate entities.

This limitation may increase the tax liability of Limited Partners attributable to Flow-Through Investments, potentially decreasing the after-tax returns of the Partnership and its Partners.

In addition, all investment interest expense incurred by the Partnership (directly or indirectly, through the Portfolio Entities) and allocable to a Limited Partner and/or any interest attributable to any amount borrowed by such Limited Partner to purchase an interest in the Partnership or to make a capital contribution to the Partnership, that is not treated as business interest expense will generally be subject to the investment interest deduction limitation. Under that limitation, the ability to deduct such interest is limited to the Limited Partner's net investment income for the taxable year. For this purpose, "net investment income" generally excludes net long-term capital gains and "qualified dividend income" (See "*Tax Treatment of Partnership Investments—Preferential Tax Rates*" below), except to the extent the taxpayer elects to forgo the preferential rate of taxation on such amounts, and income that is considered to arise from a passive activity.

In addition, to the extent that a non-corporate Limited Partner's allocable share of a loss attributable to a Flow-Through Investment is otherwise available for use after application of the at-risk and passive loss limitations, such loss may be treated as an "excess business loss." Under the TCJA, for taxable years beginning after December 31, 2020 and before January 1, 2026, a non-corporate U.S. Limited Partner may use an excess business loss to offset other income only up to a specified dollar amount (for 2023, generally $289,000, or $578,000 in the case of married taxpayers). Any disallowed excess business loss generally will be added to the U.S. Limited Partner's net operating loss and may be carried over to future years. The deductibility of net operating loss carryforwards is subject to further limitations.

Because of some of the foregoing limitations, it is possible that in the situation in which the Partnership, including through its investment in Portfolio Entities, has losses, certain Limited Partners may not be able to use those losses against other income they may have. Also, if the Partnership has losses from some activities and income from different activities, certain Limited Partners may not be able to net such Partnership losses against such Partnership income. Each prospective investor should consult with its own tax advisor regarding the application of these rules to it in respect of an investment in the Partnership.

Qualified Business Income Deduction for Non-Corporate Limited Partners. As a result of the TCJA, certain non-corporate Limited Partners may be eligible for a deduction equal to a portion of the income allocated to them that is attributable to Flow-Through Investments and certain other investments. In general, a U.S. taxpayer other than a corporation is entitled to a deduction equal to 20% of the taxpayer's "qualified business income," subject to certain limitations. "Qualified business income" is generally the sum of the taxpayer's income from qualified trades or businesses to the extent such income is effectively connected with the conduct of a trade or business within the United States, but generally excludes capital gains and dividend income. Although many types of businesses are qualified trades or businesses, certain real estate businesses are ineligible, and it is uncertain whether the activities attributable to any Portfolio Investment will qualify. In respect of each taxable year, the 20% deduction is generally subject to a cap based on a Limited Partner's allocable share of the wages paid and/or capital invested in respect of the applicable qualified trade or business. Accordingly, because of the foregoing limitations and the complexity associated with determining the amount of qualified business income and the applicable deduction limitations allocable to any Limited Partner, there can be no assurances that any of a Limited Partner's income attributable to the Partnership will be qualified business income or that (if a portion of such income may constitute qualified business income) the Partnership will be able to provide individual Limited Partners with information sufficient to calculate their deductions in respect of such income.

AMT Considerations. Prospective non-corporate investors may be subject to the U.S. alternative minimum tax ("AMT") and should consider the tax consequences of an investment in the Partnership in view of their AMT position, taking into account the special rules that apply in computing the AMT, including the adjustments to depreciation deductions, the special limitations on the use of net operating losses, and in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for state and local taxes. The TCJA repealed the alternative minimum tax as applicable to corporations but retained the AMT for non-corporate taxpayers with increased AMT exemption amounts. Accordingly, there can be no assurance as to whether the prospective non-corporate Limited Partners will be subject to the AMT.

Tax Returns and Audits. The Partnership will distribute to each Partner a report containing all Partnership information necessary in the preparation of the Partners' U.S. federal income tax returns after the end of each calendar year. The General Partner will decide how items will be reported on the Partnership's tax returns and reports, and all Partners are generally required under the Code to treat the items consistently on their own returns. The Partnership's tax returns are subject to review by the IRS and other taxing authorities, which may dispute the Partnership's tax positions, including each Partner's distributive share of tax items. Any recharacterization or adjustments resulting from an audit may require Partners to file amended tax returns and pay additional income taxes, interest or penalties.

The Bipartisan Budget Act of 2015 (the "Budget Act") established the rules applicable to certain administrative and judicial proceedings regarding a partnership's U.S. federal income tax affairs. In general, under the Budget Act, any deficiency in U.S. federal income taxes for prior taxable years may be collected from the Partnership itself in the year of the audit adjustment, which could cause the economic burden of U.S. federal income tax liability arising on an audit of the Partnership to be borne by the Partners based on their interests in the Partnership at such time, even though such tax liability is attributable to an earlier taxable year in which the interests in the Partnership or identity of some or all of the Partners was different. Notwithstanding, the General Partner, as the partnership representative, will be authorized to elect, to the extent allowable by applicable law, the application of Section 6226 of the Code. If the General Partner elects for the application of Section 6226 of the Code, then the Partners shall take into account and report to the IRS any adjustment to their items for the reviewed year as notified to them by the Partnership in a statement, in the manner provided in Section 6226(b) of the Code.

