

Pax Properties CAP Plus Diversified Income Fund, LLC

(a Florida limited liability company)

(March 1, 2021)

CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

THIS OFFERING OF OWNERSHIP INTERESTS (“*INTERESTS*” OR “*MEMBERSHIP INTERESTS*”) OF PAX PROPERTIES CAP PLUS DIVERSIFIED INCOME FUND, LLC (THE “*FUND*”) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OR THE LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THE FUND NOR ITS MANAGER NAMED BELOW (THE “*MANAGER*”) IS REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR ANALOGOUS LAWS OF ANY STATE OR OTHER JURISDICTION. THE MANAGER IS NOT REGISTERED AS AN INVESTMENT ADVISER WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (“*SEC*”) OR IN ANY STATE OR OTHER JURISDICTION, NOR IS THE FUND OR ANY OTHER AFFILIATE. THIS OFFERING IS BEING MADE IN RELIANCE ON REGISTRATION EXEMPTIONS UNDER THE SECURITIES ACT AND STATE SECURITIES LAWS. THE DELIVERY OF OFFERING MATERIALS DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. AN INVESTMENT IN INTERESTS MAY NOT BE WITHDRAWN ABSENT THE MANAGER’S CONSENT, WHICH IS UNLIKELY. INTERESTS MAY NOT BE TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE LAWS, AND IN ACCORDANCE WITH THE FUND’S LIMITED LIABILITY COMPANY AGREEMENT.

Offering materials are being delivered solely for the purpose of the recipient’s evaluation of an investment in the Fund. Offering materials may not be reproduced or distributed to anyone other than the recipient or the recipient’s advisers. By accepting delivery of any offering materials, the recipient agrees, on the recipient’s own behalf and for his or her advisers, to return all offering materials promptly to the Manager on request or if the recipient does not subscribe.

Manager:

Pax Properties Fund Manager, LLC
308 NW 1st Avenue
Delray Beach, FL 33444
Telephone: (561) 573-2295
Attention: Mr. Justin Ford

THE OFFERING IS AVAILABLE ONLY TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT. QUESTIONS IN THE SUBSCRIPTION AGREEMENT (EXHIBIT B) ARE INTENDED TO DETERMINE A SUBSCRIBER'S INVESTMENT ELIGIBILITY. THE MANAGER HAS AUTHORITY TO WAIVE THIS REQUIREMENT, OR TO REJECT A SUBSCRIPTION REQUEST FROM A PERSON WHO SATISFIES THIS REQUIREMENT.

INTERESTS MAY NOT BE TRANSFERRED EXCEPT WITH THE CONSENT OF THE MANAGER AND EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE OR OTHER LAWS. WITHDRAWALS ARE SUBJECT TO SIGNIFICANT RESTRICTIONS AND GENERALLY ARE NOT PERMITTED. AN INVESTOR MUST BE IN A POSITION TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE FUND FOR A SIGNIFICANT TIME PERIOD.

PROSPECTIVE INVESTORS SHOULD NOT VIEW ANY DISCLOSURES IN OFFERING MATERIALS AS LEGAL, TAX OR INVESTMENT ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN COUNSEL, ACCOUNTANT AND FINANCIAL ADVISERS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THE FUND.

THE INFORMATION HEREIN IS GIVEN AS OF THE DATE ON THE COVER PAGE, UNLESS ANOTHER DATE IS SPECIFIED WHERE THE INFORMATION IS GIVEN. READERS MAY NOT INFER FROM EITHER THE SUBSEQUENT DELIVERY OF ANY DISCLOSURE CONCERNING THE OFFERING OR ANY SALE OF INTERESTS THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SINCE THAT DATE.

THE MANAGER WILL PROVIDE THE RECIPIENT OF THIS MEMORANDUM AND HIS OR HER REPRESENTATIVE(S) WITH THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE MANAGER CONCERNING THE OFFERING TERMS AND CONDITIONS, AND TO OBTAIN ANY ADDITIONAL INFORMATION CONCERNING THE OFFERING, TO THE EXTENT THE MANAGER POSSESSES SUCH ADDITIONAL INFORMATION OR CAN OBTAIN IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION THAT DIFFERS FROM, OR ADDS TO, INFORMATION DISCLOSED IN WRITTEN OFFERING MATERIALS DELIVERED BY THE MANAGER.

THE FOLLOWING LEGENDS APPLY TO THE EXTENT INTERESTS ARE OFFERED TO PERSONS IN THE STATES INDICATED:

NASAA UNIFORM LEGEND (ALL STATES): IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY FEDERAL OR STATE SECURITIES COMMISSIONS OR REGULATORY AUTHORITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

TABLE OF CONTENTS

SUMMARY 4

DIRECTORY 12

INVESTMENT OBJECTIVES, STRATEGIES AND POLICIES 13

CAPITAL COMMITMENTS AND CONTRIBUTIONS 15

DISTRIBUTIONS 16

CERTAIN RISK FACTORS 16

MANAGEMENT 19

FEES AND EXPENSES 21

SUBSCRIPTIONS 22

TAXATION 23

ADDITIONAL INFORMATION 24

Exhibits

- A** Limited Liability Company Agreement (Operating Agreement)
- B** Subscription Agreement

SUMMARY

This Summary is qualified in its entirety by the remainder of this Confidential Private Offering Memorandum (this "**PPM**"), and its exhibits, including the Fund's Limited Liability Company Agreement (Operating Agreement) (the "**Fund Agreement**" or the "**Agreement**"), and the Subscription Agreement (the "**Subscription Agreement**") attached as Exhibits A and B. Before making an investment decision, prospective Fund Investors should read these documents carefully and consult their own advisers. Unless otherwise defined below, capitalized terms have the meanings assigned to them in the Fund Agreement. Disclosures in this PPM are intended to be consistent with disclosures in the Fund Agreement, but the Fund Agreement will govern in case of a conflict. Some PPM disclosures appear only in this Summary. Others appear also in the body.

Fund and Manager

Pax Properties CAP Plus Diversified Income Fund, LLC (the "**Fund**") was formed as a Florida limited liability company in early 2021. At about the same time, the Manager was formed, also as a Florida limited liability company, to manage the Fund. A third (and long-active – 2006) Florida limited liability company, Pax Properties, LLC ("**Pax**"), owns and controls the Manager. The ownership interests of Pax, in turn, are owned and controlled by John Justin (Justin) Ford. Mr. Ford effectively is the Fund's portfolio manager, acting on behalf of the Manager.

