



# Papillon OZ Fund

Shovel Ready Opportunity Zone Fund



# Papillon Development Rendering

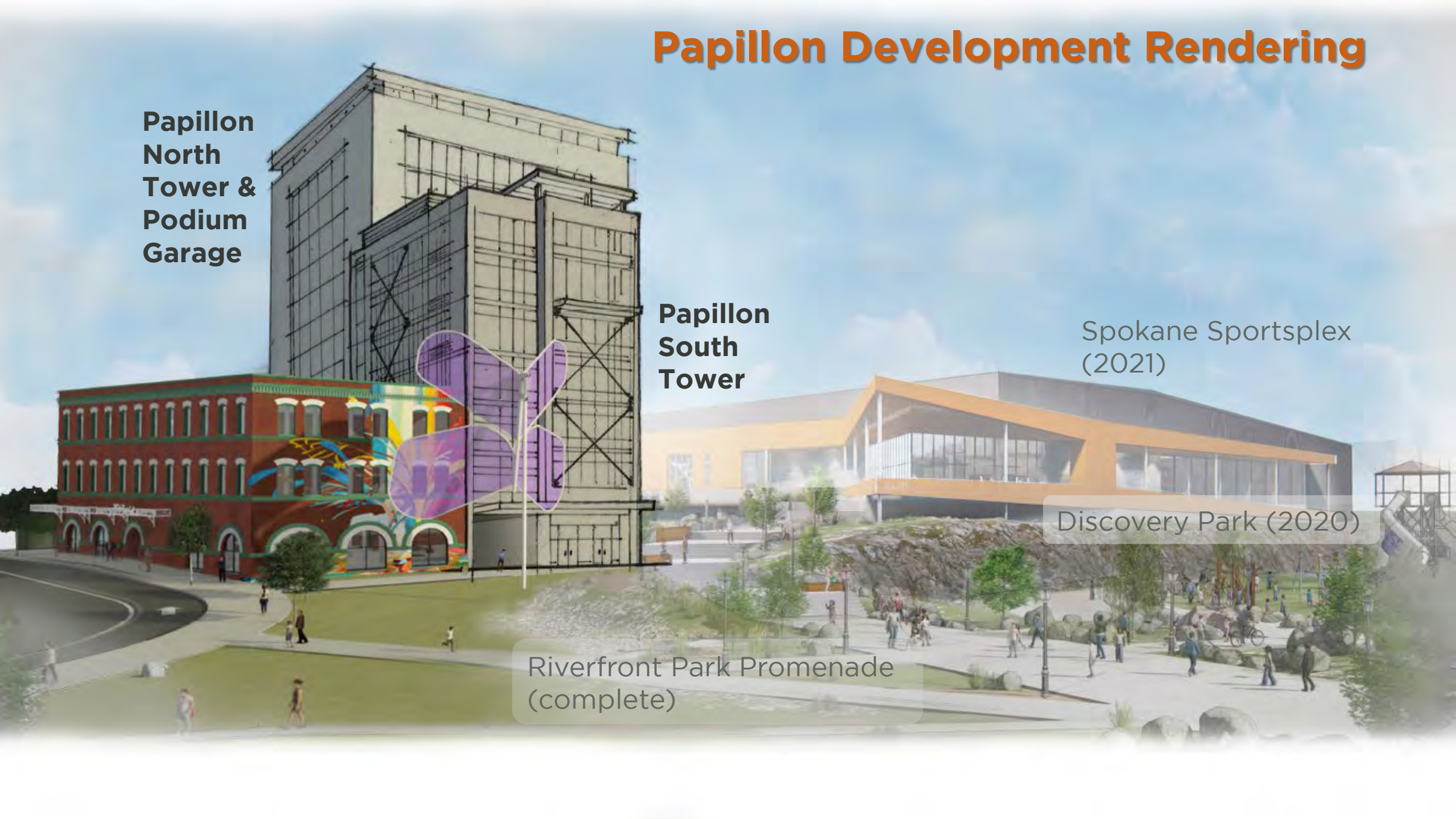
**Papillon  
North  
Tower &  
Podium  
Garage**

**Papillon  
South  
Tower**

Spokane Sportsplex  
(2021)

Discovery Park (2020)

Riverfront Park Promenade  
(complete)



# Executive Summary

**Papillon:** /pa.pi.jɔ̃/ From French papillon (“butterfly”). Any of numerous slender-bodied diurnal lepidopteran insects including one superfamily (Papilionoidea) with broad often brightly colored wings



Located in Spokane’s North Bank Neighborhood



6-Story Mid-Rise  
12-Story High-Rise w/Parking Podium



Projected 14.68% IRR; 2.38x Equity Multiple



December 15<sup>th</sup> expected first closing date



\$30 Million Fund Size

# Papillon Development

One of the last remaining **rare** and **undeveloped private properties** in the North Bank neighborhood

- The development is in a **unique position** to take advantage of proximity to other significant public venues and amenities
  - Spokane Veterans Memorial Arena
  - Spokane Regional Sportsplex
  - Newly renovated Riverfront Park & North Bank Regional Playground
- Over **\$140 million** of planned and recent **public investment** in neighboring properties
- Selkirk's **development focused philosophy** prioritizes our focus on creating the most profitable project possible
- Single property fund allows investor access to the **most desirable** development in an already desirable neighborhood (despite its OZ designation)
- Selkirk Development has determined that there is **substantial unmet demand** for modern office, multi-family & retail. Especially in mixed-use configurations like the Papillon development

# Development Description

## Papillon South Tower

36-48,000 sq. ft

**6-story, 36,000 sq. ft. (with 12,000 sq. ft. option) tower built on existing parking lot adjacent to 908 N. Howard**

- The first floor will integrate with the Riverfront Park Promenade, providing a landscaped public walkway from the park through the Project and access to the Sportsplex and parking north of the development.
- The first floor will also have restaurant incubator space with walk-up services.
- The building will make use of the existing building core, elevators, lobby, fire escapes, and common spaces in the 908 N. Howard building.
- Pending feasibility, an option exists to build two additional 6,000 sq. ft. floors over the top of the existing 908 N. Howard building that would connect to floors 5 and 6 of the newly constructed Papillon South building.
- Building will be designed for office, retail and residential use.

