CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

VITAL FARMLAND REIT, LLC

Investing in Sustainability

PRIVATE PLACEMENT OF

$150,000,000 OF CLASS A UNITS

The material disclosed herein is strictly confidential and proprietary. By having access to this material, the reader agrees to treat the material as such and to not use it, either directly or indirectly, for any purpose other than to consider an investment in Vital Farmland REIT, LLC.

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Restated as of October 5, 2020

INFORMATION FOR INVESTORS

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THIS "MEMORANDUM") IS BEING FURNISHED TO PROSPECTIVE INVESTORS ON A CONFIDENTIAL BASIS TO CONSIDER AN INVESTMENT IN CLASS A UNITS (THE "UNITS") OF VITAL FARMLAND REIT, LLC, A DELAWARE LIMITED LIABILITY COMPANY ("FUND II") AND MAY NOT BE USED FOR ANY OTHER PURPOSE. THIS MEMORANDUM MAY NOT BE REPRODUCED OR PROVIDED TO OTHERS WITHOUT THE PRIOR WRITTEN PERMISSION OF VITAL FARMLAND MANAGEMENT, LLC, A DELAWARE LIMITED LIABILITY COMPANY (THE "MANAGING MEMBER"). BY ACCEPTING DELIVERY OF THIS MEMORANDUM, EACH PROSPECTIVE INVESTOR AGREES TO THE FOREGOING.

BEFORE CLOSING, THE MANAGING MEMBER WILL GIVE INVESTORS THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS AND ADDITIONAL INFORMATION FROM IT AND ITS REPRESENTATIVES CONCERNING THE OFFERING AND OTHER RELEVANT MATTERS. NEITHER FUND II NOR THE MANAGING MEMBER IS MAKING ANY REPRESENTATION OR WARRANTY TO AN INVESTOR REGARDING THE LEGALITY OF AN INVESTMENT IN FUND II BY THAT INVESTOR OR ABOUT THE INCOME AND OTHER TAX CONSEQUENCES TO THEM OF SUCH AN INVESTMENT.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF FUND II AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE OR NON-U.S. REGULATORY AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE MERITS OF THIS OFFERING, NOR IS IT INTENDED THAT THE SEC OR ANY SUCH OTHER AUTHORITY WILL DO SO. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE OR WHETHER IT IS COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. IT IS THE RESPONSIBILITY OF ANY INVESTOR PURCHASING ONE OR MORE UNITS OUTSIDE THE UNITED STATES TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS AND OBSERVING ANY OTHER APPLICABLE REQUIREMENTS.

THE UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR APPLICABLE STATE OR NON-U.S. SECURITIES LAWS. THE UNITS ARE OFFERED UNDER EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT, CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO, INCLUDING REGULATION D (AND REGULATION S, AS APPLICABLE), AND OTHER EXEMPTIONS OF SIMILAR IMPORT UNDER THE LAWS OF THE STATES AND OTHER JURISDICTIONS WHERE THE OFFERING WILL BE MADE. THE UNITS MAY NOT BE TRANSFERRED IN THE UNITED STATES IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO FUND II AND ITS COUNSEL THAT REGISTRATION IS NOT REQUIRED. IN ADDITION, UNITS MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED, IN WHOLE OR IN PART, EXCEPT AS PROVIDED IN FUND II'S LIMITED LIABILITY COMPANY AGREEMENT (THE "FUND II LLC AGREEMENT"). THERE WILL BE NO MARKET FOR THE UNITS, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE UNITS UNDER THE SECURITIES ACT OR ANY STATE OR NON-U.S. SECURITIES LAWS. EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THIS MEMORANDUM, UNITS ARE NOT REDEEMABLE AT THE OPTION OF THE HOLDER AND

INVESTORS WILL NOT HAVE THE RIGHT TO WITHDRAW THEIR CAPITAL. INVESTORS MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE UNITS FOR AN INDEFINITE PERIOD OF TIME. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALE OR TRANSFER, SEE "**II. SUMMARY OF PRINCIPAL TERMS**."

THIS MEMORANDUM HAS BEEN PREPARED IN CONNECTION WITH A PRIVATE OFFERING OF UNITS TO ACCREDITED INVESTORS. EACH PURCHASER WILL BE REQUIRED TO REPRESENT, AMONG OTHER THINGS, THAT IT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D OF THE SECURITIES ACT AND THAT IT IS ACQUIRING THE UNITS PURCHASED BY IT FOR INVESTMENT AND NOT WITH A VIEW FOR RESALE OR DISTRIBUTION.

FUND II WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). NEITHER FUND II NOR ITS MANAGING MEMBER WILL BE REGISTERED AS AN INVESTMENT ADVISER UNDER THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT"). CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OR THE ADVISERS ACT.

INVESTMENT IN THE UNITS WILL INVOLVE SIGNIFICANT RISKS DUE TO, AMONG OTHER THINGS, THE NATURE OF FUND II'S INVESTMENTS. INVESTORS SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY WHICH ARE CHARACTERISTIC OF AN INVESTMENT IN UNITS. PLEASE SEE "**IX. RISK FACTORS**" OF THIS MEMORANDUM FOR A MORE COMPLETE DISCUSSION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE UNITS.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX, INVESTMENT, OR OTHER ADVICE. EACH PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN INQUIRIES AND CONSULT ITS ADVISORS AS TO FUND II AND THIS OFFERING AND AS TO LEGAL, TAX, AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE UNITS.

CERTAIN ECONOMIC AND MARKET INFORMATION CONTAINED IN THIS MEMORANDUM CONCERNING INDUSTRY TRENDS HAS BEEN OBTAINED FROM PUBLISHED SOURCES PREPARED BY OTHER PARTIES. WHILE THOSE SOURCES ARE BELIEVED TO BE RELIABLE, NEITHER FUND II, THE MANAGING MEMBER, NOR THEIR RESPECTIVE AFFILIATES ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THAT INFORMATION. NEITHER DELIVERY OF THIS MEMORANDUM NOR ANY STATEMENT IN THIS MEMORANDUM SHOULD BE TAKEN TO IMPLY THAT ANY INFORMATION CONTAINED IN THIS MEMORANDUM IS CORRECT AS OF ANYTIME AFTER THE DATE ON THE COVER PAGE OF THIS MEMORANDUM. IN ADDITION, ALL INFORMATION CONTAINED IN THIS MEMORANDUM IS CURRENT AS OF THE DATE ON THE COVER PAGE OF THIS MEMORANDUM, UNLESS OTHERWISE SPECIFIED IN THIS MEMORANDUM, AND NEITHER THE MANAGING MEMBER NOR FUND II HAS ANY OBLIGATION TO UPDATE THAT INFORMATION.

CERTAIN INFORMATION CONTAINED IN THIS MEMORANDUM CONSTITUTES "FORWARD-LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE," OR "BELIEVE," OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. DUE TO VARIOUS RISKS AND

UNCERTAINTIES, ACTUAL RESULTS OR PERFORMANCE OF FUND II MAY DIFFER MATERIALLY FROM THE RESULTS OR PERFORMANCE REFLECTED OR CONTEMPLATED IN FORWARD-LOOKING STATEMENTS.