The Manager (directly and/or through one or more Affiliates) will make at least a \$250,000 Capital Commitment to the Fund at or before the Initial Closing, and will then contribute to the Fund, in cash, 100% of its Capital Commitment. The Fund will issue Membership Interests in exchange, the same as for Fund Investors.

The Manager will succeed with the Fund only if the Fund Investors also succeed. In essence, the Fund Investors will commit capital (up to their respective Capital Commitments) in exchange for the Manager's efforts to earn and distribute a high return. If the Fund performs well, as the Manager expects, the Manager will make money for itself and even more money for the Fund Investors, since they will be entitled to most of the Fund's strong performance. Conversely, if the Fund performs poorly, the Manager probably will lose money, and the Fund Investors may lose money too. The Manager expects that the Fund will perform well. This PPM lays out its plan for accomplishing that.

See "Investment Objectives, Strategies and Policies" at page 13.

Risk Factors

The Fund's investment program involves risks. Losses could occur, possibly including a total loss of investment. *See "Certain Risk Factors" at page 16.* An investment in the Fund is illiquid. The

Manager's consent is required for transfers and withdrawals. Transfers to other Fund Investors, or to family members for estate planning purposes, usually will be permitted. Transfers to outsiders, or withdrawals, usually will not be. See "*Liquidity Restrictions*" below in this Summary. Certain conflicts of interest may arise between the Manager and the Fund Investors. See the subsection of "*Certain Risk Factors*" entitled "*Potential Conflicts of Interest*" (page 18).

**Investment
Strategy and
Objectives**

The Fund invests in real estate. It focuses on multi-family residential properties (e.g., apartment buildings), though it may invest also, or instead, in hospitality-industry properties (e.g., hotels), and/or in retail, office or industrial properties. Without limiting the breadth of its investment authority, the Fund may lend money on fair terms to the owner of any "*Portfolio Investment*" (if the Fund itself is not the owner of the Property involved) or to any other person involved in real estate activities (even an Affiliate of the Manager), if the loan is secured.

The Fund's objectives are to generate distributable cash by owning and operating revenue-producing real estate (especially apartment buildings), to produce "positive leverage" from certain mortgages, and to generate more distributable cash by disposing of Portfolio Investments (including both resales and refinancings or similar recapitalizations).

The Manager will deploy most or all of the Fund's investment capital during the "*Investment Period*," which ends in 2025. The Manager must distribute net cash from operations, at least quarterly, from the Initial Closing onward. If the Fund disposes of a Portfolio Investment before the "*Reinvestment Period*" ends (2028), the Fund also may distribute the net cash (and intends to do so), or it may reinvest the net cash (in existing Portfolio Investments, if the Investment Period has ended).

The Manager will have no discretion after the "Reinvestment Period" ends. It will be required to distribute all cash from any source, net only of Fund cash used to pay or reserve for Fund Expenses that are not covered by revenues from Portfolio Investments, though no Fund Investor will ever be required to contribute more than his or her Capital Commitment. The Manager expects that Fund Expenses will be covered principally or entirely by revenues received on Portfolio Investments (e.g., apartment rents). See "*Distributions*" below.

See "*Investment Objectives, Strategies and Policies*" at page 13.

Term

The Fund will terminate on December 31, 2029, with one or two two-year extensions by the Manager. The Fund's formal term may be

extended further, to as late as 2035, if approved by the majority in interest of the Fund Investors (“*Majority Approval*” -- including the Manager and/or its Affiliate(s), if it holds a Membership Interest), excluding any Member whose Interest is bought out for cash at fair market value or who is offered that amount but declines to accept it. Regardless of its formal term, the Fund will continue to operate until it is formally dissolved. The Fund Investors may require, by Majority Approval, that the Fund be terminated at any time after its formal term has ended (including any extensions). The Manager may terminate the Fund at any time, even before its formal term ends.

**Capital
Commitments
and Calls**

A Fund Investor will state a Capital Commitment when he subscribes, which will be the Fund Investor’s maximum exposure to the Fund. Unless the Manager agrees otherwise with a Fund Investor, the Fund Investor will contribute, in cash, 100% of the Fund Investor’s Capital Commitment when the Fund Investor is admitted to the Fund. The remainder (if any) of a Fund Investor’s Capital Commitment will be subject to call by the Manager. The Manager may require some Fund Investors to contribute their full Capital Commitments upon admission while agreeing with other Fund Investors that some or all of their Capital Commitments will be called later.

The “*Initial Closing*” (which may occur in person or as an exchange of documents, as the Manager may decide) is likely to be held when the Manager believes the Fund has received sufficient tentative Capital Commitments to acquire its first Portfolio Investment. One or more additional Closings may be held not later than January 15, 2022 -- or even later with Majority Approval. A Fund Investor admitted after earlier Fund Investors may be required to make a supplemental Capital Commitment when the Fund Investor is admitted. Failure to satisfy a capital call (if any) may result in adverse consequences, as the Manager may have agreed with the Fund Investor. For example, if so agreed, a defaulting Fund Investor may remain liable for the amount called, and for future capital calls -- in either case, up to the Fund Investor’s Capital Commitment.

After the Investment Period ends, capital calls (if any) will be made only to pay or reserve for Fund Expenses that are not covered by actual or expected receipts from Portfolio Investments (for example, apartment rents received by the Fund). The Manager intends not to make any such capital calls. In no event will a Fund Investor be required to contribute more, in the aggregate, than the Fund Investor’s Capital Commitment.

See “Capital Commitments and Contributions” at page 15.

Distributions;

The Fund’s investment capital will be deployed in Portfolio

Priority Return

Investments during the Investment Period (ending in 2025). During the remainder of the Reinvestment Period (ending in 2028), the Fund may invest in existing Portfolio Investments, or it may distribute all available cash as described below. The Manager must make at least quarterly distributions after the Initial Closing, net only of cash held back to pay or reserve for Fund Expenses (or to make Portfolio Investments, if the Investment Period has not yet expired), though the Manager expects that actual or expected Fund revenues (e.g., apartment rents) will cover Fund Expenses. Subject only to the Manager's authority to cause Fund investment capital to be invested or reinvested as just described, the Fund will distribute all Net Cash Flow, at least quarterly, from the Initial Closing onward.