## Papillon North Podium

468 stall parking garage

**5-story parking garage podium constructed below the Papillon North Tower**

- Currently a surface parking lot across from 908 N. Howard and the Papillon South building
- The garage is designed to accommodate the parking needs of the new Papillon Development and support event parking for the adjacent Sportsplex and Spokane Arena.
- The proposed concrete podium will be a 5-story structure to accommodate approximately 468 – 516 parking stalls.
- Design considerations include future changes in parking demand due to autonomous vehicles and improved and increased public transportation.
- Pending feasibility, design will allow reclamation of parking space for alternate uses.

## Papillon North Tower

178,500 sq. ft

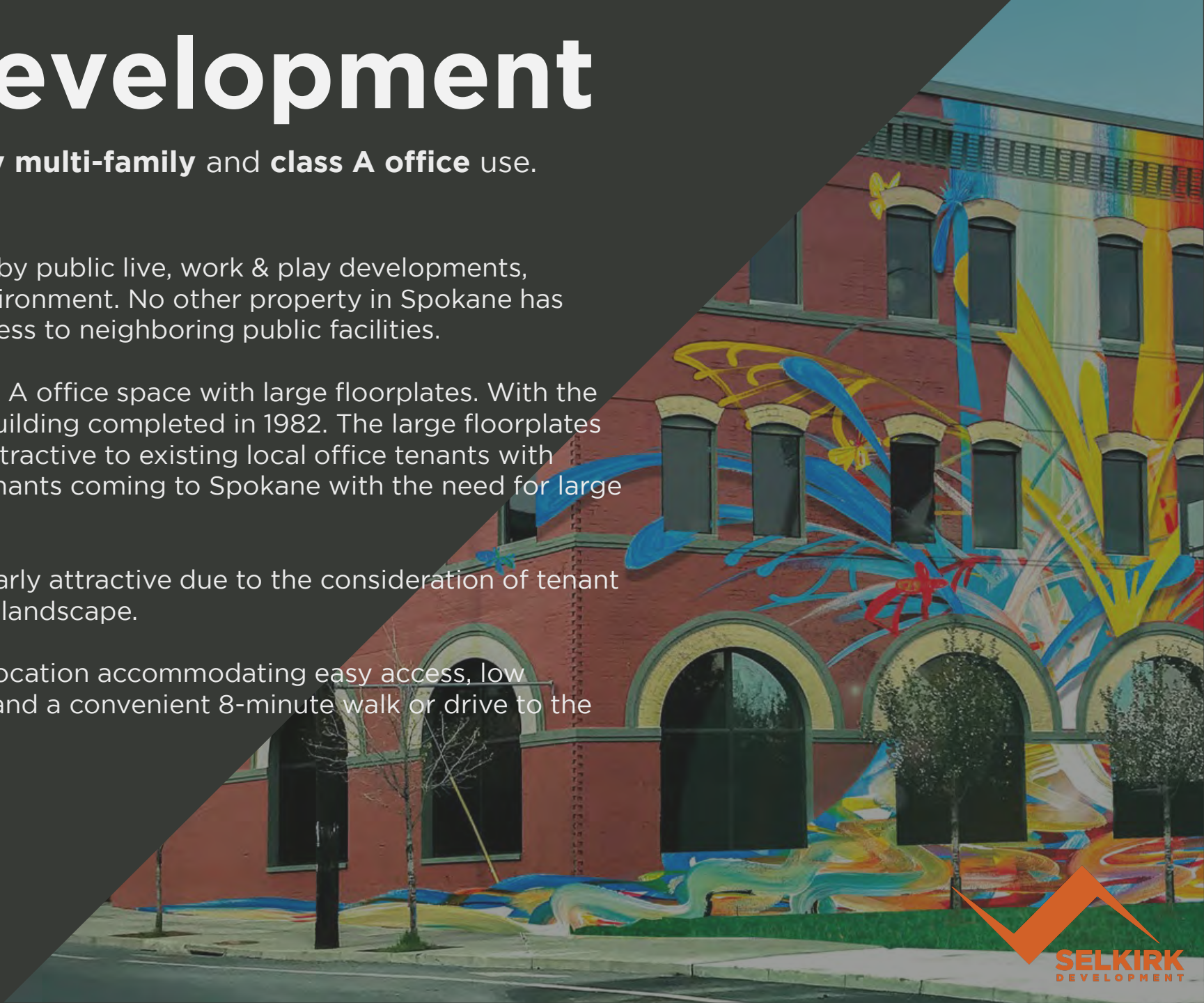
**Papillon North is a 7-story, 178,500 sq. ft. tower with up to 25,200 sq. ft. floor plates**

- The tower design is centered around creating an urban mixed-use development, including office, retail and residential uses.
- The Papillon North Tower will be constructed on the Papillon North Podium garage structure to achieve the maximum allowable total structure height of 12-stories.
- The building will offer panoramic views of the Spokane River, the Selkirk Mountains, downtown Spokane, and Riverfront Park.
- The Project is expected to be one of the first high-rise structures north of the Spokane River to be completed in over 13 years.

# Papillon Development

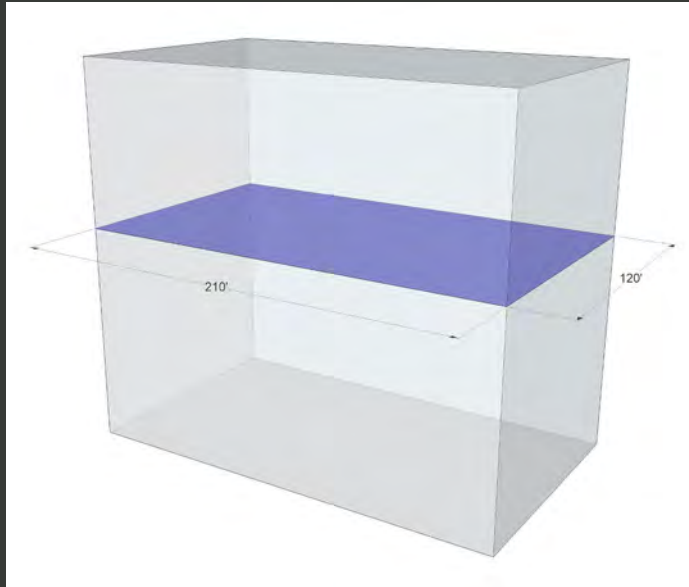
A desirable location for both **luxury multi-family** and **class A office** use.