THIS MEMORANDUM CONTAINS A SUMMARY OF (I) THE FUND II LLC AGREEMENT, (II) CERTAIN TERMS OF THE LIMITED LIABILITY COMPANY AGREEMENT OF VITAL FARMLAND II, LLC (THAT ENTITY, THE "OPERATING PARTNERSHIP" AND THAT AGREEMENT, THE "OP LLC AGREEMENT"), AND (III) CERTAIN OTHER DOCUMENTS REFERRED TO IN THIS MEMORANDUM. HOWEVER, THE SUMMARIES IN THIS MEMORANDUM ARE NOT COMPLETE AND ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE ACTUAL TEXT OF THE RELEVANT DOCUMENT, COPIES OF WHICH WILL BE PROVIDED TO EACH PROSPECTIVE INVESTOR UPON REQUEST. EACH PROSPECTIVE INVESTOR SHOULD REVIEW THE FUND II LLC AGREEMENT, THE OP LLC AGREEMENT, THE SUBSCRIPTION AGREEMENT AND THOSE OTHER DOCUMENTS FOR COMPLETE INFORMATION CONCERNING THE RIGHTS, PRIVILEGES AND OBLIGATIONS OF INVESTORS IN FUND II. EACH INVESTOR WILL BE REQUIRED TO EXECUTE THE SUBSCRIPTION AGREEMENT AND FUND II LLC AGREEMENT TO EFFECT AN INVESTMENT IN UNITS. IF ANY OF THE TERMS, CONDITIONS OR OTHER PROVISIONS OF EITHER AGREEMENT IS INCONSISTENT WITH OR CONTRARY TO THE DESCRIPTIONS OR TERMS IN THIS MEMORANDUM, THE APPLICABLE AGREEMENT SHALL CONTROL. THIS MEMORANDUM IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FUND II LLC AGREEMENT, THE OP LLC AGREEMENT AND THE SUBSCRIPTION AGREEMENT. THE MANAGING MEMBER AND ITS AFFILIATES RESERVE THE RIGHT TO MODIFY ANY OF THE TERMS OF THE OFFERING AND THE UNITS DESCRIBED IN THIS MEMORANDUM.

PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS APPLICABLE TO THEM IN RESPECT OF THE ACQUISITION, HOLDING, AND DISPOSITION OF UNITS AND AS TO THE INCOME AND OTHER TAX CONSEQUENCES TO THEM OF SUCH AN ACQUISITION, HOLDING AND DISPOSITION.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE UNITS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION IN THAT JURISDICTION. ANY PERSON RECEIVING THIS MEMORANDUM SHOULD NOT CONSTRUE IT AS A PROSPECTUS OR ADVERTISEMENT, AND THE OFFERING CONTEMPLATED IN THIS MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS IT TO BE CONSTRUED AS, A PUBLIC OFFERING OF THE UNITS.

THE DISTRIBUTION OF THIS MEMORANDUM AND THE OFFER AND SALE OF THE UNITS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. FOR INFORMATION REQUIRED BY THE SECURITIES LAWS OF CERTAIN U.S. STATES AND CERTAIN JURISDICTIONS OUTSIDE OF THE UNITED STATES OF AMERICA, PLEASE SEE THE OFFERING NOTICES IN "**XIV. CERTAIN OFFERING NOTICES**".

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR USE BY THE PROSPECTIVE INVESTORS OF FUND II. EACH RECIPIENT OF THIS MEMORANDUM HEREBY ACKNOWLEDGES AND AGREES THAT THE CONTENTS OF THIS MEMORANDUM CONSTITUTE PROPRIETARY AND CONFIDENTIAL INFORMATION THAT THE MANAGING MEMBER, FUND II, AND THEIR AFFILIATES (THE "AFFECTED PARTIES") DERIVE INDEPENDENT ECONOMIC VALUE FROM NOT BEING GENERALLY KNOWN AND ARE THE SUBJECT OF REASONABLE EFFORTS TO MAINTAIN THEIR SECRECY. EACH PERSON WHO

RECEIVES THIS MEMORANDUM HEREBY AGREES THAT ITS CONTENTS ARE A TRADE SECRET, THE DISCLOSURE OF WHICH WILL CAUSE SUBSTANTIAL AND IRREPARABLE COMPETITIVE HARM TO THE AFFECTED PARTIES OR THEIR RESPECTIVE BUSINESSES. THE REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM IN WHOLE OR IN PART, THE DIVULGENCE OF ANY OF ITS CONTENTS, OR THE USE OF ITS CONTENTS FOR ANY PURPOSE OTHER THAN THE EVALUATION OF AN INVESTMENT IN THE UNITS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGING MEMBER, ARE PROHIBITED. NOTWITHSTANDING THE FOREGOING, A RECIPIENT MAY PROVIDE THIS MEMORANDUM TO ITS OWN LEGAL, TAX, ACCOUNTING, AND OTHER PROFESSIONAL ADVISORS BOUND BY A DUTY OF CONFIDENTIALITY SOLELY FOR THE PURPOSE OF EVALUATING FUND II. THE EXISTENCE AND NATURE OF ALL CONVERSATIONS REGARDING FUND II AND THIS OFFERING MUST BE KEPT STRICTLY CONFIDENTIAL. EACH PERSON WHO HAS RECEIVED A COPY OF THIS MEMORANDUM (WHETHER OR NOT SUCH PERSON PURCHASES ANY UNITS) IS DEEMED TO HAVE AGREED (I) TO RETURN THIS MEMORANDUM AND ANY SUPPLEMENT HERETO TO THE MANAGING MEMBER UPON REQUEST, (II) TO NOT DISCLOSE ANY INFORMATION CONTAINED IN THIS MEMORANDUM OR ANY SUPPLEMENT TO THIS MEMORANDUM EXCEPT TO THE EXTENT THAT THE INFORMATION WAS (A) PREVIOUSLY KNOWN BY THAT PERSON THROUGH A SOURCE (OTHER THAN FUND II, ITS PARTNERS OR ANY AFFILIATES OR AGENTS THERETO) NOT BOUND BY ANY OBLIGATION TO KEEP THAT INFORMATION CONFIDENTIAL, (B) IN THE PUBLIC DOMAIN THROUGH NO FAULT OF THAT PERSON OR (C) LATER LAWFULLY OBTAINED BY THAT PERSON FROM SOURCES (OTHER THAN FUND II OR ITS PARTNERS) NOT BOUND BY ANY OBLIGATION TO KEEP THAT INFORMATION CONFIDENTIAL AND (III) TO BE RESPONSIBLE FOR ANY DISCLOSURE OF THIS MEMORANDUM, ANY SUPPLEMENT TO THIS MEMORANDUM, OR THE INFORMATION CONTAINED IN THIS MEMORNADUM OR ANY OF ITS SUPPLEMENTS, BY THAT PERSON OR ANY OF ITS EMPLOYEES, AGENTS, OR REPRESENTATIVES.