Distributions will be made 100% to the Members (i.e., excluding the Manager unless the Manager or its Affiliate is then a Member) until distributions yield Members a **7.0% annual** (cumulative, non-compounded) "**Priority Return**" on their unrecouped Capital Contributions. Distributions will begin on the Distribution Date specified by the Manager on or shortly after the Initial Closing. Regardless of the Distribution Date, however, the initial distribution to a Fund Investor will be based on the Fund Investor's Capital Contributions made when or after the Fund acquires its first Portfolio Investment (or on or after June 30, 2021, in the unlikely event that the Fund has not acquired its first Portfolio Investment by then). The Manager may specify a higher (but not a lower) Priority Return annual percentage for any time period. The Fund is also free at any time to "pay down" some or all of any Member's unrecouped Capital Contributions, and any "pay-downs" may be either proportionate or disproportionate to Membership Interests.

A distribution to a Member will be credited first to the Member's current-period Priority Return and then to reduce the Member's unreturned Capital Contributions. If a distribution is less than the Member's current-period Priority Return, the shortfall will be added to the Member's unreturned Capital Contributions, but not above the Member's actual Capital Contributions. The Manager will keep track of any remaining shortfalls, and may increase later distributions to offset them. The Member will have no claim against the Manager or any other person for any shortfall (except against the Fund itself, on termination). After Fund Investors have received (if ever) their Priority Returns and unreturned Capital Contributions, any distributions will be split 35/65 between the Manager and the Members. Although the Manager doubts this will occur, it is possible that the Manager will receive no distribution until late in the Fund's life (if ever).

When the Fund terminates, any prior distributions to the Manager (not

counting any amount paid to the Manager as a creditor (for example, Fund Management Fees)) will be subject to a “claw-back” (net of income taxes conclusively presumed to have been paid by the Manager and/or its owner(s) on those distributions, at an assumed 30% tax rate) if any Member has not recovered its Capital Contributions plus its Priority Return through the claw-back date.

All distributions to the Members will be made pro rata, in proportion to their unrecouped Capital Contributions while distributions are based on unrecouped Capital Contributions, and in proportion to their percentage interests if unrecouped Capital Contributions have been reduced to zero. If the Manager or its Affiliate is a Member when a distribution is made or when the Fund terminates, it will be treated like any other Member in that capacity.

**Manager
Compensation;
Expenses;
Affiliate
Compensation**

To ensure that Fund Investors are always treated fairly, each amount described below will be determined without regard to whether the Manager or its Affiliate is a Member, always by an objective measure or by a person other than the Manager or its Affiliate. Unless otherwise agreed, however, no such amount will be paid by the Manager or its Affiliate. For example, if the Manager’s Affiliate owns Membership Interests when a quarterly Fund Management Fee (as defined below) is calculated, those Membership Interests will be included when the Fund Management Fee is calculated, but the Manager’s Affiliate will not pay the Manager its share of the Fund Management Fee.

The Manager believes that all Fund transactions with the Manager or its Affiliate will be fair and reasonable to the Fund, and that the Fees summarized below are highly competitive. None of these arrangements will affect any Fund Investor’s allocations or distributions, though they are likely to reduce Profits (or increase Losses) and distributable cash.

On the first day of each calendar quarter, the Manager will receive from the Fund a **Fund Management Fee** equal to one-fourth of **0.65%** of the fair market value of Fund assets on that day.

Except for the Fund Management Fee and the Manager’s share of distributions, the Manager will receive no compensation for its services to the Fund, but the Manager or (more likely) the Manager’s Affiliates are expected to receive one or more forms of other compensation from the Fund.

First, if the Manager believes in good faith that the Manager or its Affiliate was a procuring cause of a Portfolio Investment (whether or not any amount is payable to an unrelated third party as a result of the

acquisition), the Manager or such Affiliate will receive from the Fund an “**Acquisition Fee**” equal to **1%** of the Fund’s gross cost of the Portfolio Investment (i.e., including transaction costs) and of any capital improvements or repairs already planned when the Portfolio Investment was acquired by the Fund (as evidenced in writing).

In addition, while the Fund holds a Portfolio Investment, an Affiliate of the Manager (probably Pax Property Management, LLC) is likely to receive a property management fee of **3.5%** of the gross revenue (e.g., apartment rents) for providing property management services for the Portfolio Investment, or **one-half** of that percentage if the Manager has hired an independent property manager to manage the Portfolio Investment in question (in which case the Affiliate will supervise property management) (in either case, a “**Property Management Fee**”).

In addition, the Manager intends to hire an Affiliate (probably Pax Construction Services, LLC, which is directly or indirectly owned and controlled by Justin Ford) to perform or supervise certain renovations, repairs and other construction services on Fund properties, under “cost+5%” arrangements (a “**Construction Fee**”). The Fund will bear all Fund Expenses, which is defined broadly to include all expenses of organizing, operating or terminating the Fund or the Manager and of offering, selling or repurchasing Interests. If a Fund Expense is also payable in part by an Affiliate of the Fund (e.g., office rent), the Fund will pay only its fair share of the Fund Expense. The Manager intends to pay Fund Expenses entirely out of revenues received on Portfolio Investments (e.g., apartment rents received), though the Manager will have authority to make capital calls on Fund Investors if necessary to fund Fund Expenses (up to a Fund Investor’s Capital Commitment).

See “Fees and Expenses” at page 21.

Minimum Investment; Eligible Investors

The minimum Capital Commitment of a Fund Investor is \$100,000, unless the Manager approves a smaller amount. Each Fund Investor must be an "accredited investor" as defined in Rule 501(a) under the Securities Act. The Manager will require each Fund Investor to deliver certain documents requested by the Manager so that the Fund can take "reasonable steps to verify" a Fund Investor's investment eligibility. The "*Subscriptions*" section (page 22) includes a draft letter that may satisfy this requirement. The Fund's offering of Interests is made pursuant to an exemption from registration under the Securities Act and Regulation D thereunder, available for certain securities offerings that are deemed to be non-public. Each prospective Fund Investor must make his or her own investment decision, and will not be advised in that decision by the Manager or any Affiliate. The Manager may decline any person's offer to invest.