- Development will integrate with nearby public live, work & play developments, creating an inviting and dynamic environment. No other property in Spokane has similar proximity, integration and access to neighboring public facilities.
- Spokane lacks new inventory of class A office space with large floorplates. With the most recent being the Wells Fargo Building completed in 1982. The large floorplates of the Papillon North Tower will be attractive to existing local office tenants with inappropriate spaces & new office tenants coming to Spokane with the need for large single floor office layouts.
- The Papillon Development is particularly attractive due to the consideration of tenant needs in a modern and urban design landscape.
- Development offers a central urban location accommodating easy access, low commute times, parking availability, and a convenient 8-minute walk or drive to the downtown business core.

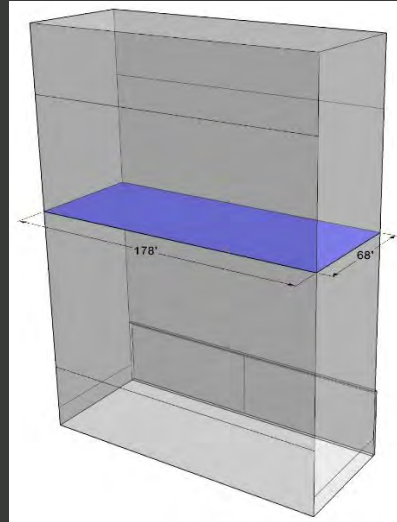


# Floor Plate Analysis

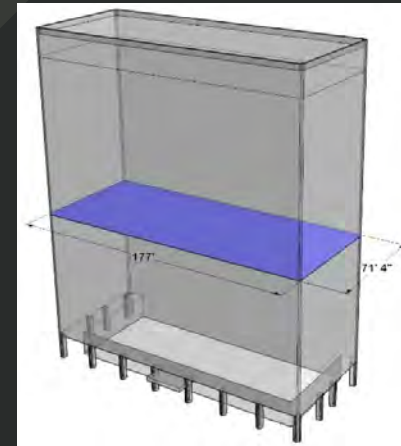
Spokane high rise Class A office floor plates are far below average, and unacceptable for modern tenants



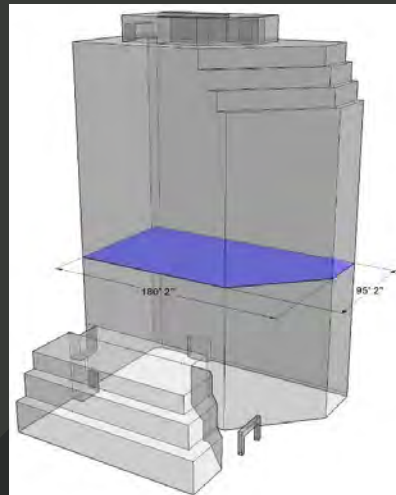
**Papillon North Tower**  
**Complete:** 2022  
**Floors:** 12  
**Floor Plate:** 25,200 (max) sq. ft.



**Wells Fargo Center**  
**Built:** 1982  
**Floors:** 18  
**Floor Plate:** 12,100 sq. ft.



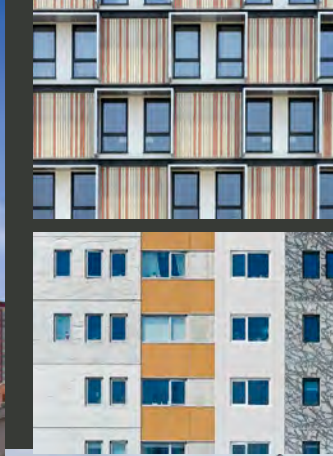
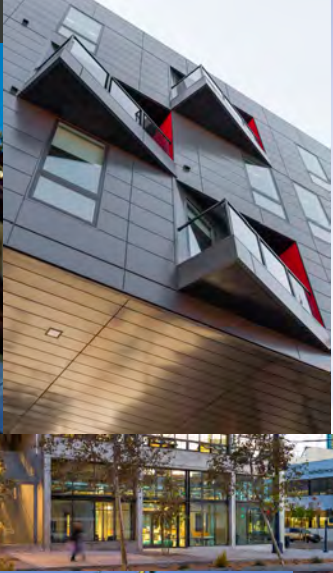
**Chase Bank Building**  
**Built:** 1973  
**Floors:** 15  
**Floor Plate:** 12,618 sq. ft.