The Budget Act may allow the Partnership, in calculating taxes imposed on the Partnership in respect of audit adjustments, to take into account certain applicable lower rates based on the statuses of certain Partners, which may require Partners to provide certain information to the Partnership (possibly including information about the owners of Partners classified as partnerships). Certain Partners may also file amended tax returns, which may also reduce the tax liability applicable to the Partnership and its other Partners. However, there can be no assurance that any conditions to such adjustments or alternative procedures can be satisfied or that such alternative procedures will be elected in any instance.

The partnership audit rules described above may also apply to audits of any Portfolio Entity treated as a partnership, which may result in Partners of the Partnership bearing the economic burden of taxes as the result of audit adjustments made by the IRS in respect of a Portfolio Entity for a taxable year prior to the time the Partners acquired an interest in the Partnership or the Partnership acquired an interest in such Portfolio Entity.

Any U.S. federal income taxes (and any related interest and penalties) paid, or borne, by the Partnership, and any U.S. federal income taxes (and any related interest and penalties) paid, or borne, by a Portfolio Entity that is a treated as a partnership (to the extent such taxes are attributable to the Partnership), in respect of IRS audit adjustments at the Partnership level or Portfolio Entity level will be allocated by the General Partner to, and will be borne by, the Partners pursuant to the terms of the Partnership Agreement and Partners may be required to indemnify the Partnership for their share of taxes (and any related interest and penalties) in such circumstances.

Limited Partners should discuss with their own tax advisors the possible implications of the above audit rules in respect of an investment in the Partnership.

Tax Treatment of Partnership Investments

In General. The Partnership expects to act as an investor, and not as a dealer, in respect of its acquisition of Portfolio Investments. An investor is a person who buys and sells securities for its own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation.

Gains and Losses. Generally, the gains and losses realized by an investor on the sale of assets are capital gains and losses. Thus, subject to the treatment of certain portions of gain from the sale of a Portfolio Investment (either directly or via the sale of a Portfolio Entity) as ordinary income, the Partnership expects that its gains and losses from a sale of its interest in Portfolio Investments typically will be capital gains and capital losses. See "*—Tax Treatment on Sale of an Interest in the Partnership*" below. These capital gains and losses may be long-term or short-term, depending, in general, upon the length of time that the Partnership holds its interest in such Portfolio Investments.

Interests in a Portfolio Investment held for more than one year generally will be eligible for long-term capital gain or loss treatment. See "*—Preferential Tax Rates*" below.

Interest. Limited Partners generally will be taxable on their allocable share of the Partnership's interest income, if any, at ordinary income tax rates, when such amounts are included in the Partnership's taxable income under its chosen method of accounting.

Income Associated with Portfolio Entities. The Partnership may have no ability to control important aspects associated with the investments of Portfolio Entities in respect of which there are other participants, including the character of any gains or income allocated in respect of such investments, the ability to make Section 754 elections (as further described below), and the amount or timing of cash distributed by such Portfolio Entities. These restrictions may also cause the Partners to be allocated Partnership income in excess of cash distributions for a particular year.

The purchase price paid by the Partnership for its interest in any Portfolio Entity that is a partnership or other "pass through" entity acquired in a secondary market transaction generally will not be reflected in the tax basis of the assets held by the Portfolio Entity unless the Portfolio Entity has in effect an election under Section 754 of the Code. If no such election is in effect, the Partnership may realize taxable gains on later sales of those assets even though it would have realized smaller gains (or even losses) if the Portfolio Entity's tax basis in the assets sold had reflected the price paid by the Partnership for its interest in the Portfolio Entity. These gains would be allocated to the Partnership for further allocation to the Partners. The Partners subsequently might be able to claim a tax loss deduction to offset the "artificial" gains they realized earlier, but only at the time of the Portfolio Entity's final liquidating distributions and provided that those distributions were made in cash. If the Portfolio Entity had a Section 754 election in effect for the year during which the Partnership acquired its interest, the Partnership's share of the Portfolio Entity's tax basis in its assets would be increased (or decreased, as the case may be) to reflect the purchase price paid (including its proportionate share of liabilities) by the Partnership for its interest in the Portfolio Entity. In that event, taxable gains (or losses) realized by the Partnership (and allocated to the Partners) on later sales of those assets generally would be limited to the appreciation (or depreciation) occurring after the Partnership's acquisition of its interest in the Portfolio Entity, and no acceleration of the Partner's tax liability would occur in the manner described above.