See "Subscriptions" at page 22.

Admission of Fund Investors

The Manager will admit new Fund Investors at the Initial Closing, which may be held (as the Manager may decide) in person or remotely. The Initial Closing is likely to occur when the Manager determines that the Fund has tentatively received sufficient Capital Commitments (including the Capital Commitment of the Manager and/or Manager Affiliate(s) described above) to acquire the Fund's first Portfolio Investment. In the Manager's discretion, additional Closings may be held not later than January 15, 2022 – or even later with Majority Approval. If a Fund Investor is admitted after other Fund Investors, the later-admitted Fund Investor may be required to make (and fund) a supplemental Capital Commitment to reflect fairly the time difference and any intervening change in the value of Fund assets.

Liquidity Restrictions

A Fund Investor may not withdraw from the Fund or transfer his Interest unless the Manager consents. Withdrawals generally will not be permitted. The Manager may not unreasonably withhold consent to a proposed transfer to another Fund Investor or the transferor's Affiliate. Transfers also must comply with applicable laws.

Reports

The Manager will provide Fund Investors with unaudited quarterly reports, and with year-end financial statements. Year-end financial statements may be unaudited or audited by an independent accounting firm chosen by the Manager. Fund Investors also will receive information necessary to prepare their federal income tax returns. Any related fees and expenses are a Fund Expense.

Sales Charges

There will be no sales charges to any Fund Investor. At its own expense, the Manager may pay persons who introduce prospective

Fund Investors.

Tax Matters

The Manager will make all key tax-related decisions for the Fund. The Fund intends to operate as a partnership for federal income tax purposes. Each Fund Investor will be required to report his distributive share of the Fund's taxable income or loss, regardless of whether the Fund Investor has received a distribution. Fund Investors may find it necessary to obtain filing extensions, and may need to rely on other cash sources to pay income taxes. Each prospective Fund Investor should consult with an independent tax adviser to understand the tax consequences of a Fund investment.

See "Taxation" at page 23.

Legal Counsel:

Eric A. Brill has acted as counsel to the Fund in connection with the offering of Interests. He also acts as counsel to the Manager and its Affiliates. He does not represent any prospective or actual Fund Investor. No independent counsel has been retained to represent Fund Investors.

DIRECTORY

**Fund and
Manager**

Pax Properties CAP Plus Diversified Income Fund, LLC
Pax Properties Fund Manager, LLC
308 NW 1st Avenue
Delray Beach, FL 33444
Attention: John Justin (Justin) Ford
Telephone: (561) 573-2295

**Custodian of
Cash Assets**

J.P. Morgan Chase Bank
10430 Highland Manor Drive, Tampa, FL 33610
Attention: Sebastian Giraldo
Telephone: (561) 601-8435
Email: sebastian.giraldo@chase.com

**Custodians of
Non-Cash
Assets**

Non-cash assets (if any), other than Portfolio Investments, will be held by multiple independent custodians.

**Legal Counsel
to Manager**

Eric A. Brill, Esq.
3535 Clay Street, Suite 200
San Francisco, CA 94118
Telephone: (415) 713-4795
Email: eabrill@brill-law.com

INVESTMENT OBJECTIVES, STRATEGIES AND POLICIES

The Fund was formed in early 2021 as a Florida limited liability company. At about the same time, the Manager also was formed, also as a Florida limited liability company, to manage the Fund. The Manager is owned and controlled by Pax Properties, LLC, a Florida limited liability company (“*Pax*”). Pax, in turn, is owned and controlled by John Justin (Justin) Ford. The Fund has authority to invest in real estate, broadly defined. *See the Fund Agreement (Exhibit A), and “Investment Focus” below.* The Fund's assets may at times be fully invested in Portfolio Investments, and at other times may be held primarily in cash or short-term securities.

Investment Focus

The Fund focuses on revenue-producing multi-family residential real estate (e.g., apartment buildings), but it may also (or instead) invest in hospitality-industry real estate (e.g., hotels), office buildings, industrial real estate, and/or other real estate.

The Fund’s real estate investments (“*Portfolio Investments*”) may take several forms. It has broad authority to invest through a variety of ownership structures – including, for example, wholly-owned real estate assets, direct or indirect interests in other entities that own real estate or other real-estate-related investments, shares of public or private real estate investment trusts (REITs), commercial mortgages or syndicated loans, mortgage-backed securities and other debt-related securities, mezzanine financings, and other forms of real estate investments (for example, preferred equity, convertible debt, and participating loans), all of which derive their value principally through exposure to real estate. Without limiting the breadth of its real-estate-related investments, the Fund also has authority to lend money, on fair terms, to the owner of any Portfolio Investment (if not the Fund itself, even if the owner is an Affiliate of the Manager), or to any other person involved in real estate activities, if the loan is secured.

The Manager believes that real estate, especially multi-family residential units, is an especially attractive investment in today’s low interest-rate environment because of its potential to:

- generate healthy and consistent income;
- build long-term equity in desirable assets;
- hedge long-term against inflation; and
- enhance total returns through low-cost mortgage financing.

Typically, Portfolio Investments will:

- have high occupancy rates; and
- be located in stable markets; and

- be occupied by creditworthy tenants; and
- offer value through a favorable acquisition price and/or an attractive going-in “cap rate” (i.e. unleveraged yield); and
- be capable of maintaining or adding value over the life of the investment.

By focusing on revenue-producing real estate, the Manager intends to generate a stable stream of current income for Fund Investors. Over the life of the Fund, Portfolio Investments are expected to offer prospects for appreciation and a total return that exceeds the Fund’s current-income return, but the Manager expects that most of the Fund’s total return will be provided through distributions of cash derived from revenue-producing Portfolio Investments (for example, rental revenues). These relatively stable and predictable cash flows should reduce the variability of total returns and help to support favorable valuations of Portfolio Investments.

A more predictable revenue stream (distributed at least quarterly, beginning soon after the Initial Closing) should help to provide diversification and total return benefits to Fund Investors who hold traditional assets such as stocks and bonds.