NOTWITHSTANDING ANY PROVISION OF THIS MEMORANDUM TO THE CONTRARY, EACH PROSPECTIVE INVESTOR (AND EACH REPRESENTATIVE OR AGENT THEREOF) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL TAX TREATMENT AND TAX STRUCTURE OF FUND II AND OF THE TRANSACTIONS CONTEMPLATED BY FUND II (INCLUDING THE DESCRIPTION OF THE FEDERAL INCOME TAX CONSIDERATIONS HEREIN). FOR THIS PURPOSE, "TAX STRUCTURE" MEANS ANY FACT THAT MAY BE RELEVANT TO UNDERSTANDING THE PURPORTED OR CLAIMED U.S. FEDERAL TAX TREATMENT OF THE TRANSACTION. FOR THIS PURPOSE, NONE OF THE FOLLOWING CONSTITUTE TAX TREATMENT OR TAX STRUCTURE INFORMATION: THE NAME OF OR OTHER IDENTIFYING INFORMATION REGARDING FUND II, ITS MEMBERS, OR THEIR AFFILIATES; FINANCIAL OR OTHER INFORMATION RELATING TO THE PERFORMANCE OF FUND II OR ITS INVESTMENTS; AND FINANCIAL OR OTHER INFORMATION RELATING TO THE PERFORMANCE OF OTHER FUNDS OR INVESTMENTS SPONSORED, MANAGED OR OWNED (IN WHOLE OR IN PART) BY THE MANAGING MEMBER OR ITS AFFILIATES. A PROPSPECTIVE INVESTOR MAY NOT MAKE ANY SUCH DISCLOSURE FOR THE PURPOSE OF OFFERING TO SELL UNITS OR SOLICITING AN OFFER TO PURCHASE UNITS.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY STATEMENT CONCERNING FUND II OR THE SALE OF UNITS OTHER THAN AS SET FORTH IN THIS MEMORANDUM. ANY SUCH STATEMENTS, IF MADE, MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY FUND II, THE MANAGING MEMBER, OR ANY OF THEIR RESPECTIVE PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, OR AFFILIATES. BEFOREBEFORE ANY INVESTMENT IN UNITS, THE MANAGING MEMBER WILL PROVIDE PROSPECTIVE INVESTORS THE

OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS AND ADDITIONAL INFORMATION FROM THE MANAGING MEMBER CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING OF UNITS AND OTHER RELEVANT MATTERS.

FUND II IS OFFERING UNITS TO U.S. PERSONS THAT ARE "ACCREDITED INVESTORS" AS DEFINED IN THE SECURITIES ACT. FUND II IS ALSO OFFERING UNITS TO INVESTORS THAT ARE NOT "U.S. PERSONS" AS DEFINED BY RULE 902 OF THE SECURITIES ACT.

AN INVESTMENT IN FUND II MAY BE SUBJECT TO INCREASING REGULATIONS AND GOVERNMENTAL OVERSIGHT, INCLUDING, FOR EXAMPLE, THE BANK SECRECY ACT AND THE USA PATRIOT ACT OF 2001, INCLUDING THEIR RESPECTIVE IMPLEMENTING REGULATIONS WHICH, AMONG OTHER THINGS, CONSTITUTE ANTI-MONEY LAUNDERING REGULATIONS. THERE CAN BE NO ASSURANCE THAT THOSE RULES WILL NOT REQUIRE VARIOUS INVESTOR DISCLOSURES TO, AMONG OTHERS, U.S. AND NON-U.S. GOVERNMENT AUTHORITIES.

PROSPECTIVE INVESTORS SHOULD REVIEW THE OFFERING NOTICES IN "**XIV. CERTAIN OFFERING NOTICES**" FOR INFORMATION RELATING TO THE OFFERING AND SALES OF THE UNITS TO INVESTORS IN CERTAIN U.S. STATES AND CERTAIN NON-U.S. JURISDICTIONS.

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I. EXECUTIVE SUMMARY

*This section highlights information from this Memorandum. It may not include all of the information that is important to you. To understand this offering ("**Offering**") fully, you should read the entire Memorandum carefully, including the Risk Factors. The terms "we", "our" and "us" refer to the Managing Member (defined below).*

Overview

Vital Farmland REIT, LLC, a Delaware limited liability company (***"Fund II"***), was formed to invest in U.S. agricultural assets and pursue a value-add strategy of using regenerative and sustainable farming practices, as well as converting conventional acreage into organic farmland at scale. Historically, farmland in the U.S. has shown negative to low correlation with traditional equity and fixed income asset classes and has delivered attractive risk-adjusted returns generated through land appreciation and cash flows from crops grown on the land and rental income from tenant farmers.

The following table provides total return, risk & correlation figures for various asset classes during the period from 1970-2016[1]:

Asset Class Performance 1970 - 2016

Asset / Index	Avg. Annual Returns	Standard Deviation	Correlation
US Farm	10.27%	6.48%	1
S&P500	6.79%	16.57%	-0.252
NASDAQ	9.63%	25.14%	-0.133
EAFE	6.04%	20.49%	-0.219
TCM10Y	6.57%	2.93%	0.14
AAA	7.70%	2.54%	0.07
Mort30F	8.25%	3.10%	0.095
All REITS	9.09%	20.11%	-0.136
Gold	7.41%	22.79%	0.306
CPI	3.95%	2.85%	0.659

Fund II is managed by Vital Farmland Management, LLC, a Delaware limited liability company (the "***Managing Member***"). The Managing Member is a wholly owned subsidiary of Vital Farmland Holdings, LLC, a Delaware limited liability company, a/k/a Farmland LP ("***Farmland LP***" or the "***Sponsor***").

Fund II was formed under the laws of the State of Delaware on June 25, 2014 and held an initial close on October 1, 2014; subsequently Fund II holds rolling closes for new equity investments. Fund II was initially formed in 2014 to acquire a single $2.2 million opportunistic property in the Willamette Valley of Oregon with 473 acres contiguous with a Fund I property, though shortly after the final close of Fund I. Fund II also acquired an additional 2,652 acres in Oregon in 2015. In 2018, Fund II acquired its largest asset, a 6,000 plus acre farm in Walla Walla, Washington. In addition to the acreage owned by Fund II, it manages an additional 2,305 leased acres in Oregon near the Fund's owned acres – these leased properties are potential acquisitions.

[1] Source: B. J. Sherrick, Peoples Company Land Investment Expo, February 2017

The Managing Member has the right, but not the obligation, to elect that Fund II be treated as a Real Estate Investment Trust ("REIT") for federal income tax purposes. Fund II will initially be taxed as a C-corporation, before conversion to a REIT (if elected). Whether Fund II elects to convert to a REIT will depend on what is most tax advantageous for Members in Fund II, as well as the ability for Fund II to satisfy regulatory requirements to qualify as a REIT.

The Market Opportunity

Fund II was launched to achieve favorable long-term, risk-adjusted returns by acquiring undervalued farmland and add value by taking advantage of the growing demand for premium-priced organic food while also creating environmental and ecological benefits. The value of farmland in the U.S. is estimated to equal $2.7 trillion,[2] with less than 1% of total U.S. farmland acres currently certified as USDA organic.[3] With growing public awareness of food and agricultural issues, over 82% of American consumers reported purchasing organic food on a regular basis throughout 2016.[4]

In addition to these trends, there are a number of challenges that today's farmers face:

- High debt levels, high input costs and volatile commodity prices make it difficult for smaller scale farmers to afford the three-year conversion to organic, sustainable farming. This can lead to poor land management practices that deplete and contaminate topsoil and water.

