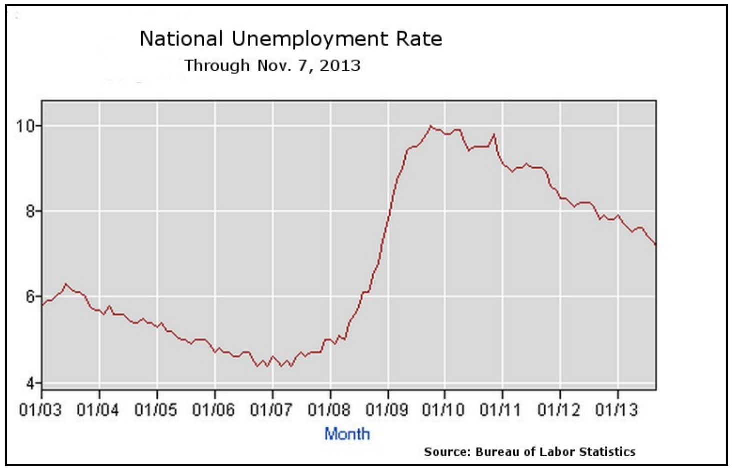
I. MARKET OVERVIEW

The Management Company anticipates acquisitions will take place in markets that support the Fund's investment strategy. The Fund seeks markets characterized by a continuing supply of distressed single family housing and a growing demand for single family homes with underlying economic fundamentals that support the potential for increasing home prices.

NATIONAL ECONOMIC TRENDS AND REAL ESTATE MARKET OVERVIEW

Economic Fundamentals Are Showing Steady Economic Gains

The most recent data from The Bureau of Labor Statistics paints a picture of a steady economic recovery from The Great Recession, which began in 2009. The seasonally adjusted unemployment rate in September 2013 of 7.2% was a marked improvement from the 2012 unemployment rate of 8.1%, and a dramatic improvement from the 10.1% unemployment rate at the peak of the recession in October 2009. Gross Domestic Product ("GDP") has also shown steady improvement, increasing at an annual rate of 2.5% in the second quarter of 2013 after a 1.1% increase in the first quarter of 2013.



The Consumer Confidence Index has also shown marked improvement over its low of 38.8 in October 2008. The index reached 80.2 in September 2013 before declining to 71.2 in October amidst the crisis surrounding the government shut-down, but was expected to move back up after the shut-down was resolved. Home prices, which fell by 32% from peak to trough during the recession, have also been recovering. The national median existing-home price for all housing types was up 11.7 percent from September 2012 to September 2013—the 10th consecutive month of double-digit year-over-year increases.

Strong and Increasing Demand for Housing

The United States population was approximately 310 million people in 2010 and consisted of 113 million households. Of that population, Echo Boomers and Gen Y (those born in 1986 and later) are the most populous generations ever to reach their 20's and are entering their household formation years. However, despite population growth, household formation rates plummeted during the Great Recession averaging 500,000 per year in 2007 through 2010, significantly below the long term average of 1.3 million per year. During this time period, many young adults continued to live with their parents rather than form households due to weak job formation. In 2010, 44.7% of 20 to 24 year olds and 18% of 25 to 29 year olds were living with their parents. In addition to young adults continuing to live with their parents, households of diverse make-ups chose to cohabitate to reduce household expenses; this phenomenon is known as "doubling up". Approximately, 2.1 million households "doubled up" between 2007 and 2011.

Households that would have been formed during the Great Recession, such as Echo Boomers living with their parents or those that "doubled-up," but failed to do so because they lacked steady employment have begun to uncouple as the economy stabilizes. Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, were up 10.7 percent year over year from September 2012 to September 2013, and have remained above year-ago levels for the past 27 months.

A Growing Portion of Households Are Buying Homes

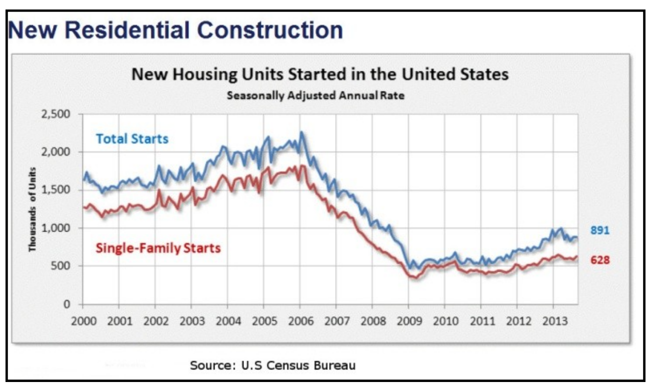
The Management Company believes that the trend in rising home sales and home prices will continue as the economy recovers and more families seek to buy homes. Contributing factors include the following:

- Consumers have shown an increasing interest in buying homes, evidenced by the steady increase in home purchases since 2011.
- With growing demand, housing prices have continued to rise, with double-digit year-over-year price increases over the past 10 consecutive months.
- With unemployment in decline, the demand for home purchases should continue to increase.
- Although tighter lending standards have made it more difficult for consumers to attain mortgages to purchase homes, low mortgage rates continue to attract new buyers as evidenced by recent trends in home purchases.
- The housing market has still not fully recovered from the decline in home ownership during the recession, which bodes well for a continuing increase in demand and prices as more consumers seek to enter the housing market.
- Although home prices have increased substantially in recent years, prices remain at a level well below the peak in 2008, offering a more affordable option for new buyers and providing a substantial margin for price increases in the years ahead.

The Management Company believes that US homeownership and home prices will continue to increase because of the above-described factors. Due to those factors, the Management Company believes purchase and resale of single family homes offers the potential for significant returns as the rising demand and prices continue during the economic recovery.

New Home Construction on the Rise

The U.S. Census Bureau reported a steady increase in new home construction, with year-over-year increases for the past 7 consecutive quarters through the second quarter of 2013. While new housing starts remain significantly below the 2005 peak of 2.1 million homes, the trend appears to be moving in a positive direction. New housing starts dipped to a low of 431,000 in 2011 before increasing to 535,000 starts in 2012. That trend continued through the first six months of 2013, with 310,000 housing starts compared with 256,000 starts in the first six months of 2102.



Increasing Home Purchases

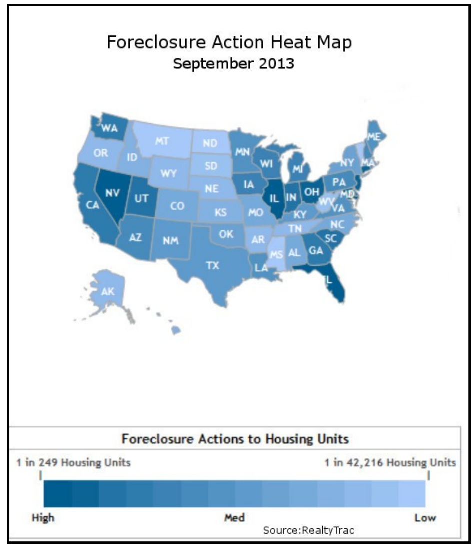
As noted earlier, total existing-home sales (completed transactions that include single-family homes, townhomes, condominiums and co-ops) were up 10.7 percent year over year from September 2012 to September 2013, and have remained above year-ago levels for the past 27 months.

Increasing Home Prices

Also as noted earlier, home prices, which fell by 32% during the recession, have continued to climb, with the national median existing-home price for all housing types up 11.7 percent from September 2012 to September 2013—the 10th consecutive month of double-digit year-over-year increases.

With new housing starts still near historic lows of the past three decades, increasing demand for existing homes indicate a strong possibility of a continuation in price increases for existing homes in the months and years ahead.

Foreclosures Are Declining but Still High



In a survey of its members, the National Association of Realtors found that the number of bank-owned sales and short sales has fallen significantly from 24% of all home sales in September 2012 to 14% in September 2013.

Those figures coincided with a continuing trend in declining foreclosures. RealtyTrac reported 2.3 million foreclosure filings on 1.8 million properties in 2012, down 3 percent from 2011 and down 36 percent from the peak of 2.9 million properties in 2010. Despite the steady decline in foreclosure filings and bank-owned sales and short sales, the inventory of foreclosed properties remains very high relative to historic levels.

Single Family Residences Can Still Be Purchased At Prices Near Historic Lows

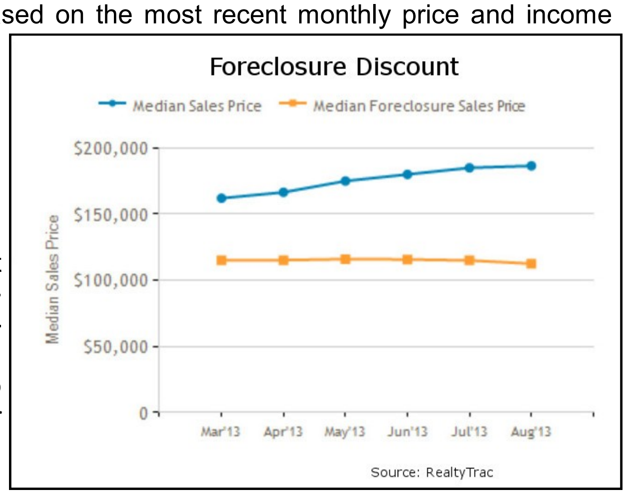
Although home prices have shown a significant increase over the past two years, single family home values remain at prices far below their peak level. Median home prices declined by an average of 32% peak to trough nationwide, with some markets such as Phoenix, Las Vegas, and Riverside – San Bernardino declining more than 45%.