Non-Cash Income. The Partnership may participate in reorganizations, restructurings and other transactions involving Portfolio Investments in which it receives securities or other property in exchange for securities. To the extent that these transactions are subject to tax, the Partnership may be required to recognize income without the receipt of cash in respect of such income.

Organizational or Syndication Expenses. In general, neither the Partnership nor any Limited Partner may deduct organizational or syndication expenses. An election may be made by a partnership to amortize organizational expenses (including, for example, filing, legal and accounting fees incident to formation of the partnership and in preparing the partnership agreement) and other start-up costs over a period of 180 months; provided, however, that up to $5,000 of such organizational expenditures and $5,000 of start-up costs may be deducted in full as a current business expense (subject to reduction if the aggregate of such category of expenditures exceeds $50,000). If the Partnership is liquidated prior to the end of the amortization period, then unamortized organizational expenses may be deducted to the extent allowable under Section 165 of the Code. Syndication expenses must be capitalized and cannot be amortized or otherwise deducted. As such, the capitalization of such syndication expenses may result in increased capital loss or decreased capital gain on the disposition or liquidation of an interest in the Partnership. It is possible that the IRS may attempt to recharacterize any costs treated as organization costs as non-amortizable syndication costs. The foregoing rules also apply to the Partnership's Portfolio Entities.

Preferential Tax Rates. For individuals, the maximum ordinary income tax rate is currently 37% and the maximum income tax rate for most long-term capital gains is currently 20%, although in either case the effective rate may be higher due to the phase out of certain tax deductions and exemptions. An individual taxpayer may offset capital losses against capital gains. To the extent an individual taxpayer's capital losses in a given year exceed his or her capital gains for such year, such excess may be used to offset up to an additional $3,000 of such individual taxpayer's ordinary income in such year. Any unused portion of such excess can be carried forward to future years (but not carried back to prior years) to be offset in such future years against the individual taxpayer's capital gains plus up to $3,000 of ordinary income. For corporate taxpayers, capital gains are taxed at the same rates as ordinary income, with a maximum tax rate of 21%. Capital losses may be offset only against capital gains and unused capital losses

may in the case of corporate taxpayers be carried back three years (subject to certain limitations) and carried forward five years.

Certain Limited Partners who are individuals, estates or trusts will be subject to an additional 3.8% Medicare contribution tax on certain investment income, including, among other amounts, dividends and interest on and capital gains from the sale or disposition of certain property. Each prospective investor should consult with its own tax advisor to determine the impact, if any, of this additional tax on its investment in the Partnership.

Sale or Transfer of Interests in the Partnership

A sale of all or part of a Limited Partner's interest in the Partnership will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds or distribution (including any constructive distribution) and such Limited Partner's adjusted tax basis for the portion of the interest in the Partnership disposed of. Such Limited Partner's adjusted tax basis will be adjusted for this purpose by its allocable share of the Partnership's income or loss for the year of such sale. Any gain or loss recognized in respect of such a sale generally will be treated as capital gain or loss and will be long-term capital gain or loss if the interest in the Partnership has been held for more than one year. To the extent that the proceeds of the sale are attributable to a Limited Partner's allocable share of certain ordinary income items of the Partnership and such proceeds exceed the Limited Partner's adjusted tax basis attributable to such ordinary income items, any gain will be treated as ordinary income. A Limited Partner will be required to recognize the full amount of any such ordinary income even if that amount exceeds the overall gain on the sale and even if the Limited Partner recognizes an overall loss on the sale. The foregoing tax treatment would also apply to a sale by the Partnership of its interest in a Portfolio Entity that is classified as a partnership for U.S. federal income tax purposes.

The General Partner may make an election under Section 754 of the Code to adjust the tax basis of Partnership assets upon (i) the sale or exchange of an interest in the Partnership pursuant to rules under Sections 743(b) and 755 of the Code and (ii) a distribution of property (including cash) to a Limited Partner under Sections 734(b) and 755 of the Code (the "Basis Adjustment Rules"). In the case of a sale or exchange of an interest in the Partnership (or death of an individual Limited Partner), the adjustment to the tax basis of the Partnership assets generally will be made solely with respect to the transferee Limited Partner's interest therein. The election could benefit the transferee if the Partnership's assets have appreciated in value. If the election were made and there were many transfers, however, the calculation of the adjustments and the necessary recordkeeping to implement such an election could become complex. In certain circumstances, the Basis Adjustment Rules are mandatory, but those circumstances may not apply to the Partnership. If basis adjustments are required, however, the General Partner will cause the Partnership to comply with such requirement.

Special Considerations Applicable to U.S. Tax-Exempt Investors

Tax-exempt organizations are generally subject to U.S. federal income tax on a net basis on their unrelated business taxable income ("UBTI"). UBTI is defined generally as any gross income derived by a tax-exempt organization from an unrelated trade or business that it regularly carries on, less the deductions directly connected with that trade or business. UBTI generally does not include any dividend income, interest income, certain real property rents (or certain other categories of passive income) or capital gains recognized by a tax-exempt organization so long as such income is not debt financed, as discussed below.