The Manager believes the Fund’s private real estate investments will be more closely tied to property fundamentals than its investments (if any) in public REITs, which generally have experienced higher volatility and currently feature lower income yields (and, therefore, higher prices) than what the Manager generally intends to seek. For Fund Investors with long investment time horizons, this element of the Fund’s strategy may offer an attractive alternative to publicly traded REITs and bonds – especially in light of the low interest rates currently available to investors in public markets.

There can be no assurance that the Fund’s investment objectives will be achieved. Losses could occur, which could be substantial, possibly including a total loss of investment. No distribution is guaranteed. See "Certain Risk Factors" at page 16.

The Manager presently intends to allocate most of the Fund’s investment capital to revenue-producing assets as described above. It intends to invest the remainder of the Fund’s investment capital (if any) in real estate investments that may not generate distributable cash, if ever, until the investment is disposed of (usually by a sale, though cash-out refinancings and similar recapitalizations also count as dispositions). A disposition of a Portfolio Investment generally will be followed by the Manager’s distribution of net cash proceeds. Fund Investors thus are expected to receive distributions from two sources: current income generated by revenue-producing Portfolio Investments, and net cash proceeds received on the disposition of Portfolio Investments. *There can be no assurance, however, that any source of distributions will materialize, or that such distributions, if made, will be substantial.*

Portfolio Investments may be held for short or long time periods, possibly until the Fund is terminated (or even after).

The Fund has unrestricted authority to borrow money or use other forms of leverage to acquire or hold Portfolio Investments. The Manager intends to exercise that authority, though it is not required to do so. In some (probably few) cases, a real estate asset in which the Fund holds

a Portfolio Investment will be owned by another entity, which may or may not be an Affiliate. That entity may borrow money to acquire or hold the property. The Manager may or may not know that the entity has done so, or how much it has borrowed, though the Manager generally will know.

CAPITAL COMMITMENTS AND CONTRIBUTIONS

Each Fund Investor will be required to specify a Capital Commitment in his Subscription Agreement. This Capital Commitment will represent the Fund Investor's maximum financial obligation to the Fund. Unless the Manager agrees otherwise with a Fund Investor, 100% of a Fund Investor's Capital Commitment must be contributed in cash when the Fund Investor is admitted. The remainder (if any) will be subject to "call" by the Manager, almost certainly during the "Investment Period" (ending in 2025).

If a Fund Investor has not already contributed his or her full Capital Commitment, calls for the full amount of a Fund Investor's Capital Commitment may be made well before the end of the Investment Period. Additional capital contributions (though not exceeding a Fund Investor's Capital Commitment, in the aggregate) may be called for after the Investment Period ends, though only for the limited purpose of paying (or reserving for) Fund Expenses that are not covered by Portfolio Investments (e.g., apartment rents received). Capital calls after the Investment Period ends are highly unlikely, though they could occur. In no event, however, will a Fund Investor be required to contribute more than his Capital Commitment.

The Manager may admit new Fund Investors at the Initial Closing (at which time, or earlier, the Manager itself, and/or an Affiliate, will make – and fully fund, in cash -- at least a \$250,000 Capital Commitment). In the Manager's discretion, one or more additional Closings may be held until January 15, 2022, or even later with Majority Approval.

To the extent the Manager (either directly or through an Affiliate) makes a Capital Commitment or contributes capital to the Fund, it will be treated like all other Fund Investors. For example, when determining whether Majority Approval has been given, the Manager (or its Affiliate) will be entitled to participate in the vote or written consent on that matter).

If a Fund Investor is admitted after one or more capital calls have been made, the Fund Investor may be required to make a "catch-up" capital contribution. If a Fund Investor fails to satisfy a capital call (if any) in full and on time, adverse consequences may follow, as the Fund Investor may have agreed with the Manager (for example, a reduction of the Fund Investor's share of distributions and of voting rights). Under such agreements, the Fund Investor may remain responsible for the unsatisfied capital call and for future capital calls. No one will have a claim against the Manager or its Affiliate as the result of the making or performance (or not) of any such agreement.

DISTRIBUTIONS

See “Summary – Distributions.”

CERTAIN RISK FACTORS

Prospective Fund Investors should read this section carefully, feel free to ask questions of the Manager, and consult with their own advisers before making any investment decision.

There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund is suitable only for sophisticated investors for whom the investment does not represent a complete investment program and who understand and can bear the risks. Prospective investors should carefully evaluate the merits and risks of an investment in the Fund in the context of their overall financial circumstances. The following risk factors do not purport to be complete but should be considered carefully by prospective investors.

Absence of Fund Operating History. The Fund has no operating history. Although Justin Ford, the portfolio manager of the Fund (acting on behalf of the Manager), has significant real estate investment experience as the principal of Pax, and he consults with others who also are experienced in real estate investing, he is not required to do so, and ultimately Mr. Ford makes all investment decisions on behalf of the Manager.

Business Dependent upon Small Investment Team. Fund Investors have almost no authority to make decisions on behalf of the Fund, and may not receive all desired information concerning Portfolio Investments or Fund operations. The authority for nearly all decisions is held by the Manager. The Fund's success depends principally on the skill and acumen of the Manager's investment team, which is likely to consist of a few individuals at most and presently consists only of Justin Ford. While Mr. Ford intends to devote a substantial amount of time and attention to the Fund, he devotes a substantial amount of his time and attention to advising other investment vehicles and other investors and, accordingly, will not be required or able to devote his full time and attention to the Fund.

Real Estate Investments Are Subject to Substantial Risks. Real estate investments are subject to substantial risks, and may lose substantial value. This risk is especially pronounced when real estate investments are acquired by borrowing or other use of leverage, which is likely to be the case with some or all Portfolio Investments. It is possible that many other investors will compete with the Fund for particular real estate investments. The price of a Portfolio Investment may increase due to such competition and the Fund may be unable to obtain a particular Portfolio Investment, either at all or at a price that the Manager considers attractive.

Real Estate Investments Are Subject to Significant Laws and Rules. Real estate investments are subject to many federal, state, local and other laws and rules which may not

apply to other types of investments. Compliance may add substantial cost to the Fund's acquisition, holding and/or disposition of Portfolio Investments, and the Fund could be subject to various penalties if it fails to comply fully. Though the Manager does not anticipate this, it is possible that such laws and rules at times may prevent the Fund from acquiring a Portfolio Investment, or may require the Fund to dispose of a Portfolio Investment on unfavorable terms and conditions.