**Bank of America Financial Center**  
**Built:** 1981  
**Floors:** 20  
**Floor Plate:** 15,600 sq. ft.

# Exterior Finish Vision

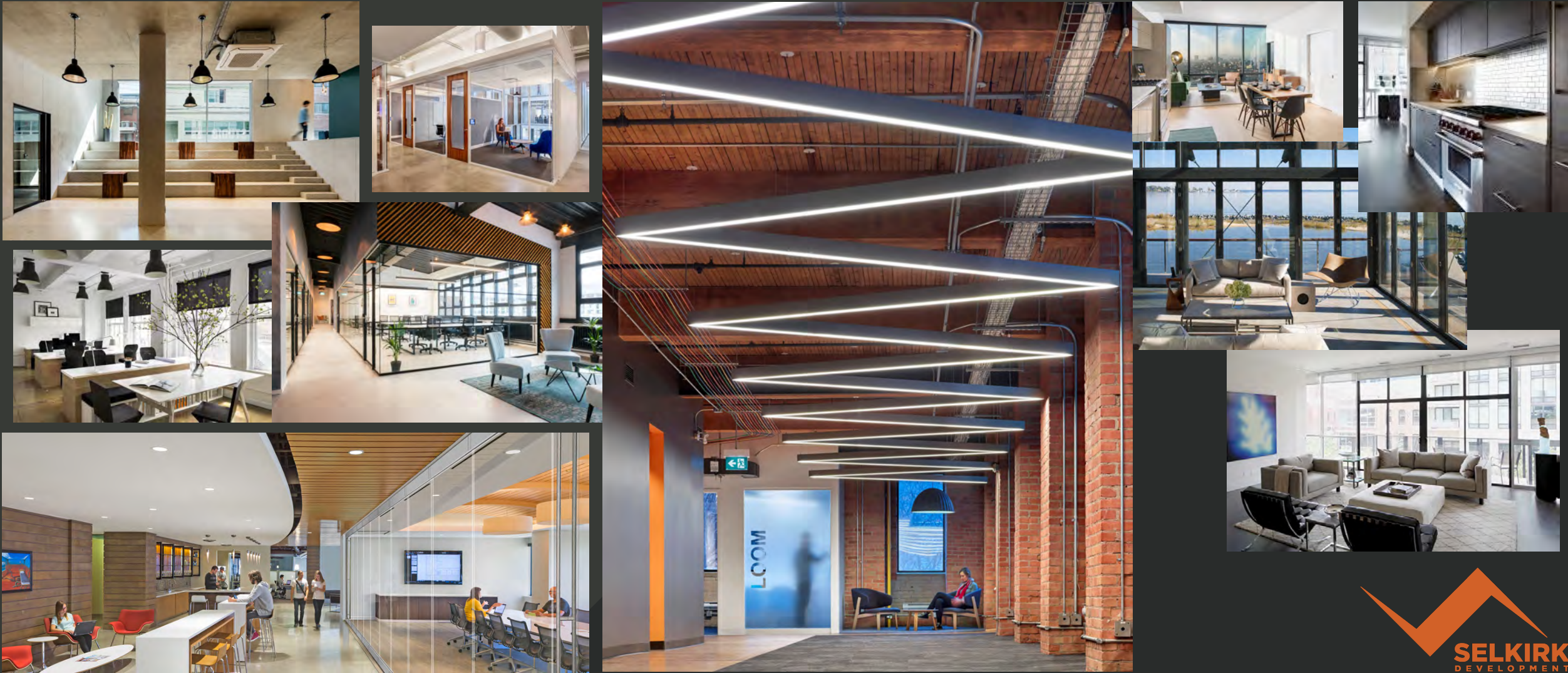
Progressive modern building design including steel, glass, and concrete





# Interior Finish Vision

Utilizing best materials and technology to provide efficient systems and modern amenities



# Shovel-Ready Development

A **major advantage** of the Papillon OZ Fund over other funds is its **shovel ready** status. Construction is anticipated to begin in April of 2020. Your investment will be utilized in a productive manner quickly and begin generating returns sooner.

## Status

- **Control of Land:** Land has been secured via ground lease agreements between Selkirk affiliated property owner, and Canopy Federal Credit Union, a 3<sup>rd</sup> party. Land is surveyed and geotechnical reports are in progress.
- **Street Vacation:** The developable land will include a full street vacation. The vacation is already underway and being negotiated by Selkirk Development with the City of Spokane and other relevant stake holders. Street vacation expected to be finalized by late 2019 to early 2020.
- **Entitlements:** The official building permit process is expected to begin in January of 2020. Due to the developer friendly environment of Spokane, we expect to complete the building permit process in April of 2020. Several relevant city officials have expressed enthusiastic support for the project and there is substantial public and political goodwill behind the development.



# Massing Analysis

Papillon North Tower

Papillon North Podium Garage

Papillon South Tower

Northeast Project View



Northwest Project View



- 5,060 SF PER FLOOR, TWO FLOORS: 10,120 SF TOTAL
- 5,684 SF PER FLOOR, SEVEN FLOORS: 39,788 SF TOTAL
- 23,482 SF PER FLOOR, SIX FLOORS: 128,892 SF TOTAL
- 18,194 SF PER FLOOR, SEVEN FLOORS: 127,358 SF TOTAL
- 5,287 SF PER FLOOR, SEVEN FLOORS: 36,988 SF TOTAL



**Monroe Retail**

**Division Retail**

**Central Business Core**

- 1 RIVERFRONT PARK PROMENADE**
  - OPENED JUNE 21st, 2019
  - \$5 MILLION COST
  - CONNECTION OF DOWNTOWN AND RIVERFRONT PARK TO THE NORTH BANK PLAYGROUND
- 2 NORTH BANK REGIONAL PLAYGROUND**
  - \$2 MILLION
  - UNDER CONSTRUCTION
  - COMPLETION LABOR DAY 2020
  - HOOPFEST ANNUAL 3 ON 3 BASKETBALL FINALS COURT
- 3 RIVERFRONT PAVILION**
  - UNDER CONSTRUCTION
  - FALL 2019 COMPLETION DATE
  - \$23.6 MILLION
  - OUTDOOR PERFORMANCE ARTS CENTER
- 4 SPOKANE VETERANS MEMORIAL ARENA**
  - PERFORMING EVENTS CENTER
  - REGIONAL HOCKEY TEAM
  - OLYMPIC SKATING EVENTS
  - 12,638 SEATS
- 5 SPOKANE REGIONAL SPORTSPLEX**
  - \$42 MILLION CONSTRUCTION COST
  - CURRENTLY UNDER CONSTRUCTION
  - COMPLETION DATE OF 2021
  - MULTI-PURPOSE SPORTS & RECREATION FACILITY
- 6 FIRST INTERSTATE CENTER FOR THE ARTS**
  - 2,700 SEAT THEATER & ENTERTAINMENT VENUE
  - \$23 MILLION RENOVATION COMPLETED IN NOVEMBER OF 2018
- 7 SPOKANE CONVENTION CENTER**
  - 120,000 SF SPACE FOR TRADE SHOWS, CONVENTIONS, AND SPORTING EVENTS
  - 33,000 SF OF MEETING ROOMS
  - 27,600 SF OF ROOF TERRACES AND LAWNS FOR OUTDOOR EVENTS
- 8 MY FRESH BASKET GROCERY STORE**
  - LOCAL UPSCALE GROCERY STORE
  - 25,000 SF BUILDING
  - ORGANIC, NATURAL, AND CONVENTIONAL PRODUCTS
  - CATERING AND EVENT SPACES
- 9 KENDALL YARDS DISTRICT**
  - UPSCALE MIXED USE URBAN DISTRICT WITH WALKABLE STREETS
  - OUTDOOR PUBLIC ART SPACES
  - NIGHT MARKET WITH OUTDOOR DINING, VENDORS, AND MUSIC
  - CASUAL AND FINE DINING