It is possible that the Partnership, in respect of its investment in the Portfolio Investments, may invest in partnerships, limited liability companies and other flow-through entities that are engaged in business or otherwise generate UBTI. Because of the "flow-through" principles applicable to partnerships and limited liability companies, the Partnership's ownership of the Portfolio Investments (whether directly or indirectly through the Portfolio Entities) will give rise to UBTI to the extent such Portfolio Investments generate trade or business income or other income that is treated as UBTI. Each tax-exempt Partner generally will be subject to U.S. federal income tax on its distributive share of any UBTI earned by the Partnership (and the receipt of UBTI could give rise to additional tax liability for certain limited categories of tax-exempt investors). UBTI may arise in other ways as well in relation to the Partnership, including guaranteeing activities of the Partnership or in respect of Portfolio Investments.

As a result of the TCJA, a tax-exempt Partner with an interest in more than one unrelated trade or business will now be required to separately compute its UBTI in respect of each separate trade or business and as a result, deductions or losses from one unrelated trade or business generally may not be used to offset UBTI from a different unrelated trade or business. Recently promulgated IRS guidance allows tax-exempt Partners to net UBTI arising from the underlying trade or business activities of certain fund partnership investments, if the tax-exempt Partner holds an interest in the Partnership that constitutes a "qualifying partnership interest" by meeting either a de minimis test or a control test. However, no assurance can be provided that this exception will apply to an investment in the Partnership, or that subsequent guidance will not take a contrary position in the future.

The exclusion from UBTI for dividends, interest, rents (or other passive income) and capital gains does not apply to income from "debt-financed property," which is treated as UBTI to the extent of the percentage of such income that the average acquisition indebtedness in respect of the property bears to the average tax basis of the property for the taxable year. Acquisition indebtedness is debt incurred by a tax-exempt entity directly, or through a partnership or other flow-through entity, (i) in acquiring or improving property, (ii) prior to acquiring or improving property, if the indebtedness would not have been incurred but for such acquisition or improvement, or (iii) after acquiring or improving property, if the indebtedness would not have been incurred but for such acquisition or improvement and the incurrence was reasonably foreseeable at the time of the acquisition or improvement. Gain attributable to the sale of previously debt-financed property continues to be subject to these rules for 12 months after any acquisition indebtedness is satisfied. Debt-financed income generally may be reduced by allowable deductions directly connected with the income. If the Partnership or any Portfolio Entity treated as a partnership for U.S. federal income tax purposes incurs acquisition indebtedness, then a tax-exempt U.S. Limited Partner would generally be deemed to have acquisition indebtedness equal to its allocable portion of such acquisition indebtedness. Moreover, if a tax-exempt U.S. Limited Partner incurs indebtedness to acquire its interest in the Partnership, then such indebtedness would also be acquisition indebtedness. It is anticipated that the Partnership will incur indebtedness to acquire one or more Portfolio Investments or in the course of its ownership of such Portfolio Investments. Accordingly, it is likely that income generated by the Partnership will be considered to be income from debt-financed property.

Section 4965 of the Code imposes excise taxes on certain tax-exempt entities and/or their managers if the entity is a party to a "prohibited tax shelter transaction" (as defined in Section 4965 of the Code). Under IRS guidance, a tax-exempt U.S. Limited Partner and/or its managers may be subject to excise taxes under Section 4965 of the Code as a result of transactions entered into by the Partnership or Portfolio Entities only if the Partnership or such Portfolio Entities enter into a prohibited tax shelter transaction that is facilitated by reason of the tax-favored status of the tax-exempt U.S. Limited Partner. The Partnership does not intend to enter into any prohibited tax shelter transaction that is facilitated by reason of the tax-favored status of any tax-exempt U.S. Limited Partner.

A tax-exempt entity deriving gross income characterized as UBTI that exceeds $1,000 in any taxable year is obligated to file a U.S. federal income tax return, even if it has no liability for that year as a result of deductions against such gross income, including an annual $1,000 statutory deduction.

The potential for having income characterized as UBTI may have a significant effect on any investment by a tax-exempt entity in the Partnership and may make investment in the Partnership unsuitable for some tax-exempt entities. Tax-exempt investors should consult their own tax advisors regarding all aspects of UBTI.

Special Considerations for Non-U.S. Limited Partners

Net Federal Income Tax on Effectively Connected Income. Non-U.S. Limited Partners that invest directly in the Partnership generally will be subject to U.S. federal income tax on their distributive share of the taxable income of the Partnership that is deemed to be "effectively connected" with a U.S. trade or business as if they were U.S. citizens or residents, regardless of whether the Partnership makes any cash distributions. Generally, Non-U.S. Limited Partners that invest directly in the Partnership will be required to file a U.S. federal income tax return with respect to their distributable share of the Partnership's effectively connected income.