Credit Risks May Be Significant. The Fund may invest in debt instruments (for example, mortgage notes). The value of most debt Portfolio Investments is likely to depend substantially on the creditworthiness, and payment performance, of the obligor, over which the Manager will have no control. Risks of default may be especially high during economic downturns or, even during strong economic periods, during periods of weakness in the particular areas or sectors in which the Fund's investments are then concentrated.

Leverage Risk. While leverage presents opportunities to increase the Fund's return, leverage can instead increase losses. The Fund may hold some Portfolio Investments through other persons (which may or may not be Affiliates), which may use leverage in excess of what the Fund might use if it owned the asset directly. As a result, the Fund's effective leverage could, indirectly, substantially exceed the Fund's self-imposed limit (if any -- the Fund has no formal limit on its use of leverage). Though the Manager generally expects to be aware, at times it may be unaware of the extent of leverage employed by one or more of these other entities and, therefore, may not be in a position to assess the impact of leverage on the Fund.

Business and Regulatory Risks of Private Investment Funds. The investment business, and the financial services industry generally, has been subject to intense regulatory scrutiny. Such scrutiny may increase the Fund's and the Manager's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Manager.

Limited Liquidity of Investment in the Fund. An investment in the Fund is suitable only for sophisticated investors who have no need for liquidity. The Fund's term is 8 years, and it may be extended by the Manager for up to two additional two-year periods, or even longer on Majority Approval, whether or not a particular Fund Investor approves. Any transfer will require the Manager's approval and compliance with applicable securities laws. Withdrawals also will require the Manager's approval, and are not likely to be permitted.

No Control Over Indirect Investments. Some or all of the Fund's investment capital may be invested indirectly through other entities, including single-purpose and other special-purpose investment vehicles. The Manager may have no control and little or no influence over the decisions of the manager of such another vehicle regarding the timing or terms of holding or disposing of a Portfolio Investment.

Risk That Manager Will Set Fair Market Value Incorrectly. While the fair market value of most Portfolio Investments will be determined by quantitative criteria (for example, market prices), the fair market value of some Fund assets may reflect non-quantitative factors. While fair market value must be reasonably determined by the Manager (and for many purposes – e.g., calculation of the Fund Management Fee – must be determined by objective standards or

by persons other than the Manager or its Affiliate), the criteria considered by the Manager where its determination does matter, and its weighting and other assessments of those criteria, may in some cases yield a range of “reasonable” values. Depending on the circumstances, the Manager might have an incentive to specify a fair market value for a Fund asset that is higher or lower than other persons might specify.

Compensation Risks. The Manager will receive an asset-based management fee. Affiliates of the Manager will be entitled to receive certain other payments from the Fund. While the Manager will have a limited “claw-back” obligation to return distributions when the Fund is liquidated if Fund Investors have not received distributions at least equal to their Capital Contributions plus their Priority Return, that obligation will not arise until the time of liquidation and it is possible the Manager will be unable at that time to satisfy the obligation. Such claw-back obligation is further limited to the amounts that will previously have been distributed to the Manager (net of income taxes paid or deemed to have been paid by the Manager or its direct or indirect owner(s), at a conclusively assumed tax rate of 30%), which means that satisfaction of the Manager’s claw-back obligation may be insufficient for a Fund Investor to recover his Capital Contributions and/or his Priority Return. See “Distributions” in the Summary.

Manager's Right to Dissolve the Fund. The Manager may at any time dissolve the Fund on notice to the Fund Investors. Accordingly, if the actual or anticipated earnings of the Manager appear unattractive, the Manager may elect to dissolve the Fund at a time when dissolution is disadvantageous to one or more Fund Investors.

Absence of Regulatory Oversight. Although the Fund may be considered similar to an investment company, it is not required to, and the Manager does not intend to, register the Fund as such under the Investment Company Act of 1940 (the “*Investment Company Act*”) or any analogous law in any state or other jurisdiction. Accordingly, certain provisions of the Investment Company Act (which, among other things, require investment companies to have a certain number of disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and to be clearly marked to identify such securities as the property of the investment company, and generally regulate the relationship between the adviser and the investment company) will not apply.

Potential Conflicts of Interest. The Manager and its Affiliates carry on activities for individuals and entities other than the Fund. Among other such activities, the Manager or an Affiliate may co-own and participate actively in one or more other private investment funds that may co-invest with the Fund when the Fund makes Portfolio Investments. The Manager or an Affiliate also (or instead) may own, invest in and/or manage one or more other entities that engage in the same or a similar business as the Fund, which entities may compete with the Fund for investment opportunities. In any of such situations, the Manager or an Affiliate may receive various forms of compensation, including but not limited to asset-based compensation and/or performance-based compensation, and may receive other benefits as an owner or investor or manager of such entity.

The Manager or an Affiliate also may invest in one or more entities (or their Affiliates) in which the Fund acquires or holds a Portfolio Investment, or in an entity that manages such an entity, and may receive compensation or other benefits from the entity and/or others. The Fund

and the Fund Investors will have no interest therein. Though the Manager must act fairly and equitably toward the Fund in such situations, it nevertheless is possible that the Manager's (or its Affiliate's) judgment will be affected by the prospect of receiving such compensation or other benefits.

The Manager's interests may also conflict with the Interests of Fund Investors when the Manager or an Affiliate is to be paid a Fund Management Fee, an Acquisition Fee, a Property Management Fee or a Construction Fee. See "Summary – Manager Compensation."

MANAGEMENT

The Fund is managed solely by the Manager, a newly-formed Florida limited liability company that is owned and controlled by Pax Properties, LLC, which in turn is owned and controlled by John Justin (Justin) Ford. All Fund activities will ultimately be controlled by Mr. Ford, acting in most cases on behalf of the Manager (see "Investment Objectives, Strategies and Policies" at page 13).