- The average farmer is 58 years old, with over one-third of farmers over 65 years old, and generational interest in farming has been declining. [5]

- Due to soil degradation, urban development, water scarcity and additional factors, the U.S. has lost 31 million acres, equivalent to all the farmland in Iowa over the last twenty years. That's over 1.5 million acres lost per year, or three acres every minute. [6]

Nevertheless, positive changes are being made within farming and consumption. The demand for crops grown as certified organic by the USDA is increasing as consumer trends shift away from traditional chemically grown and genetically modified (GMO) foods. The 2020 Organic Industry Survey by the Organic Trade Association (OTA) found that organic sales in food and non-food markets posted a record $55.1 billion (with organic food sales comprising $50.1 billion), up 5% over 2018. This growth is 2.5x greater than the 2% general market growth rate for total food sales during the same period. The OTA suggests that the coronavirus pandemic has further fueled the organic movement, writing:

> *"As shoppers search for healthy, clean food to feed their at-home families, organic food is proving to be the food of choice for [homes]…Many solid-growth organic categories have seen demand exploding. Organic produce sales for one, after jumping by more than 50 percent in the early days of kitchen stocking, were up more than 20 percent in the spring of 2020."* [7]

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[2] USDA NASS, "Farms and Land in Farms 2019 Summary", https://www.nass.usda.gov/Publications/Todays_Reports/reports/fnlo0220.pdf.
[3] USDA NASS, "2017 Census of Agriculture", https://www.nass.usda.gov/Publications/AgCensus/2017/index.php.
[4] Organic Trade Association, "Organic Purchasing", https://ota.com/organic-market-overview/organic-purchasing.
[5] USDA NASS, "2017 Census of Agriculture: Preliminary Report, U.S. and State Data", https://www.nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf.
[6] American Farmland Trust, https://www.agweb.com/article/our-incredible-vanishing-farmland-.
[7] Organic Trade Association, Press Release: "COVID-19 will shape organic industry in 2020 after banner year in 2019", https://ota.com/news/press-releases/21328.

Philosophy

Historically, owning U.S. farmland has been an attractive long-term investment as compared to other asset classes, such as the S&P 500, REITs and fixed income. Similar to commercial real estate strategies, investment returns are mainly generated from lease/rental income, enhancing land use and appreciation realized from the sale of properties.

The Managing Member believes that achieving superior, risk-adjusted returns from farmland is enhanced by impactful, regenerative, sustainable and cruelty-free farming practices. When converting conventional acreage to USDA certified organic land, Fund II's organic crops are in higher demand and command price premiums over conventional, non-organic crops. Further, different types of organic crops, such as certain permanent crops (i.e. apples, blueberries, hazelnuts etc.) command more significant price premiums.

A foundation of Farmland LP's philosophy is separating farmland management from farm operations. If approached as a farming company, the ideal strategy would be to farm all the land with one type of crop, such as corn, for maximum economies of scale. However, this degrades the farmland and reduces profits due to high input costs and lower production due to pest pressure and poor soil health.

As a farmland manager, the ideal way to get the highest returns from the land is to identify the optimal crop rotations to grow on the land over a 10 year period which will enhance soil health and productivity, and then identify the most qualified farmers (including farming it ourselves) for each component of that crop rotation. This is Farmland LP's land management strategy – use optimal crop rotations to maximize soil health and thereby ensure maximum plant productivity, bring in the best specialized farmers for each type of crop who can each generate premiums from the organic crops, and participate directly or indirectly in the enhanced economics.

In addition to the direct financial returns, Fund II's regenerative and sustainable farming strategy provides multiple environmental benefits, such as cleaner water, soil resilience and robust pollinator biodiversity. Farmland LP creates a repeatable process for growing high-value crops and leasing high-demand organic land to other farmers, while also removing thousands of pounds of pesticides and synthetic nitrogen and avoiding tons of CO2 emissions. This approach makes Fund II a unique investment with strong risk-adjusted financial and environmental returns.

Farmland LP is proud to have been named a "Best for the World" B Corp for three years running, an honor given to the top 2% of all scorers on the B impact assessment worldwide.[8] The Sponsor is also GIIRs rated. B Corp certification is comprehensive and includes metrics on governance, environmental impact, social impact, financial transparency and employment practices. Farmland LP has also been named in the "Impact Assets 50"[9] twice, which features 50 fund managers worldwide who create positive social and environmental impacts while generating returns for investors. Farmland LP is also a Pollinator Partner with Pollinator.org; pollinators are critical to food and ecosystems. The sponsor is a signatory to the Principals for Responsible Investment. Lastly, the Sponsor was named one of "The World's 50 Most Innovative Companies"[10] by *Fast Company*.

[8] B Corporation, "Farmland LP B Impact Report", http://www.bcorporation.net/community/farmland-lp.
[9] Impact Assets, http://www.impactassets.org/ia50_new/.
[10] "Most Innovative Companies 2014: Farmland LP", *Fast Company*, http://www.fastcompany.com/most-innovative-companies/2014/farmland-lp.

Process

Farmland LP understands the barriers to regenerative, sustainable farming, and has thereby created a consistent, repeatable process in delivering strong results with thoughtful, technologically advanced measures.

- Acquire High-Quality Farmland: Utilizing professional research mapping techniques, Fund II has acquired a portfolio of productive farmland tracts with fertile soils and excellent water rights in strategic geographic locations that have desirable growing climates.

- Thoughtful Land Management: At the earliest stages of land acquisition, Farmland LP and its farm management company Green Spring Farms ("GSF" or "Farm Manager") assess each farm and field and develop a 10-year plan that efficiently and effectively converts tracts of conventional farmland into regenerative agriculture such as through crop rotations, livestock on pasture, or long-lived or "permanent" crop development. These crop mixes are designed to maximize revenue per acre, while enhancing land utilization and soil productivity. Farmland LP then evaluates the economics of leasing the land to other farmers versus farming crops directly; the decision is based on what will generate the best risk-adjusted returns for the investors. Appropriate crop diversity and planning are key to the strategy; hence, Farmland LP starts by replacing low margin crops such as commodity crops (i.e. corn and wheat) with specialty and permanent crops, designed to produce higher margin per acre. Properties in Fund II have a mix of permanent crops (organic blueberries, wine grapes, hazelnuts, etc.), annual crops (green beans, winter peas, winter squash etc.) and perennial crops (peppermint, tall fescue, white clover seed, etc.).

- Invest to Drive Operational Efficiencies: In addition to designing a diverse ecosystem of crop and livestock rotations that help produce soil resilience and healthier crops, Farmland LP also invests in state-of-the-art technologies and updated infrastructure to maximize productivity. Examples of these investments include aerial imaging, modern automated farm equipment, business management software, irrigation infrastructure, advanced varietal selection, and precision agriculture. Equipment may be bought or leased depending on the cost/value analysis, tenor of use, ease of transport to other Farmland LP properties, leasing ability to local farmers and availability of lease and/or purchase options.

The management of tenant farming relationships and direct farming are handled by GSF, an affiliate of Farmland LP and wholly owned by the Sponsor. The Farm Manager has approximately 45 employees including seasoned experts in organic farming, agronomy (soil science) and agriculture who review and implement new cost-effective technologies and other farming innovation products.

People

The Sponsor is overseen by the Executive Committee, comprised of Craig Wichner, Randy Struckmeier and Mark Chedekel; in total the Executive Committee has over 85 years of experience. The Executive Committee, along with three additional GSF employees: Dean Underwood, Kevin Lehar and Frank Savage, make up the Senior Management team; total years of experience for the Senior Management team is over 181 years (together the "Management Team"). Mr. Wichner, the Managing Partner and Founder, has overseen the investment process for Fund I and Fund II since inception in 2009. Mr. Wichner has over 30 years of farm management, entrepreneurial, venture and real estate investing experience. Mr. Chedekel is the Chief Financial Officer for the Sponsor; he has over 25 years of real estate finance and accounting experience, and he assists Mr. Wichner with day-to-day responsibilities. Mr. Wichner and Mr. Chedekel are both full time employees of the Sponsor.