It is possible that the Partnership's investment in the Portfolio Investments will be deemed to constitute a U.S. trade or business. If so, Non-U.S. Limited Partners would be considered engaged in a U.S. trade or business. Income and gain from any such Portfolio Investments, including a portion of gain on the sale or redemption of interests

in the Partnership, may be treated as effectively connected with the conduct of a U.S. trade or business and thus be subject to U.S. federal income tax. Generally, the Partnership would be required to withhold at the highest applicable tax rate (or, if applicable, in certain circumstances, a lower capital gains tax rate with respect to non-corporate Non-U.S. Limited Partners) from effectively connected income allocable to Non-U.S. Limited Partners. In addition, Non-U.S. Limited Partners would be required to file U.S. federal income tax returns with respect to such income. Any Non-U.S. Limited Partners that are non-U.S. corporations may also be subject to a 30% branch profits tax on their share of certain effectively connected earnings and profits, although the applicable rate may be reduced under applicable tax treaties.

The TCJA provides that the sale of an interest in a partnership by a foreign individual or corporation is treated as effectively connected income to the extent that a hypothetical sale of the partnership's assets would give rise to effectively connected income. The TCJA also requires that the purchaser of a partnership interest from a foreign person withhold 10% of the purchase price and pay that amount to the IRS. Non-U.S. Limited Partners should consult their tax advisors regarding the possible implications of this withholding regime.

In addition, regardless of whether the activities of the Partnership constitute a U.S. trade or business, Non-U.S. Limited Partners will be taxable on any gain derived from the disposition of a U.S. real property interest (a "USRPI") as if such gain were effectively connected income. A USRPI includes interests in U.S. real estate and certain U.S. corporations that hold predominantly U.S. real estate investments. Generally, a debt instrument would not be a USRPI so long as it represents an interest "solely as a creditor." An interest solely as a creditor does not include, however, an interest that provides for any direct or indirect right to share in the appreciation in value of, or the gross or net proceeds or profits generated by, real property (such as a right to contingent interest payments based upon the income from or value of the real property securing such loan).

Generally, the Partnership will be required to withhold at the highest applicable tax rate (or, if applicable, in certain circumstances, a lower capital gains tax rate with respect to non-corporate Non-U.S. Limited Partners) on any gain attributable to dispositions of U.S. real property interests (including the Portfolio Investments, whether directly or through a disposition of a Portfolio Entity) allocable to any non-U.S. Limited Partners. The 30% branch profits tax may also apply to corporate Non-U.S. Limited Partners. In addition, a purchaser may be required to withhold 15% of the purchase price upon a sale of an interest in the Partnership by a Non-U.S. Limited Partners if, among other requirements, the Partnership's gross assets consist of at least 50% USRPIs.

There can be no assurance that Non-U.S. Limited Partners will not be treated as engaged in a U.S. trade or business or will not be required to file U.S. tax returns or pay such U.S. taxes with respect to any investment. Accordingly, Non-U.S. Limited Partners are urged to consult with their own tax advisors regarding the possible consequences of an investment in the Partnership.

Withholding on Interest, Dividends, Rents and Other Income. Non-U.S. Limited Partners generally will be subject to U.S. withholding tax at a 30% rate on the gross amount of their allocable share of the Partnership's interest, dividends, rents and other fixed or determinable annual or periodical income received from sources within the United States if such income is not treated as effectively connected with a trade or business within the United States. The Partnership generally would be required to withhold and pay over to the IRS such 30% withholding tax. The 30% rate may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which a Non-U.S. Limited Partner resides or is organized, provided, that the Non-U.S. Limited Partner provides the required certification (generally, on IRS Form W-8BEN or W-8BEN-E, as applicable) to the Partnership. The 30% withholding tax does not apply to certain portfolio interest on obligations of U.S. persons (provided certain requirements are met and the required certification is made by the Non-U.S. Limited Partner).

Each prospective Non-U.S. Limited Partner should consult its own tax advisor regarding the U.S. federal income tax consequences of an investment in the Partnership.

The Foreign Account Tax Compliance Act

Sections 1471 to 1474 of the Code and the U.S. Treasury Regulations promulgated thereunder ("FATCA") impose certain increased certification requirements and information reporting for Non-U.S. Limited Partners. In the event of noncompliance with FATCA, a 30% withholding tax could be imposed on payments of interest, dividends,

rents or other fixed or determinable annual or periodic income and potentially gross proceeds from the sale or other disposition of interests in the Partnership. Currently proposed regulations would, if finalized in their current form, eliminate withholding on gross proceeds. FATCA should not apply to Non-U.S. Limited Partners who are individuals and provide a properly completed Form W-8. However, payments in respect of interests in the Partnership to Non-U.S. Limited Partners who are individuals could be affected by this withholding if such Non-U.S. Limited Partners hold interests in the Partnership through a non-U.S. person (e.g., a foreign bank or broker) that fails to comply with these requirements. Non-U.S. Limited Partners are encouraged to consult their tax advisors regarding the possible implications of FATCA on their investment in an interest in the Partnership.