Capital Commitments and Capital Contributions made by the Manager or its Affiliates will generally be on the same bases as those made by the Fund Investors, except that certain Fees and other amounts payable by the Fund Investors will generally not be payable. As explained above, the Manager (and/or one or more Affiliates) will make and fully fund (in cash) a Capital Commitment of at least \$250,000 at or before the Initial Closing.

Set forth below is certain biographical information for John Justin (Justin) Ford.

Justin Ford. Justin Ford is the principal and sole owner of Pax Properties, LLC ("**Pax**"). Pax has owned and operated over 40 properties in nine cities in three states over the last 19 years. Through the boom and bust, Pax has bought over \$75 million of real estate and has renovated and operated over 1,000 units. In that time, Pax has consistently delivered superior returns while never being late on a single mortgage payment or losing an investor a single dollar. Mr. Ford attributes this unique track record to his company's long-term outlook and its focus on cash flow, operations and conservative financing.

Prior to starting his real estate business, Mr. Ford spent 17 years as an editor and publisher in the financial publishing business. For 12 of those years he was self-employed by his own company, Seeds of Wealth, Inc., though his main client remained his former employer, Agora, Inc., the world's largest publisher of financial newsletters. This career took Mr. Ford all over the world and he believes it helped make him a better investor.

Mr. Ford has visited central banks, finance ministries, stock exchanges, and leading public companies — from Beijing to Tokyo, Hong Kong, Prague, Paris, London, New York, Sao Paulo and Buenos Aires, among others. He has worked with, interviewed and learned from Global 500 CEO's, high-level public officials and truly independent analysts.

From 1993 through 1999, Mr. Ford published international investment and business-to-business newsletters, covering Latin America, China, Africa and the former Soviet Union. During this time, He also became the founding publisher of the US version of *The Fleet Street Letter*, then the oldest continuously published financial newsletter in the world, with roots in the 19th century.

In 1997, Mr. Ford began publishing *The Richebächer Letter*, a monthly analysis of global capital and currency markets written by Dr. Kurt Richebächer, the former head of Dresdner Bank and a leading Austrian School economist. Dr. Richebächer's training in classical economics and independent analysis enabled him to warn of the crisis brewing in Asia before it erupted in 1997 and the Internet bubble before its collapse in 2000. In 2002, he began warning in great detail of the brewing derivatives crisis, even identifying the major banks that would be most impacted in the eventual crisis. On more than a dozen occasions, the viewpoints of Dr. Richebächer's analysts were quoted by *The Wall Street Journal*, *Barron's*, and *The Financial Times*.

Authorship of Books and Articles

Mr. Ford has researched, written and edited hundreds of articles and papers on financial markets and real estate investing, as well as a number of books. Following are some highlights.

- Seeds of Wealth, 2000 (Agora Financial Publishing), a parent-directed program for helping children develop good money habits from an early age.
- Dr. Van Tharp's Safe Strategies for Financial Freedom, 2002, contributing author, (McGraw Hill).
- Main Street Millionaire, 2003 (Early to Rise Publishing), a course on real estate value investing.
- Sunbelt Value Cities, 2005 (Early to Rise Publishing), co-author of a study that showed far greater value for real estate investors in markets such as Austin, Texas than in the then-inflated markets of South Florida, California, Arizona and Nevada.
- Justin Ford's CAP Strategy: Bubble-proof Real Estate Investing for Lifelong Income, an updated version of the MSM course—with a focus on Cash Flow, Amortization, and Positive Leverage (CAP).

From 2004 to 2006, Mr. Ford wrote over two dozen articles in *Early to Rise*, a personal-success e-zine with over 400,000 readers, and repeatedly warned of dangerous real estate bubbles brewing in major US markets. In January 2010, he wrote an article for *The Sovereign Individual*, an investment newsletter, saying that for the first time in years markets like Florida and California now offered compelling value. The article was reprinted by the California Multi-family Investors Association. In March 2011, *Daily Wealth*, the largest individual investment newsletter advisory in the country, quoted Mr. Ford's views on the current real estate market and rental demand.

In 2014, Agora, the country's largest publisher of investment newsletters for individuals, began to publish a new residential real estate investment course by Mr. Ford: Justin Ford's CAP Strategy. The premise is that there are four ways to make money in real estate: cash flow (C), amortization (A), Positive Leverage (P) and Appreciation. Appreciation is the only one you can't control, yet it's the one that many investors focus on. This is why so many investors and banks got hit hard in the crash. You are, however, in control of whether your investment has cash flow, amortization and positive leverage. The course teaches that by focusing on these factors you can steadily build income and equity even if real estate prices never rise by a single dollar.

Formal Education and Training

Mr. Ford has a B.A. from Fordham University and has studied economics and finance at the graduate level. He was a scholarship exchange student abroad, lived in four countries and has traveled to dozens of others. He speaks, reads and writes English, Spanish, French and Italian.

Mr. Ford has a Florida real estate broker's license, a community association manager's license, a mortgage originator's license and certification as a building inspector.

FEES AND EXPENSES

Preliminary Note: As explained above, the Manager (and/or one or more Affiliates) will make (and fund 100%, in cash) at least a \$250,000 Capital Commitment at or before the Initial Closing. See "*Capital Commitments and Contributions*" at page 15. In that separate status, the Manager (or such Affiliate) will essentially be subject to the same terms and conditions as Fund Investors with respect to capital calls, contributions, distributions, allocations, voting rights and other matters (except that the Manager (or such Affiliate(s)) generally will not pay fees or other amounts to the Manager or Manager Affiliates, as described above). Accordingly, the descriptions of Manager compensation in this Memorandum are not intended to describe provisions of the Agreement that apply to the Manager (or an Affiliate) in its separate status as a maker of Capital Commitments or Capital Contributions to the Fund.

Manager Compensation. See "*Summary -- Manager Compensation.*"

Affiliate Compensation. See "*Summary -- Affiliate Compensation.*"

Expenses. Though the Manager contemplates that such expenses will be covered by revenues received on Portfolio Investments, the Fund, and not the Manager or any other person, will bear all of the organizational, operating and liquidating expenses of the Fund or the Manager (including all expenses of offering, selling or repurchasing Interests) (collectively, "**Fund Expenses**").

The preceding paragraph does not apply to sales charges or similar fees, or related expenses, arising in connection with the Fund's offer or sale of Interests. Such expenses are instead borne by the Manager. See the final paragraph under "*Subscriptions*" below.