Randy Struckmeier is the President for Green Spring Farms. Mr. Struckmeier leads the day-to-day operations of Green Spring Farms and has over 30 years of financial planning, accounting and agriculture experience. Kevin Lehar, Dean Underwood and Frank Savage assist Mr. Struckmeier with Greens Spring Farms activities, as well as help with new property due diligence. Mr. Lehar is the Director of Farm Operations and Business Development and leads agronomy, leasing, and contract farming offtake for GSF and Farmland LP's 15,000 acres. Mr. Underwood has over 36 years of farming experience and has developed and managed vineyards for Farmland LP since 2005. Mr. Savage has over 30 years of experience in farming, livestock management and farm infrastructure.

A staff of five highly experienced employees assists the Sponsor with daily initiatives, and a workforce of an additional 45 employees assists with the farm management responsibilities at Green Spring Farms.

Performance

Fund II remains in its investment stage and is targeting a net return of 9%-11% per annum on its investments over the life of the fund. In addition to economic returns, Fund II's sustainable, regenerative and impactful land management strategies also create double bottom line benefits in the form of environmental and societal improvements. Specifically, as of December 31, 2019, Fund II has avoided 7,720 tons of emissions and CO2 sequestration, as well as avoided 105,993 pounds of pesticides and 3,492,935 pounds of synthetic nitrogen through its conversion to organic acreage and regenerative and sustainable farming practices. [11]

Fund II has eleven properties in the Fund and offers investors the unique opportunity to diligence a pool of active farm assets that demonstrate Farmland LP's strategy creates compelling risk-adjusted performance while also producing ecological and environmental benefits. While the Sponsor will continue to review new investments, it is believed that Fund II has sufficient acreage and land improvement opportunities (planting of additional permanent crops such as organic blueberries and wine grapes for example) for Fund II's targeted investment size and would only acquire additional land opportunistically if equity capital is available. Fund II, while still in its investment stage, achieved current revenues of ~$7.7 million in 2019, and budgets revenues of $16 million to $19 million per year when the strategy is fully effectuated. The Sponsor expects the majority of the return to investors to be generated through land appreciation at sale and disposition, which is expected closer to the end of fund life for Fund II.

Fund II is the Sponsor's second farmland investment fund. The first fund, Vital Farmland LP ("**Fund I**") was formed in 2009 and is comprised of 5,175 acres of farmland in the San Francisco Bay Area and Oregon's Willamette Valley. Fund I's total assets under management are $81 million.[12] Fund I has four active properties remaining, and two properties that recently sold. Fund I has achieved a net post-tax gain of 86.4% and a net post-tax IRR of 9.98%. Fund I employs leverage of 33% LTV at the property level.

[11] Source: Vital Farmland REIT, LLC Impact Report, December 31, 2019.
[12] Based on independent appraisals obtained in January 2020.

II. SUMMARY OF PRINCIPAL TERMS

*The following is a summary of the principal terms of the investment and is qualified in its entirety by reference to (i) Fund II's Limited Liability Company Agreement (the "**Fund II LLC Agreement**"), (ii) the Operating Partnership's LLC Agreement (the "**OP LLC Agreement**") and (iii) the Subscription Agreement relating to the purchase of Units (the "**Subscription Agreement**"), copies of which are available upon request. If the terms of the Fund II LLC Agreement, OP LLC Agreement or Subscription Agreement differ from this summary, the terms of the Fund II LLC Agreement, OP LLC Agreement or Subscription Agreement shall control.*

Fund II	Vital Farmland REIT, LLC, a Delaware limited liability company ("***Fund II***").
Investment Strategy	Fund II was organized to acquire U.S agricultural assets and pursue a value-added strategy of converting conventional farmland to certified organic and employ regenerative, sustainable farming practices. Investments will primarily be executed through Fund II's operating subsidiary, Vital Farmland II, LLC, a Delaware limited liability company (the "***Operating Partnership***").[13]
Managing Member	Vital Farmland Management, LLC, a Delaware limited liability company (the "***Managing Member***"), will serve as the managing member of Fund II (in such capacity, the "***Fund II Managing Member***") and of the Operating Partnership (in such capacity, the "***OP Managing Member***") and as the OP Managing Member will make all of the Operating Partnership's investment determinations. The Managing Member is wholly owned and controlled by Vital Farmland Holdings, LLC, a/k/a Farmland LP ("***Farmland LP***" or the "***Sponsor***").
Farm Manager	Green Spring Farms, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Sponsor ("***Green Spring Farms***" or "***GSF***") will provide farm management and custom farming services to Fund II's subsidiaries on terms no less favorable to Fund II's subsidiaries than those likely to be obtained from qualified, unaffiliated third parties. GSF may also lease farmland from Fund II's subsidiaries to give Fund II the option to qualify as a REIT, with lease terms no less favorable to Fund II's subsidiaries than those likely to be obtained from qualified, unaffiliated third parties. As of the date of this PPM, GSF provides all farming services at cost and all farm management services at cost, plus a margin of $25k per year for employee bonuses and corporate purposes.
Capital Commitments; Minimum Commitments	Fund II is targeting $150 million in equity capital commitments ("***Capital Commitments***"). The minimum Capital Commitment to Fund II is $1 million although the Managing Member may accept smaller amounts in its discretion.
Managing Member's Capital Contributions	The OP Managing Member will make aggregate capital contributions to the Operating Partnership equal to at least 1% of the Capital Contributions (as defined below).

[13] Vital Farmland II, LLC was originally formed under the name Vital Farmland Operating, LLC.

Closings	An initial closing ("***Initial Closing***") was held on October 1, 2014. The Managing Member will hold additional rolling closings to admit additional members ("***Members***") and increase the Capital Commitments of one or more existing Members.
Drawdowns	Members will be required to pay for Class A Units of Fund II ("***Units***") by making capital contributions to Fund II ("***Capital Contributions***") up to the amount of their Capital Commitments. Drawdowns will be made by the Managing Member on an as-needed basis to fund investments and meet anticipated or actual expenses and obligations. Drawdowns subsequent to a closing in which a Member is admitted to Fund II will, with respect to such Member, generally be made with at least seven (7) business days' prior notice to such Member. Members will receive Class A Units at a price per unit equal to the then current value of a Class A Unit.
Failure to Make a Required Capital Contribution	If a Member fails to pay in full any requested Capital Contribution (such Member, a "***Defaulting Member***"), the Managing Member, in its sole discretion, may, on behalf of Fund II, take certain actions specified in the Subscription Agreement including, without limitation, admitting other Members to assume all or a portion of the balance of the Defaulting Member's unfunded Capital Commitment, charging interest on the amount that is in default, deeming the Defaulting Member to have withdrawn from Fund II or initiating proceedings to collect the due and unpaid Capital Contribution.
Borrowing and Guarantees	Each of Fund II and the Operating Partnership may incur indebtedness and guarantee obligations with respect to portfolio investments and expenses, including entering into one or more credit facilities or guarantees that may be secured by an assignment of its assets. The Managing Member may create preferred classes of equity interests in Fund II or the Operating Partnership with economics similar to indebtedness.
Management Fees	The Operating Partnership will pay the OP Managing Member an annual management fee, payable annually in advance, for the services it provides to Fund II (the "***Management Fee***"). The annual Management Fee will equal 1.75% of the Fee Base. The Management Fee is subject to reduction as provided below in "Organizational Expenses". The Managing Member may waive the Management Fee before the commencement of any Fiscal Year, in which case the Managing Member will be entitled to receive a cash distribution and priority allocation of the Operating Partnership's profits equal to the amount of the waived Management Fee, or as a credit for waived Management Fees against its capital contribution obligations.
Acquisition, Disposition, Loan and Leasing Fees	Neither the Managing Member nor GSF will charge Fund II or the Operating Partnership acquisition, disposition, loan or leasing fees with respect to the Operating Partnership's investments.
Fund II Distributions	Fund II will make distributions to its Members in proportion to their Units and should Fund II elect REIT status, in sufficient amounts to

satisfy the distribution requirements under the U.S. federal income tax rules relating to REITs.