Tax Return Disclosure and Investor List Requirements

Legislation and IRS pronouncements directed to tax shelter activity require the reporting and maintenance of information in connection with various transactions involving partnerships, including some that would not conventionally be regarded as tax shelters. In general, these rules require persons filing U.S. federal income tax returns to disclose certain information on IRS Form 8886 if they participate in a "reportable transaction." Furthermore, certain material advisors are required to maintain lists of investors in these transactions and to provide such lists to the IRS upon request. For the avoidance of doubt, neither the General Partner nor the Partnership has placed a limitation on disclosure by investors of the tax treatment or tax structure of the transactions relating to the formation of the Partnership and its investment in the Portfolio Investments and all materials of any kind (including opinions or other tax analyses) that are provided to the investor relating to such tax treatment or tax structure, it being acknowledged that "tax treatment" or "tax structure" do not include the name or identifying information of the Partnership or any parties to a transaction. The General Partner does not anticipate that the formation of the Partnership or the transactions anticipated to be conducted by the Partnership will be reportable transactions under applicable Treasury Regulations and other IRS guidance. However, such conclusion is dependent on various assumptions regarding the Partnership's operations. Limited Partners should consult their own tax advisors concerning any possible disclosure obligation in respect of their investment and should be aware that the General Partner and the Partnership intend to comply with such disclosure and investor list maintenance requirements as they determine apply to them in respect of the Partnership and any transactions conducted by the Partnership.

State and Local Tax Considerations

In addition to the U.S. federal income tax consequences described above, prospective Limited Partners should consider the potential state and local tax consequences of an investment in the Partnership. State and local tax laws often differ from U.S. federal tax laws in respect of, among other things, the treatment of specific items of income, gain, loss, deduction and credit. The Partnership, as well as the Partners, may be subject to various state and local taxes. A Partner's allocable share of the taxable income or loss of the Partnership generally will be required to be included in determining such Partner's reportable income for state and local tax purposes in the jurisdiction(s) in which the Partner is subject to taxation. Each Limited Partner should consult its own tax advisors regarding the state and local tax consequences of owning an interest in the Partnership.

The Partnership could potentially be subject to the Texas franchise tax. Very generally, subject to exemptions and numerous special rules (including an alternative basis for calculating the tax in the case of certain entities with annualized total revenue of $20 million or less), the franchise tax is based on the lesser of (i) 70% of total revenue or (ii) an amount computed by determining total revenue and subtracting the greater of a deduction for either cost of goods sold or compensation paid (subject to limitations). Where income is earned in more than one state, the tax is subject to apportionment based on a single "receipts" factor. The applicable tax rate is 1% of taxable margin apportioned to Texas, or 0.5% of taxable margin apportioned to Texas in the case of certain retail/wholesale trade entities. In some cases, a limited partnership may qualify as an exempt passive entity or may be exempt from taxation on income realized by other pass-through entities otherwise subject to franchise tax. Qualification for such exemption as a passive entity is dependent upon at least 90% of the Partnership's federal gross income for the applicable period consisting of only certain types of investment income such as net capital gains from the sale of real property, interest, royalties from mineral properties, bonuses from mineral properties, delay rental income from mineral properties and income from other non-working mineral interests and distributive shares of partnership income, but excluding income from the rental of real property. Whether or not the Partnership will so qualify as an exempt passive entity will depend on the precise structure and nature of its investments and related income. Accordingly, there can be no assurance whether the Partnership will qualify to be treated as an exempt passive entity. Similarly, there may be other state and

local jurisdictions in which the Partnership, through its investment in the Portfolio Investments (either directly or through one or more Portfolio Entities), indirectly operates or owns properties that treat entities classified as partnerships for U.S. federal income tax purposes as subject to entity level taxes, fees or other charges. Accordingly, there can be no assurance that the Partnership will not be subject to entity level taxation in the State of Texas or other states in which the Partnership or its Portfolio Entities owns (or is deemed to own) property or conducts business. Any such entity level taxation, fees or charges will reduce the amount of cash available for distribution to Partners.

THE FOREGOING DISCUSSION SHOULD NOT BE CONSIDERED TO DESCRIBE FULLY THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP. EACH PROSPECTIVE INVESTOR IS THEREFORE URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE PARTNERSHIP.

CERTAIN LEGAL AND REGULATORY CONSIDERATIONS

Investment Company Act of 1940

The General Partner anticipates that the Partnership will not be subject to the provisions of the Investment Company Act of 1940, as amended (the "Investment Company Act"). The General Partner anticipates that the Partnership will not come within the definition of "investment company" under the Investment Company Act. Accordingly, there is no limit on the number of investors that may invest in the Partnership pursuant to the Investment Company Act.

Based on the foregoing, the Partnership will not register under the Investment Company Act. Investors in the Partnership will therefore not receive the protections afforded by the Investment Company Act to investors in a registered investment company. The Partnership will not make a public offering of its limited partner interests. If the Partnership is deemed to be an investment company and therefore is required to register under the Investment Company Act, then such requirement could prohibit the Partnership from operating in its intended manner and would be likely to have a material adverse effect on the Partnership.