**B W A BERNARDO WILLS**  
ARCHITECTS PC

**Development Location**

# A Vibrant Neighborhood

The best positioned property in Spokane, the Papillon Development will be in high demand from tenants

## **Newly completed promenade connects the North Bank and Downtown core within walking distance**

- Shopping, arts, entertainment, and dining experiences
- National stage events at the Spokane Veteran's Memorial Arena
- State-of-the-art multi-purpose indoor Sportsplex

## **Convenient access to arterials for quick access to urban and business cores**

### Kendall Yards

- 78-acre urban Neighborhood
- Restaurants, wineries, galleries, and grocery
- Night markets, live music, and art walks

### Business and Pleasure

- Enjoy Broadway shows and symphonies at the First Interstate for the Arts
- Support local community theatre with Spokane Civic Theatre
- Attend national expos, fairs, and events at the Spokane Convention Center

### Nearby Amenities

- Convenient access to I-90
- Spokane International Airport less than a 10-minute commute



# Development Timeline

Jan 2020:  
Permitting  
process begins

April 2020:  
Construction  
begins on north  
parking garage &  
south midrise

Feb 2021: North  
Garage completed,  
construction begins  
on north tower

Oct 2021:  
South Mid-rise  
completed

Feb 2022:  
North Tower  
completed

Jan 2024:  
Stabilization

# Market: Description

On the eastern side of Washington State, the second largest city in the state is located along the Spokane River. Spokane draws outdoor enthusiasts seeking nature and adventure with pristine rivers, lakes, mountains and trails.

- Greater Metro Population: 574,000
- Population Growth: Projected 10% increase in the next 20 years
- Job Growth: Predicted 33.4% growth over next 10 years
- Spokane represents an attractive market for real estate investment and investment by companies moving to the city
- Market analysis by Selkirk indicates substantial tenant demand for this development. We expect to be able to pre-lease significant amounts of the space prior to completion.





# Market: Regional Draw

Spokane offers the perfect balance of a small city feel and big city amenities. With thriving healthcare, manufacturing and education industries, Spokane attracts talent and growth from across the Inland Northwest.

## Spokane Boasts a High Quality of Life

- Average daily commute of 20 minutes
- Outdoor accessibility
- Lakes, Ski resorts, mountains and rivers
- Blossoming culinary scene

## Higher Education Hub

- 90,000 yearly student enrollment
- 6 major higher education institutions in the city

## Diverse & Growing Industries

- High-tech manufacturing, bio-tech, healthcare & agriculture all contribute to a growing city economy.



# Market: Spokane Real GDP



# Market: Affordability

In contrast to the exploding cost of living of other western cities, Spokane represents an affordable place to both live and do business.

Median Home Prices:

- Spokane - \$217,500
  - Portland - \$416,000
  - Seattle - \$750,000
  - San Francisco - \$1,300,000
- Large influx of people moving from Seattle-Tacoma, Portland, CA, OR, TX, CO. The majority of new citizens are millennials aged 18-34.
  - Affordability and cost of living are a major draw for businesses and employees. Lower COL represents a lower cost of doing business in Spokane.

Job Title	Spokane	Seattle	San Francisco	Denver
Operations Manager	\$54,658	\$65,657	\$75,967	\$65,979
Software Engineer	\$65,862	\$103,215	\$116,744	\$79,316
Project Manager	\$62,510	\$78,329	\$89,548	\$74,467

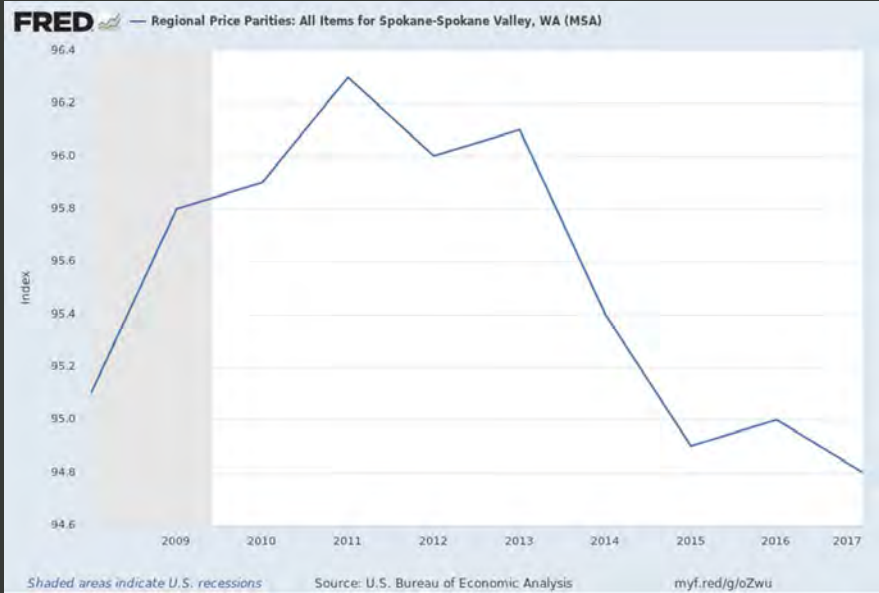
Sources:

<https://www.payscale.com/research/US/Location=Spokane-WA/Salary>  
<https://www.payscale.com/research/US/Location=Seattle-WA/Salary>  
<https://www.payscale.com/research/US/Location=San-Francisco-CA/Salary>  
<https://www.payscale.com/research/US/Location=Denver-CO/Salary>



