The attached language is intended for informational and educational purposes only and is not intended to supplant individual analysis by an investor and is not intended to mandate any particular reserve levels for funds.

Reserve for project needs— a minimum of 1.5% of total invested funds (including sponsor load). To be funded over 5 years.
Reserve for Asset Management Fees—TBD amount estimated to be $10,000 per project per year escalating 10% every 5 years or 2% per year.
Reserve for fund level expenses—TBD amount estimated to be $35,000 per year increasing 2% every year. To include payment of fund audit, tax returns, and legal as necessary.

<u>Notes</u>
1. To the extent the investors have received their pro formed return, all money remaining in the project level reserve may accrue to sponsor at the close of the fund. No incentive management fees are to be paid out of any of the above reserves. An incentive management fee may be accrued outside of the reserves and is to be capped at 50 basis points of invested equity per year.
2. At fund inception a 15-18 year Source and Use statement should be provided as part of the Fund underwriting for all reserves. This should be documented in the PPM. This statement should be updated every year and also reflect any accrued fees due to the syndicator.
3. As it pertains to the reserve for project needs, if advances to properties are loans, the Source and Use stmt should include a line for repayment assumptions.

4. Reporting and fiduciary obligations. No less than annually, the fund sponsor will review the above reserves for sufficiency and report this to the investor. Along with verification of fund balance amounts. The annual reporting should also include a variance of the original Source and Use versus current actuals.
5. The reserve for project needs shall not be used for any single project in excess of 200% of its pro rata share of invested equity without approval of investors.