Investment Advisers Act of 1940

The General Partner and the Manager are not registered under the Investment Advisers Act of 1940, as amended. The General Partner and the Manager currently intend to manage the Partnership in a manner that continues to permit them to remain unregistered in compliance with applicable law. The General Partner and the Manager may in the future, without advance notice to the Partnership or the Limited Partners, determine to register as an investment adviser.

Securities Act of 1933

The offer and sale of limited partner interests in the Partnership will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other securities law, including state securities or blue sky laws or non-U.S. securities laws. Limited partner interests in the Partnership will be offered and sold in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder. Each investor (whether or not a U.S. citizen, resident or entity) must be an "accredited investor" (as defined in Regulation D) and will be required to represent, among other customary private placement representations, that it is acquiring its limited partner interest in the Partnership for its own account for investment purposes only and not with a view to resale or distribution. Further, each investor must be prepared to bear the economic risk of the investment in the limited partner interests in the Partnership for an indefinite period, since such interests cannot be transferred or resold: (i) except as permitted under the Partnership Agreement and under the investors' subscription agreements and (ii) unless they are registered under the Securities Act and under other applicable securities laws or pursuant to an exemption from such registration. It is not contemplated that registration of the limited partner interests in the Partnership under the Securities Act or other securities laws will be affected at any time in the near future, if at all.

Employee Retirement Income Security Act of 1974

A fiduciary of a pension, profit-sharing, retirement or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the beneficial owner of an individual retirement account (an "IRA") subject to Section 4975 of the Code, or the manager of a self-directed account in a qualified plan (including a participant in such qualified plan) should consider the fiduciary standards under ERISA and/or the prohibited transaction rules of ERISA and Section 4975 of the Code in view of the plan's or account's own particular circumstances before authorizing an investment of a portion of such plan's or account's assets in the Partnership. In particular, such fiduciary, owner, manager or participant should consider (i) whether the investment satisfies the diversification requirements of ERISA, if applicable, (ii) whether the investment is in accordance with the documents and instruments governing the plan as required by ERISA, (iii) whether, if applicable, the investment is prudent as required by ERISA, considering the nature of the Partnership's proposed activities, the compensation structure, the fact that there is no operating history of the Partnership and the factors discussed in "Investment Considerations and

Risk Factors" above, and (iv) whether the investment may result in a prohibited transaction under ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit an employee benefit plan from engaging in certain "prohibited transactions" (as defined in Section 406 of ERISA and Section 4975 of the Code) involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Code in respect of the plan. ERISA also imposes fiduciary duties on persons who exercise discretion over "plan assets." The definition of "plan assets" for these purposes is determined by reference to regulations of the U.S. Department of Labor included in 29 C.F.R. §2510.3-101 (the "Plan Asset Regulations"). The Plan Asset Regulations generally provide in relevant part that an undivided interest in the underlying assets of an entity in which the employee benefit plan or IRA makes an equity investment will be deemed to be assets of the investing employee benefit plan or IRA, unless, among other exceptions not necessarily relevant to the Partnership, (i) immediately after the most recent acquisition of an equity interest in the entity, less than 25% of the total value of each class of equity interests therein (excluding any interests held by the general partner or other manager of the entity, any person (other than an employee benefit plan or IRA investor) with discretionary authority or control in respect of the entity's assets, and any person who provides investment advice to the entity for a fee, and any of their affiliates) are held in the aggregate by benefit plan investors, defined to include employee benefit plans subject to ERISA, other arrangements, such as IRAs that are subject to the prohibited transaction rules of Section 4975 of the Code, and entities, such as investment funds, deemed to hold plan assets pursuant to the Plan Asset Regulations (collectively, "Benefit Plan Investors") or (ii) the entity qualifies as an "operating company" as defined in the Plan Asset Regulations, including either a "venture capital operating company" ("VCOC") or a "real estate operating company" ("REOC").

The General Partner intends to operate the Partnership such that the assets of the Partnership will not constitute "plan assets" within the meaning of the Plan Asset Regulations. Specifically, the General Partner intends to either (i) limit total investments by Benefit Plan Investors to less than 25% in the aggregate of any class of interest in the Partnership (excluding any interests owned by the General Partner, any person (other than a Benefit Plan Investor) with discretionary authority or control in respect of the Partnership's assets, and any person who provides investment advice to the Partnership for a fee, and any of their affiliates) or (ii) structure the Partnership's investments so that the Partnership is a REOC, though at times both conditions may be satisfied. In order to effect this limitation, the General Partner reserves the right to exclude Benefit Plan Investors from the Partnership, including, without limitation, by rejecting subscriptions by any such Benefit Plan Investors for limited partner interests in the Partnership or by otherwise limiting transfers of such interests to such Benefit Plan Investors, or take certain steps to preserve the ability of the Partnership to qualify as a REOC.

Each person acquiring or transferring an interest in the Partnership will be required to represent and warrant the extent to which the assets being used to acquire or hold such interest constitutes "plan assets" and whether such person constitutes a Benefit Plan Investor. The Partnership and the General Partner shall be entitled and intend to rely (without further inquiry) on each Partner's certification as to its status as a Benefit Plan Investor.