Operating Partnership Distributions: Preferred Return and Carried Interest

Distributable cash of the Operating Partnership will be distributed to the Operating Partnership's members (including Fund II) as follows:

(a) *Preferred Return*. First, 100% to the members until the members have received aggregate distributions equal to simple interest at an annual rate of 6% on capital contributions not yet returned under clause (b);

(b) *Return of Capital*. Second, 100% to the members until the members have received aggregate distributions equal to the aggregate capital contributions.

(c) *Catch-Up*. Third, 100% to the OP Managing Member until the OP Managing Member has received a "catch up" distribution equal to 20% of distributions made under clause (a) and this clause (c); and

(d) *Carried Interest Split*. Thereafter, (i) 80% to the members and (ii) 20% to the OP Managing Member.

Notwithstanding the foregoing, the Managing Member shall not be entitled to a distribution of the first $660,000 of Distributable Cash that would otherwise be distributed to the Managing Member as the Carried Interest, which amount shall instead be distributed 100% to the Members in accordance with Section 6.3 of the LLC Agreement.

Distributions made by the Operating Partnership before the dissolution of the Operating Partnership will be made in cash. Upon dissolution of the Operating Partnership, distributions may also include restricted securities or other assets of the Operating Partnership for which the OP Managing Member will generally seek a valuation from independent experts.

Notwithstanding the foregoing, the Operating Partnership may, but will not be required to, make tax distributions to its members (including the OP Managing Member and Fund II) in respect of gain and other income from portfolio investments in accordance with the manner in which that gain and other income are allocated to the Operating Partnership's members.

Organizational Expenses

The Operating Partnership will bear all legal and other expenses incurred in the formation of Fund II, the Operating Partnership and the offering of the Units, up to an amount not to exceed 0.5% of target Capital Contributions. Organizational expenses in excess of this amount will also be paid by the Operating Partnership but will reduce future payments of the Management Fee.

Other Expenses

The Managing Member will pay all normal operating expenses incidental to the provision of the day-to-day administrative services to Fund II and the Operating Partnership, including its own overhead. To the extent possible, third-party costs will be charged to portfolio properties. Each of Fund II and the Operating Partnership will pay all costs, expenses and liabilities in connection with its operations, including: fees, costs and expenses related to the investigation, purchase, holding and sale of actual and prospective investments (to the extent not reimbursed), taxes, insurance, fees and expenses of accountants and counsel, Management Fees, any annual meeting and any litigation or extraordinary expenses,

	provided that the Operating Partnership may pay Fund II's expenses. The Managing Member does not intend to use private air travel, unless it is recommended, seen as a safety precaution or is the only viable option.
Transfers and Withdrawals	In general, Members may not withdraw from Fund II or sell, transfer or pledge their Units, except with the prior consent of the Managing Member.
Reports/Annual Meeting	Annual audited and quarterly unaudited financial statements of Fund II and quarterly reports on the portfolio investments will be provided to each Member. Fund II may hold annual meetings to provide Members with the opportunity to review and discuss with the Managing Member Fund II's investment activities and portfolio.
Advisory Committee	Each of the Fund II Managing Member and the OP Managing Member may, but is not required to, establish and appoint representatives of non-affiliated persons to serve on one or more advisory committees to Fund II or to the Operating Partnership, respectively (each, an "***Advisory Committee***"). Each Advisory Committee will provide advice and counsel as requested by the Fund II Managing Member or OP Managing Member in connection with potential conflicts of interest and other matters of Fund II or of the Operating Partnership. The OP Managing Member will retain ultimate responsibility for all decisions relating to the operation and management of the Operating Partnership, including, but not limited to, investment decisions.
Key Person Event	If Craig Wichner ceases for any reason to be affiliated with the Managing Member or dedicate to Fund II the amount of business time specified in the Fund II LLC Agreement, two-thirds in interest of Fund II's Members may vote to suspend the making of new investments if the remaining members of the Executive Committee have not assumed responsibility of Fund II.
Managing Member Removal	If the Fund II Managing Member undergoes bankruptcy, is determined to have committed a felony or misdemeanor involving moral turpitude or is determined to have engaged in gross negligence or willful misconduct, upon the recommendation of the Advisory Committee two-thirds in interest of Fund II's Members may remove the Managing Member.
Indemnification	None of the Managing Member, GSF, their respective affiliates, nor the directors, officers, members, employees or agents of each of them (each, a "***Covered Person***") will be liable to the Fund II, the Operating Partnership or to the Members for any act or omission of that Covered Person relating to the Fund II or the Operating Partnership, except for any act or omission constituting specified gross negligence, fraud, or willful misconduct by that Covered Person. Fund II and the Operating Partnership will indemnify each Covered Person against all claims, damages, liabilities, costs and expenses, including legal fees, to which they may be or become subject to by reason of their activities on behalf of Fund II or the Operating Partnership, or otherwise relating to the Fund II LLC Agreement or the OP LLC Agreement, except to the extent that those claims, damages, liabilities, costs or expenses are determined to have resulted from that Covered Person's own specified gross negligence, fraud or willful misconduct.

Public Offering	Fund II may have the right to hold a public offering of Units. In connection with preparing for a possible public offering, the Managing Member may cause Fund II to convert into a legal form other than that of a Delaware limited liability company. In connection with a public offering, the Managing Member may redeem, in whole or in part, its Carried Interest for cash or Units. If the latter, portions of Carried Interest will be redeemable for Units of an equal value as determined under the Fund II LLC Agreement.
Term	Unless Fund II earlier files a registration statement under the Securities Act for an offering of its securities, the term of Fund II will end October 1, 2028, inclusive of up to two consecutive two year extensions as determined by the Fund II Managing Member to allow for the orderly liquidation of Fund II's investments.
ERISA Considerations	Investment in Fund II is generally open to institutions, including pension plans that are subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("***ERISA***") (each such entity, a "***Plan***"). Fund II does not intend to accept any capital contribution if after that capital contribution Plans would hold 25% or more of the Units. The Fund II Managing Member may take certain actions to maintain that ownership threshold. **Each Plan is urged to consult its own advisors as to the provisions of ERISA applicable to an investment in Fund II.**
Tax Considerations / REIT Election	Fund II will initially be taxed as a corporation and has the right to elect to be treated as a REIT in such year as it qualifies as such for federal income tax purposes. Fund II intends to elect REIT status only if the election would benefit the majority of Members and/or Fund II. Should Fund II elect to be a REIT, it will allow Fund II to avoid most entity-level U.S. federal income taxes if it maintains compliance with applicable restrictions on ownership structure, distributions and operations. As a limited liability company treated as a partnership for U.S. federal income tax purposes, the Operating Partnership generally will not be subject to U.S. federal income tax, and each of its members (including Fund II, but excluding Fund II's Members) will be required to include in computing its U.S. federal income tax liability its allocable share of the items of income, gain, loss and deduction of the Operating Partnership, regardless of whether and to what extent distributions are made by the Operating Partnership to that member. Each prospective investor should consult with its own tax advisor about the tax consequences of investing in Fund II.
Risk Factors / Potential Conflicts of Interest	An investment in Fund II involves significant risks and potential conflicts of interest, certain of which are described in more detail in this Memorandum. **Each prospective investor should carefully consider and evaluate those risks and conflicts before purchasing Units.**
Counsel to the Managing Member	Morrison & Foerster LLP
Auditor	Moss Adams LLP