# Market: Affordability

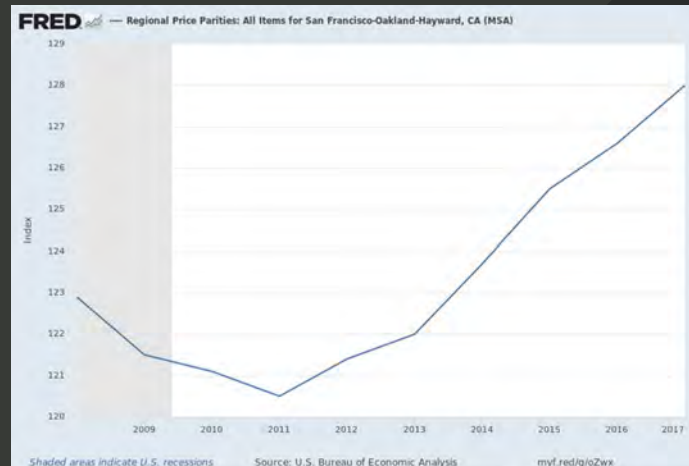
Unlike many growing metro areas, Spokane's COL is lower than the national average. (Note: Regional price parity is an index that sets the national average cost of goods and services at 100. Source: [U.S. Bureau of Economic Analysis](#).)



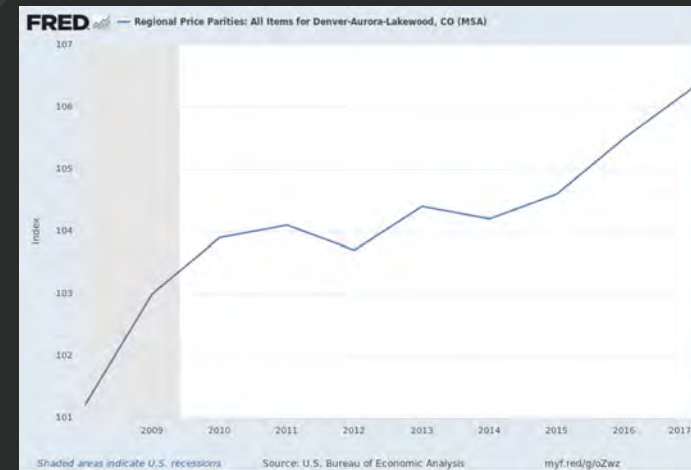
Spokane Regional Price Parity: 94.8%



Seattle Regional Price Parity: 112%



San Francisco Regional Price Parity: 128%



Denver Regional Price Parity: 106%

# Market: Changing Tenant Needs

The rise of urbanism and changing demographics has resulted in tenant needs similar to larger metro areas

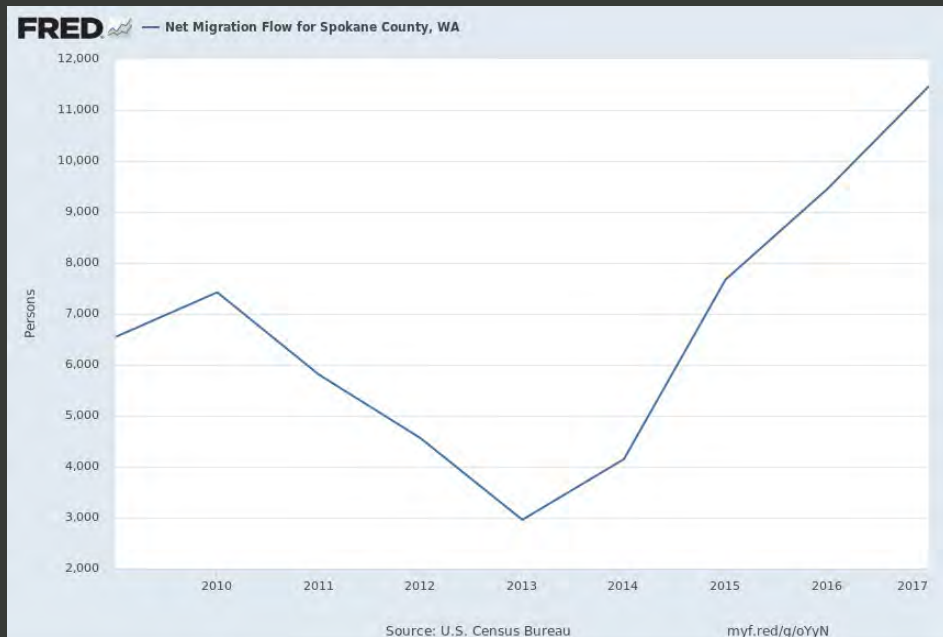
- Tenants demand modern office, living and retail spaces with higher finish levels and updated amenities.
- The Papillon development will capitalize on the unmet need for a true mixed-use development. As of now there exists very few developments in the market with multiple uses.
- All in one approach – Retail/Office/Service/Residential which creates an environment for all to thrive and generate cross segmental success
- Results in higher rents, lower vacancies, and mitigates risk



# Market: Lack of Inventory

Current inventory neither meets demand or tenant needs

- Demand for space exceeds current inventory
  - Housing: low vacancy, waiting lists, offers above market on properties for sale
  - Commercial: low vacancy, substantial pre-leasing & competitive market for modern commercial buildings
- The Papillon development will fill existing demand & unlock new demand
  - Latent demand exists due to developers failing to meet tenant needs
  - Most recent large urban office structure was built in 1981
  - Potential tenants are discouraged from investing in Spokane due to lack of appropriate space



# Comparable: Kendall Yards

Average finish level demands top market rates

- ½ mile west of Papillon project. Urban subdivision & modern garden-style multifamily. Retail, dining & services component.
- New construction: townhomes, multi-family, single-family, retail & services. Average exterior & interior finish level.
- Waiting lists, very low availability, low vacancies.
- Receiving high rents for market:
  - Apartments: \$2.40 sq./ft.
- Despite average finish level, development continues to demand high rents and low availability.



# Comparable: Wonder Building

High demand for modern office space

- 2 Blocks West of Papillon OZ project. Adaptive reuse of historic warehouse, reconfigured into office space.
- 90% leased prior to completion of construction.
- 112,000 sq./ft. - \$21 NNN sq./ft.
- Development indicates that there is a substantial untapped market for modern office space in Spokane.
- Proves viability of location. Additional nearby developments expected in the future, however the Papillon development is the best positioned.