If the assets of the Partnership were determined to be plan assets, in whole or in part, there could be a number of adverse consequences under ERISA and the Code to plan trustees, other plan fiduciaries and the General Partner and the Partnership. Each person considering the acquisition of a limited partner interest in the Partnership should consult with its counsel regarding the potential applicability of ERISA and Section 4975 of the Code to the Partnership and such investor's acquisition and holding of an interest in the Partnership.

Employee benefit plans subject to Title I of ERISA are required to file annual reports (Form 5500) with the U.S. Department of Labor. Under ERISA's general reporting and disclosure rules, employee benefit plans subject to ERISA are required to include information regarding their assets, expenses and liabilities. The General Partner will provide any information requested to complete the annual report. Employee benefit plans subject to ERISA are also required to make a determination that the Partnership-related compensation paid to the General Partner or its affiliates is "reasonable" within the meaning of Section 408(b)(2) of ERISA. The regulation at 29 C.F.R. §2550.408b-2 (the "408(b)(2) Regulation") provides that in order for such compensation to be "reasonable," certain prospective disclosures must be made by the General Partner to ERISA-covered employee benefit plan investors. To facilitate a plan administrator's compliance with these requirements, it is noted that the descriptions of the fees and expenses (including but not limited to any fees payable to the General Partner and its affiliates) contained in this Memorandum and the Partnership's unaudited financial statements are intended to satisfy (i) the alternative reporting option for

"eligible indirect compensation" on Schedule C of Form 5500 and (ii) the disclosure requirements of the 408(b)(2) Regulation, if applicable. The General Partner will, upon written request, furnish any other information relating to the General Partner's compensation received in connection with the Partnership that is required for such ERISA investor to comply with the reporting and disclosure requirements of Title I of ERISA and the regulations, forms and schedules issued thereunder.

Legal Counsel

Egan Nelson LLP (the "Law Firm") represents the General Partner solely in respect of the specific matters as to which it has been retained and consulted by the General Partner, including certain matters in respect of the Partnership. Other matters may exist that could have a bearing on the Partnership and its investments, the General Partner and/or their respective affiliates as to which the Law Firm has been neither retained nor consulted. The Law Firm does not undertake to monitor compliance by the General Partner and its affiliates with the investment program or strategy and/or other investment guidelines and procedures set forth in this Memorandum and/or the Partnership Agreement nor does the Law Firm monitor compliance by the Partnership, the General Partner, the Manager and/or their respective affiliates with applicable laws, unless in each case the Law Firm has been specifically retained to do so. The Law Firm does not investigate or verify the accuracy and completeness of information set forth in this Memorandum in respect of the Partnership, the General Partner, the Manager, any other person or entity or any of their respective affiliates, personnel or investments. Furthermore, the Law Firm is not providing any advice, representation, warranty or other assurance of any kind as to any matter to any Limited Partner, and Limited Partners will be required to acknowledge and agree in the subscription materials as to the Law Firm's representation.

ADDITIONAL INFORMATION

Prior to the consummation of this offering, the Partnership will provide to each prospective investor and such investor's representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Partnership may possess or can obtain without unreasonable effort or expense that is necessary to verify the accuracy of the information furnished to such prospective investor. Any such questions or requests should be directed to:

Stephen Patterson
KCAP RE Fund XII GP, LP
1290 South White Chapel Blvd., Suite 180
Southlake, Texas 76092
Telephone: (817) 601-5905
E-mail: stephen.patterson@keycitycapital.com

No other person other than the General Partner has been authorized to give information or to make any representation concerning the Partnership or this offering outside of this Memorandum, and if given or made, such other information or representation must not be relied upon as having been authorized by the Partnership or the Manager.

This Memorandum is intended to present a general outline of the policies and structure of the Partnership. Each prospective Limited Partner should thoroughly review the Partnership Agreement, which specifies the rights and obligations of the Partners. Certain provisions of the Partnership Agreement contained herein, including in "*Summary of Principal Terms*" are necessarily incomplete and are qualified in their entirety by reference to the Partnership Agreement. A copy of the Partnership Agreement accompanies this Memorandum.

OFFERING LEGENDS

NOTICE TO RESIDENTS OF FLORIDA

THE INTERESTS HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR ARE EXEMPT FROM REGISTRATION UNDER SUCH ACT.

PURSUANT TO THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT, WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE IN FLORIDA MADE PURSUANT TO SECTION 517.061(11), FLORIDA STATUTES (THE APPLICABLE PROVISION OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT), SHALL BE VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER OR AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. INVESTORS ARE HEREBY NOTIFIED OF SUCH PRIVILEGE.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

EXHIBIT A

[AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF KCAP RE FUND XII, LP]

[See attached.]

EXHIBIT B

[SUBSCRIPTION AGREEMENT OF KCAP RE FUND XII, LP]

[See attached.]