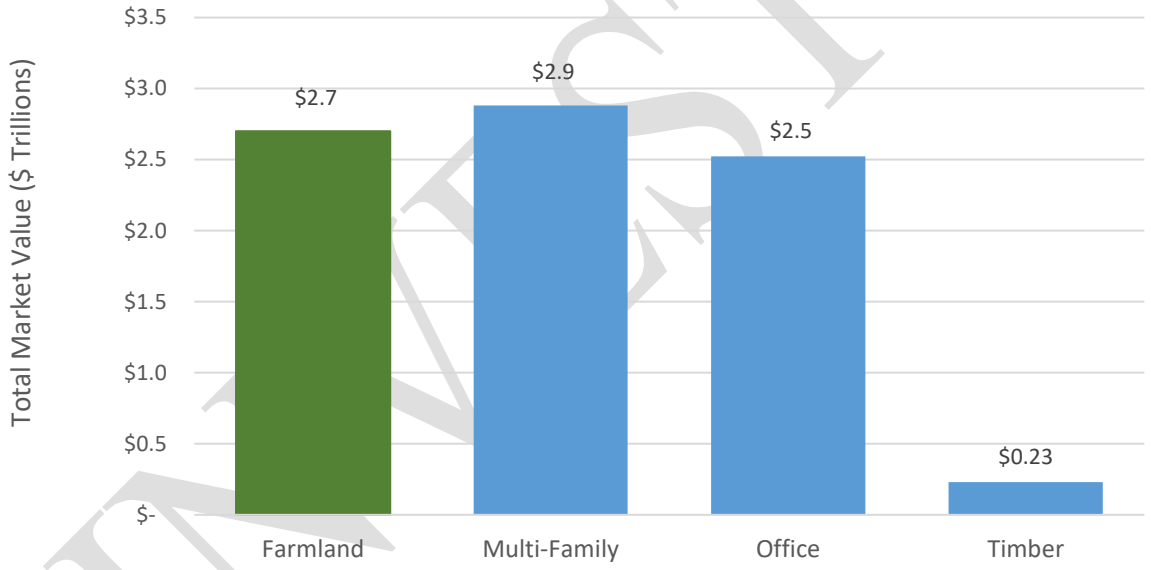
III. MARKET OPPORTUNITY

Fund II's investment strategy capitalizes on opportunities in the market for farmland, as well as trends in the market for organic food and permanent crops.

The Farmland Market

The U.S. has 898 million acres[14] of farmland valued at over $2.7 trillion.[15] The size of this asset class is comparable to U.S. multi-family/apartment buildings ($2.9 trillion) and commercial office buildings ($2.5 trillion), yet institutional investors own only 1%, or $26 billion, of U.S. farmland.[16] By comparison, more than 51% of U.S. commercial real estate is owned by institutional investors.[17]

Figure 1. Market Value of Farmland, CRE and Timber



Sources: USDA ERS, CoStar Group, Green Street Advisors Commercial Property Price Index (CPPI), and World Bank; Value of CRE calculated by Farmland LP from Costar and CPPI; Timber data from Warnell School of Forest Resources, University of Georgia

Farmland LP believes it is a favorable time to invest in farmland. Historically a low-turnover asset, an estimated 1% - 4% of farmland is expected to change hands each year over the coming decade, bringing the opportunity

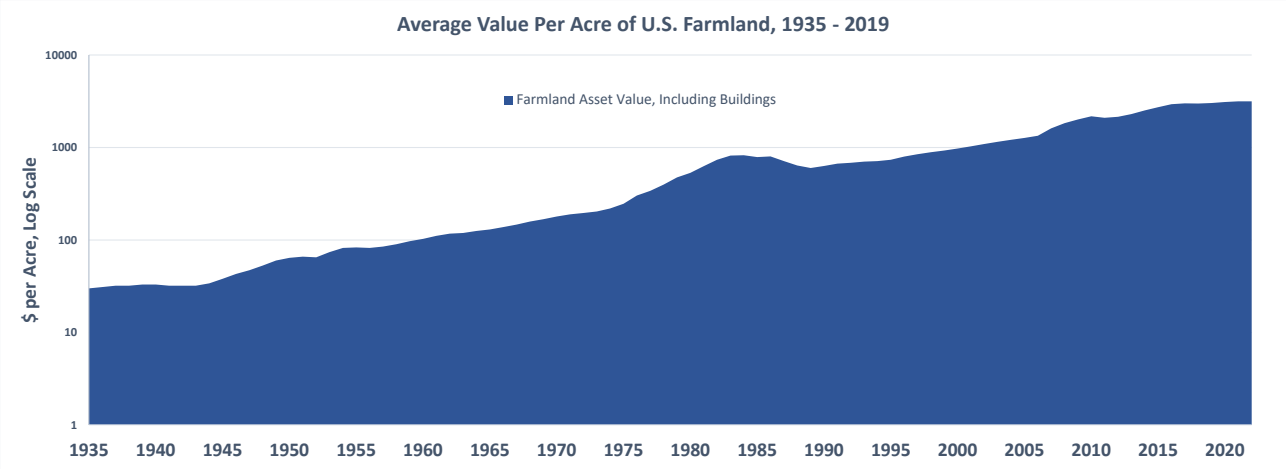
[14] USDA NASS, "Farms and Land in Farms 2019 Summary", https://www.nass.usda.gov/Publications/Todays_Reports/reports/fnlo0220.pdf.
[15] USDA ERS, "Farm Income and Wealth Statistics: Summary of U.S. Farm Sector Financial Indicators", spreadsheet downloaded from https://www.ers.usda.gov/media/10472/farmsectorindicators_february2020.xlsx.
[16] Farm Foundation, "Farmland Ownership: Trends and Future Implications" by Bruce J. Sherrick, Ph.D., , https://www.farmfoundation.org/wp-content/uploads/2018/09/IR-Sherrick_IssueReportFINAL-Oct.-2017.pdf.
[17] Deutsche Bank Group, 2006, RREEF Research report "The Future Size of the Global Real Estate Market". The category "institutional investors" includes all professional real estate investors such as money managers, funds, private investment vehicles, listed companies, institutions, etc.

set up to $1 trillion over this period.[18] This quiet but massive transition in farmland ownership is happening due to the aging of the American farmer; the average farmer is 58 years old, and over one-third of farmers are over the age of 65.[19] Institutional investors are expected to acquire $10 billion worth of farmland during the remaining term of the Fund,[20] an insignificant percentage of the total amount likely to change hands. This transition allows Farmland LP to be very selective in acquiring high-quality, productive farmland.