# Term Sheet

<b>First Closing Date</b>	Dec. 15 <sup>th</sup> , 2019 (please contact us if your recognition event occurred more than 180 days prior to Dec. 15 <sup>th</sup> )
<b>Fund Size</b>	\$30 Million
<b>Total Construction Value</b>	\$76 Million
<b>Target LTV %</b>	65%
<b>Minimum Investment</b>	\$500,000 (may be adjusted on case by case basis)
<b>Investment Period</b>	10 years + (4) 1-year sponsor options
<b>Management Fees</b>	2% Y1, 2% Y2, 1% Y3
<b>Hurdle Rate</b>	8%
<b>Catch Up</b>	50%
<b>Carried Interest</b>	30%

# Financial Returns

- 14% investor IRR after fees, before QOZ tax incentives
- 16% total project IRR
- Anticipated 2.38x Equity Multiple
- Targeted 65% LTV. Refinance is expected to return approx. 70% of capital to investors at stabilization (2024)
- April 2022 expected first month of cash flow

Cash Flows	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
<b>LP Cash Flows</b>	\$ -	\$ -	\$ -	\$ 924,568.29	\$ 2,166,795.68	\$ 23,175,731.28	\$ 2,488,795.12	\$ 2,590,076.85	\$ 2,855,535.65	\$ 1,830,504.64	\$ 35,247,003.26	\$ 41,279,010.77

<b>Equity Raised</b>	\$ 30,000,000.00
<b>Debt</b>	\$ 70,682,379.19
<b>Project Level IRR</b>	16.34%
<b>Limited Partner IRR</b>	14.68%
<b>Equity Multiple</b>	2.38
<b>Loan to Value</b>	65%



# Why invest in Opportunity Zones?

In 2017 Tax Cuts and Jobs Act was passed. Among the various provisions was Opportunity Zone legislation. Opportunity Zone legislation is intended to **incentivize investors** to exit capital gain positions and invest in designated opportunity zone communities.

Opportunity Zone legislation is one of the **most significant tax incentives ever offered to investors**. No other American tax program has included the same blend of incentives.



# What are the Benefits of Opportunity Zones?

## Capital Gain Tax Deferment

- Capital gain taxes on disposed of investment are deferred up to 2026

## Capital Gain Tax Reduction

- Capital Gains are reduced by 10% if gain money is invested for 5 years. Gains are reduced an additional 5% if gain money is invested for 7 years
- Cutoff date for 15% reduction: December 31st, 2019
- Cutoff date for 10% reduction: December 31st, 2021

Note: Assumes that no acceleration event has occurred

## Tax Elimination

- The most substantial tax incentive offered. If investments in opportunity zone fund are held for at least 10 years and interest in qualified opportunity zone fund is sold, **all taxes on gains from the sale of that interest are eliminated**
- After 10 years, if investment in opportunity zone fund is sold, tax basis will be adjusted to fair market value at disposition

# Opportunity Zone FAQs

## **Are there limits to the sort of money I can invest?**

- Investors must invest capital gain, or 1231 gain money to receive tax benefits.

## **When do I have to invest?**

- Investors have 180 days from recognition event to invest in an Opportunity Zone Fund to receive tax benefits. 1231 gain investors must invest on the last day of the tax year.

## **Are there limits to how much I can invest?**

- You are limited to the extent of your capital gains. If you have non-gain funds to invest, please contact us.

## **What qualifies as an opportunity zone fund?**

- Opportunity Zones Funds must elect to be covered by opportunity zone legislation and invest 90% of fund capital in Qualified Opportunity Zone property within 30 months.
- Qualified Opportunity Zone property is property located in an Opportunity Zone designated census tract. Property may refer to real property or other business property as designated by opportunity zone legislation.

## **Where can I learn more about opportunity zone legislation?**

- Please speak to your tax advisor or visit <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions> for more information