While those prices have recovered significantly, the median home price nationally remains well below the peak prices prior to the recession.

According to the National Association of Realtors, the median sales price for existing homes reached a peak of $229,200 in 2007. Despite recent gains in prices, in September 2013, the national median existing-home price for all housing types was $199,200. That was up 11.7 percent from September 2012. For the past three years median home prices were $173.1 in 2010, $166.2 in 2011 and $177.2 in 2012.

On the down side, with both housing prices and mortgage rates on the rise, the housing affordability index has declined significantly in recent months. The National Association for Realtors' Affordability Index reached a high of 213.6 in January 2012, and had declined to 156.1 in August 2013. The Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent monthly price and income data.

Residential Real Estate Fundamentals Have Created a Single Family Home Investment Opportunity



The Management Company believes that the strong and growing residential home buyers market coupled with a historically strong supply of distressed properties that can be purchased at below-market prices provides an opportunity, in certain markets, to buy distressed homes and resell them to institutional buy-and-hold investors in bulk or individually to retail investors.

Near Term Capital Appreciation by Buying Distressed Properties at a Discount to Non-Distressed

By acquiring distressed assets at a significant discount to non-distressed transaction prices, the Management Company believes that the Fund's investment strategy provides an opportunity for mid-term appreciation as the volume of distressed sales decreases and the spread between distressed transactions declines.

According to RealtyTrac, the national median sales price of all residential properties—including both distressed and non-distressed—in September 2013 was $174,000. The median price for distressed property was $112,000, which was 41% below the median price for non-distressed property of $189,000.

The Management Company believes the 41% difference in median price between distressed and non-distressed residential properties represents an opportunity for significant margins in buying and reselling

Historically, the spread between distressed and non-distressed transactions is approximately 5%; however, given the high volume of distress in the market, the spread has increased. Therefore, the Management Company believes that the distressed acquisition opportunity will decline as the economy recovers and housing finds equilibrium[5].

Characteristics of the Fund's Target Markets

Based on the market opportunity, the Management Company intends to purchase residential real estate property based on the characteristics described below. The Management Company intends to select specific markets by a research driven process that considers economic trends, real estate market trends, projections, and other factors. Additionally, the Management Company intends to analyze assets within the context of the overall portfolio with the intent to provide Partners with a superior risk adjusted return. The Management Company expects that target markets will have many of the characteristics described below; however, target market characteristics are likely to change over time.

Economic Trends

The Management Company intends to target areas with strong economic fundamentals and projected housing demand growth that exceeds national expectations. The Management Company believes that diversification of the local economy and the sustainability of employment growth are key components to establishing the strength of the target market and its potential. Economic indicators that are intended to be analyzed include:

- Metropolitan statistical areas with sizeable populations, likely over one million;
- Stable median household income higher than the national average and supporting an educated workforce;
- Economic diversification with unemployment levels below the national average; and
- Sustainable employment levels and specific sources of near to mid-term job creation.

Real Estate Market Trends

The Fund's investment strategy is to acquire distressed residences with potential for resale at favorable prices that will provide a significant short-term profit for the Fund. Markets that fit this profile may have experienced significant distress in the residential real estate market during the recession, creating a significant price difference between distressed and non-distressed properties. The Management Company intends to analyze the following characteristics:

- Decline in values during the recession and the opportunity to acquire distressed homes at prices near recessionary lows;

- Distressed home prices at recessionary levels but showing stability with an opportunity for future appreciation;

- Distressed transactions trading at a significant discount to non-distressed transactions;

- A stable economy and a growing demand for the purchase of existing homes at non-distressed prices.

- Historically low supply of new housing;

- Higher than average foreclosure rates anticipated to clear within the Fund Term.

Other Relevant Factors

Other factors will be considered that may affect the desirability of the real estate. Other factors include: various local housing and lending laws that may be more or less favorable to home buyers; favorable foreclosure laws; local tax regulations that likely vary between regions; neighborhood conditions such as the existing home owners, crime rates, quality of schools; and other factors that may impact the investment.

This Memorandum does not purport to contain all information that may be material to a prospective Limited Partner, and prospective Limited Partners should conduct their own independent evaluation into the merits and risks of investing in the Fund. Moreover, prospective Limited Partners should assume that the information contained in this Memorandum is accurate only as of December 1, 2013, unless otherwise stated. Relevant data regarding the Fund's business and prospects, as described herein, may have materially changed since December 1, 2013. The Fund does not intend to amend or supplement this Memorandum for any such changes.