SUBSCRIPTIONS

The minimum Capital Commitment is \$100,000, unless the Manager approves a smaller amount. Interests may be purchased only by "accredited investors" as defined in Rule 501(a) under the Securities Act. The Subscription Agreement (**Exhibit B**) includes Questionnaires designed to determine a prospective subscriber's eligibility to invest. Each Fund Investor will be asked to make certain representations concerning these requirements and his suitability to invest in the Fund, and to deliver any documents or other information that may be requested by the Manager to verify the Fund Investor's "accredited investor" status. Without limiting the generality of the preceding sentence, a Fund Investor may verify his "accredited investor" status by providing the Fund with substantially the following letter (though such a letter will not be conclusive proof of a prospective purchaser's "accredited investor" status – for example, if the Manager has other reasons to believe the prospective purchaser is not an "accredited investor"):

[LETTERHEAD OF LETTER-SIGNER]

[LETTER DATE]

Pax Properties CAP Plus Diversified Income Fund, LLC (the "Fund")
308 NW 1st Avenue
Delray Beach, FL 33444
Attention: Mr. Justin Ford

("Investor")

Dear Sirs and Madams:

The undersigned is a duly licensed attorney or accountant in good standing in the state in which the undersigned regularly practices (which also is the state that appears in the undersigned's return address for this letter), or the undersigned is an investment adviser or a broker-dealer registered as such with the U.S. Securities and Exchange Commission. The undersigned understands that Investor has purchased, or intends to purchase, a Membership Interest in the Fund (the "Membership Interest"). Based on the undersigned's review of the documents identified below, Investor's representation to the undersigned stated below concerning Investor's current-year income, and such other documents or other information as the undersigned considers appropriate, all of which occurred within the three months preceding the date of this letter, the undersigned represents and warrants to the Fund, without commenting on any other basis on which Investor may be an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (an "Accredited Investor"), Investor satisfies this test of "Accredited Investor" status:

Natural Person – Income. A natural person who had income exceeding **\$200,000** in each of the two most recent years (or had joint income with the natural person's spouse or spousal equivalent exceeding **\$300,000** in each of those two years

(whether or not the offered securities will be acquired jointly)) and has a reasonable expectation of reaching the same income level in the current year.

This letter is intended to apply if Investor has purchased or intends to purchase the Membership Interest as a natural person, or if Investor (either alone or together with his or her spouse or spousal equivalent (the latter meaning a cohabitant of a natural person who has a relationship with the natural person that is generally equivalent to the relationship of a spouse)) has represented to the undersigned that he or she is the principal beneficiary of an individual retirement account or similar retirement plan (“Plan”) and Investor has purchased or intends to purchase the Membership Interest through that Plan. Investor has supplied the undersigned with a copy of the Form 1040 (along with supporting forms and schedules) that Investor has represented to the undersigned that Investor filed with the U.S. Internal Revenue Service for each of Investor’s most recent two income tax years (which Investor has represented to the undersigned were calendar years). Investor also has represented to the undersigned that Investor expects to reach the applicable income level in the current year, and I think that prediction is reasonable..

[SIGNATURE]

Even if a prospective subscriber satisfies the eligibility requirements described above, an investment in the Fund is suitable only for a person who can bear the economic risk of a total loss (despite the Manager’s expectation that an investment in the Fund will be successful), and either is a sophisticated person in financial and business matters or is represented by one or more such persons. *See "Certain Risk Factors" at page 16.* The Manager may decline to admit any prospective subscriber.

Neither the Fund nor any Fund Investor will be required (or asked) to pay any sales charge in connection with the Fund’s offer or sale of Interests – whether to that Fund Investor or to any other person. The Manager may agree, at its own expense, to pay persons who introduce Fund Investors.

TAXATION

Each prospective Fund Investor should consult with, and rely solely on, his own tax advisers concerning the income tax consequences of an investment in the Fund.

The Manager expects (but cannot guarantee) that, for U.S. federal income tax purposes, the Fund will be treated as a partnership, and not as an association or publicly-traded partnership taxable as a corporation. If this is correct, the Fund, as an entity, will not be subject to U.S. federal income tax. Rather, each Fund Investor, in computing his or her U.S. federal income tax liability for a taxable year, will be required to take into account his or her allocable share of all items of Fund income, gain, loss, deduction, expenditure and credit (probably including the

Fund’s allocable share of such items of any other entity through which the Fund makes or holds a Portfolio Investment) for the taxable year of the Fund ending with or within such Fund Investor’s taxable year, regardless of whether such Fund Investor has received any distributions from the Fund. Accordingly, each Fund Investor should have alternative sources of cash with which to pay its U.S. federal income tax liability, as the tax liability related to such allocated income and gain may exceed distributions to the Fund Investor for a taxable year. A Fund Investor also is likely to find it necessary to obtain one or more extensions of tax-return filing deadlines. The income tax laws of many states and other countries are similar in these regards.

For U.S. federal income tax purposes, a Fund Investor’s allocable share of items of Fund income, gain, loss, deduction, expenditure and credit will be determined as provided by the Agreement, unless such allocations do not have “substantial economic effect” or are not in accordance with the Fund Investor’s interests in the Fund. The Manager believes that the allocations under the Agreement should have substantial economic effect or should be viewed as in accordance with the Fund Investors’ interests in the Fund. No assurance can be given, however, that such allocations will be respected for tax purposes. If any such allocations were successfully challenged by the IRS, the redetermination of the allocations to a particular Fund Investor for U.S. federal income tax purposes could be less favorable than the allocations to such Fund Investor set forth in the Agreement.

ADDITIONAL INFORMATION

Legal Counsel

Eric A. Brill acts as counsel to the Manager and its Affiliates. He did not represent, and will not be representing, prospective or actual Fund Investors in any Fund matter. No independent counsel has represented, or has been retained to represent, prospective or actual Fund Investors in any Fund matter.

This Memorandum does not set forth all provisions of the Agreement that may be significant to a particular prospective investor. It is qualified in its entirety by reference to the Fund Agreement, the Subscription Agreement and the other documents described herein. Each prospective investor should examine this Memorandum and those other documents carefully, and consult with his or her own advisors, before making an investment decision.