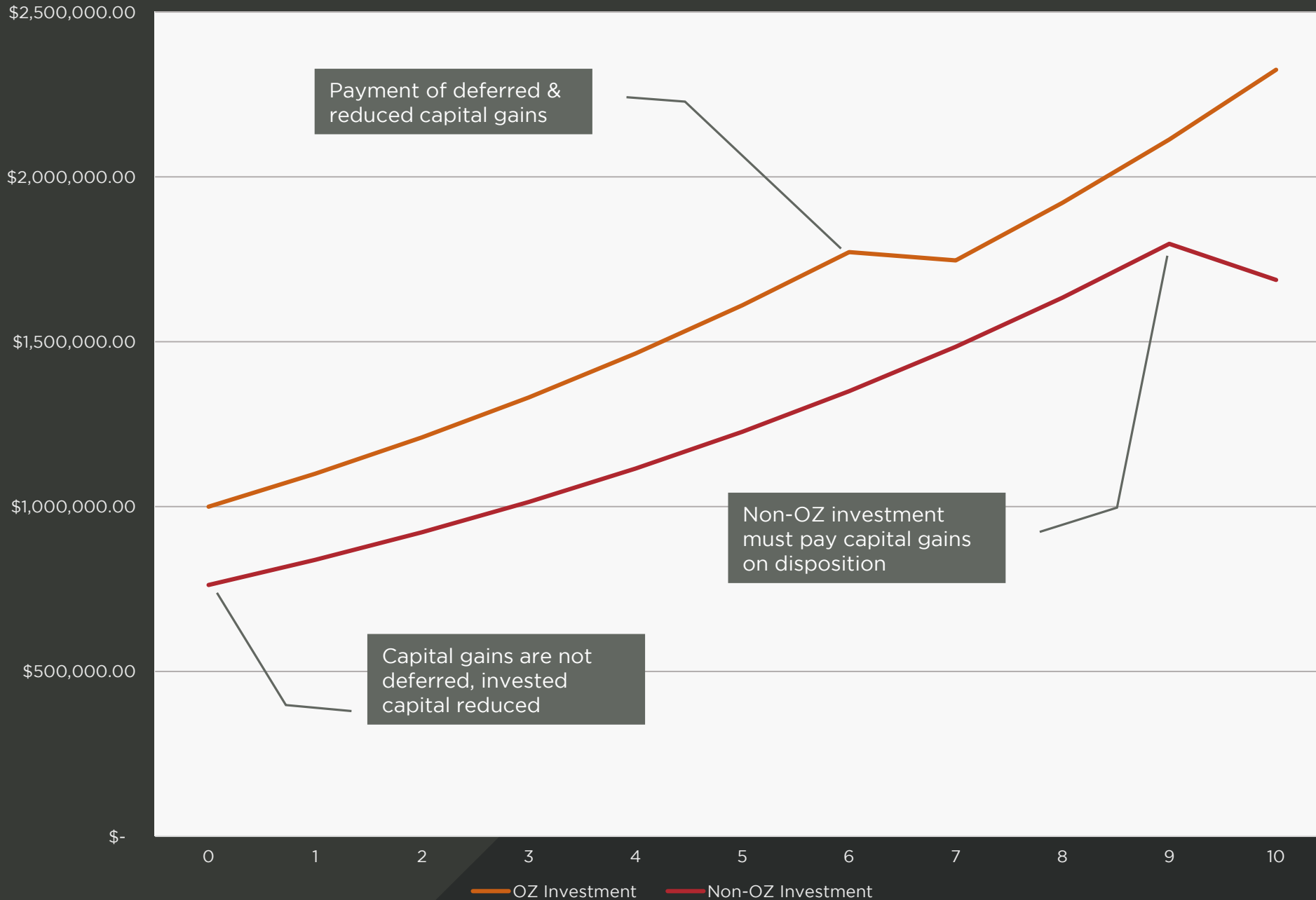
# Opportunity Zone vs Non-OZ Investment

Gain Money:	\$ 1,000,000.00		
Model Appreciation (annual):	10%		
Investment Year	2019		
	<b>OZ</b>	<b>Non-OZ</b>	
Cap Gain Tax (23.8% rate)	\$ -	\$ (238,000.00)	Approx. \$238,000 capital gain tax payment on Non-OZ investment
Capital Invested (2019)	\$ 1,000,000.00	\$ 762,000.00	
2020	\$ 1,100,000.00	\$ 838,200.00	
2021	\$ 1,210,000.00	\$ 922,020.00	
2022	\$ 1,331,000.00	\$ 1,014,222.00	
2023	\$ 1,464,100.00	\$ 1,115,644.20	
2024	\$ 1,610,510.00	\$ 1,227,208.62	
2025	\$ 1,771,561.00	\$ 1,349,929.48	
Deferred Tax Payment (2026)	\$ 1,746,417.10	\$ 1,484,922.43	Approx. \$202,300 deferred capital gain tax payment on OZ investment
2027	\$ 1,921,058.81	\$ 1,633,414.67	
2028	\$ 2,113,164.69	\$ 1,796,756.14	
Disposition (2029)	\$ 2,324,481.16	\$ 1,687,397.00	Approx. \$289,034 capital gain tax payment on Non-OZ investment
<b>After Tax ROI</b>	<b>132%</b>	<b>69%</b>	
<b>Equity Multiple</b>	<b>2.32</b>	<b>1.69</b>	

Note: Model assumes (1) capital gain to invest of \$1 million, (2) annual investment appreciation of 10%, (3) capital gain tax rate of 23.8%, (4) investment made by 2019 and (5) held for a period of 10 years. Actual after-tax results may vary. (6) Also assumed, investor is able to reduce investment to obtain cash to pay the deferred tax payment



# Opportunity Zone vs Non-OZ Investment



# Selkirk Development

Selkirk Development, LLC is a boutique urban development and management company specializing in the redevelopment of rare properties and buildings. Since 2007, it has been developing well-positioned, high-quality properties across the Inland Northwest. We provide property development, property acquisition, fee development, property management and consulting services.

Selkirk Development's strategy is centered around property rarity and considers it the most important factor for investment and development opportunities. Rarity is the property's intrinsic attributes that cannot easily be replicated or taken away that make it attractive to tenants within the appropriate target market.

## Sheldon Jackson

Founder of Selkirk Development and Lead Developer.

Over 37 years' experience developing for corporate clients.

## Derek Raivio

President of Selkirk Development and Fund Manager.

9 years industry experience in real estate investment and management

## Damian Cronkhite

Design & Pre-Development Manager.

12 years experience in architectural industry. Entrepreneur & co-founder of Revamp Panels.

## Duncan Jackson

Director of Finance and Entrepreneur.

Co-founder of Revamp Panels.

## Shawn McCartney

Director of Operations.

35 years experience in contract manufacturing, supply chain & operations management at F500 company.





# Selected Clients



# Bernardo|Wills Architecture

Bernardo|Wills Architects (BWA) was formed in 1991 in Spokane, Washington, and is led by founding principal Gary Bernardo AIA, Robert Pace, AIA, and Dell Hatch, ASLA. BWA is committed to providing a full range of professional, in-house design services, including architecture, landscape architecture, and interior design.

As members of the U.S. Green Building Council®, our LEED AP® certified staff have the experience and knowledge to offer sustainable, energy-efficient, and cost-savings design for new and modernized projects. Bernardo|Wills Architects was awarded LEED Gold® for both Core and Shell and Commercial Interiors for our offices in the 1910 Bissinger Building in West Downtown Spokane.

Bernardo|Wills Architects has served public works and private sector clients for 28 years in the Pacific Northwest, including Washington, Oregon, Idaho, Montana, Utah, Colorado, Arizona, and Hawaii. Over half of our projects are completed for clients outside of Spokane County.



# Selected Projects



# Other Partners & Vendors

<b>General Contractor(s)</b>	Swinerton JV w/ Yost Gallagher
<b>OZ &amp; Fund Legal Counsel</b>	Holland & Hart
<b>Real Estate Legal Counsel</b>	Winston Cashatt
<b>Tax &amp; Audit</b>	Moss Adams
<b>Fund Management</b>	HC Global Fund Services
<b>Structural Engineering</b>	DCI Engineers
<b>Civil Engineering</b>	Whipple Consulting Engineers



For more information regarding Papillon OZ Fund  
please contact:

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Investor Relations  
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[papillonfund@selkirkdev.com](mailto:papillonfund@selkirkdev.com)  
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[www.selkirkdev.com](http://www.selkirkdev.com)



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