Asset Appreciation

Over the 83-year period from 1935 to 2019, the annual appreciation of U.S. farmland averaged 6.97%, significantly exceeding the annualized inflation rate of 3.55%.[21]

Figure 2. Average Value per Acre of U.S. Farmland, 1935 – 2019

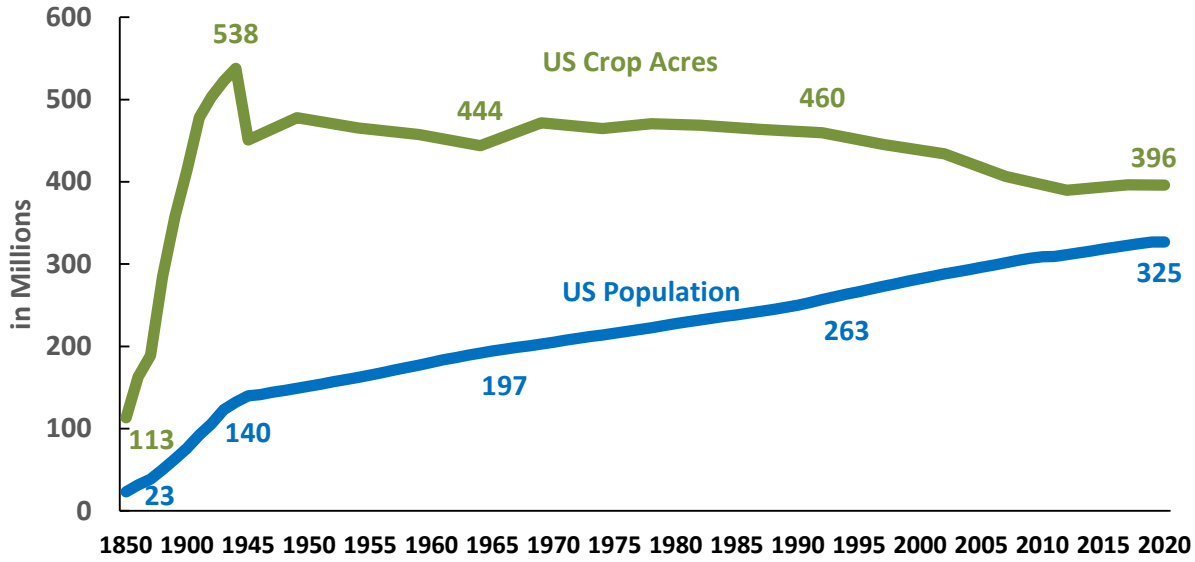


Source: USDA ERS

We believe high-quality farmland in select markets, and high-quality cropland in particular, will continue to hold its value and appreciate over time due to shrinking supply and expanding demand. Unlike other forms of real estate, which can be built as needed when market demand increases, the supply of cropland is decreasing due to property development, soil erosion and degradation, water depletion, pollution and other factors The U.S. has lost 31 million acres of its cropland over the last twenty years.[22]

[18] The Oakland Institute estimates 50% of farmland will change hands over the next 20 years (2.5% per year); Ibid. A University of Vermont study suggests 3.5% per year; FarmLASTS Project, "Research Report and Recommendations", http://www.uvm.edu/farmlasts/FarmLASTSResearchReport.pdf. The Sponsor believes sales will be weighted more toward this decade, due to increased competitive pressures in farming and the historically high prices of farmland.
[19] USDA NASS, "2017 Census of Agriculture: Preliminary Report, U.S. and State Data", https://www.nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf.
[20] Oakland Institute, "Down on the Farm - Wall Street: America's New Farmer".
[21] Annual appreciation of farm real estate calculated by Sponsor based on USDA ERS data. Annualized inflation rate calculated by Sponsor based on data from InflationData.com.
[22] American Farmland Trust, https://www.agweb.com/article/our-incredible-vanishing-farmland

Figure 3. U.S. Cropland Acreage and Population, 1850-2019



Source: USDA; U.S. Census; analysis by the Sponsor

Rental Income

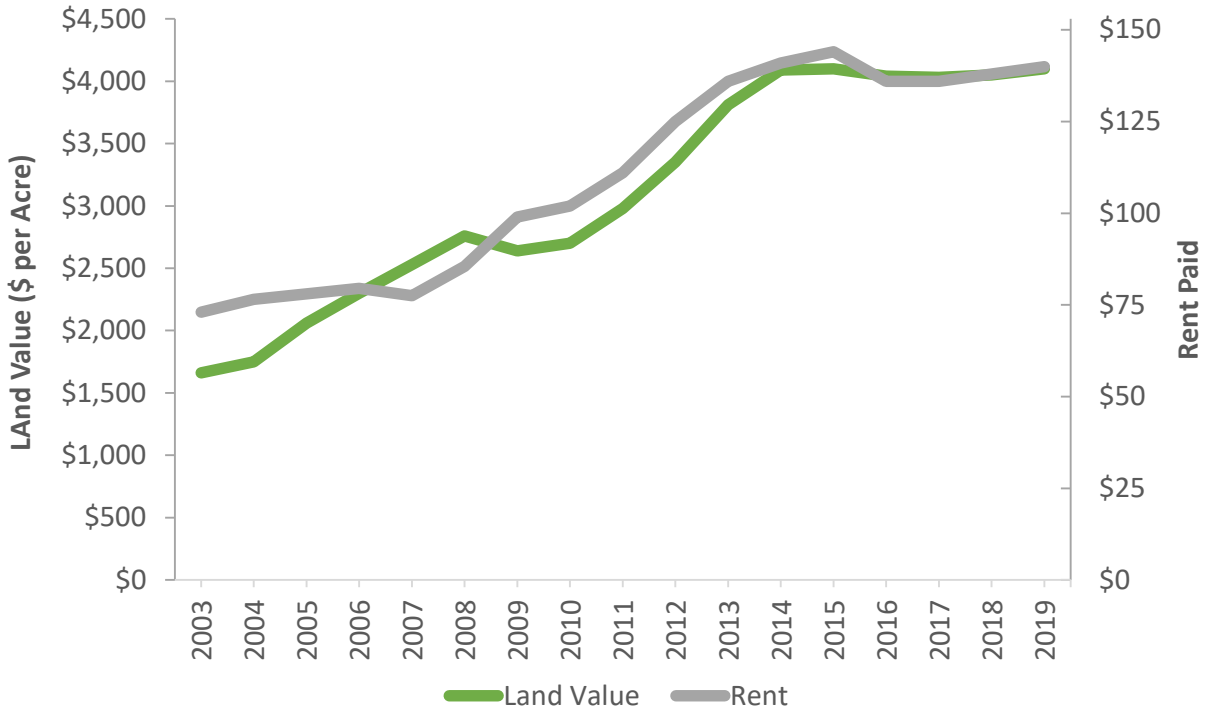
Similar to the trajectory of appreciation, rental income from farmland has consistently increased over time.[23] Approximately 40% of U.S. farmland is leased,[24] yet unlike other forms of real estate with vacancy rates of 4% to 16%,[25] land to grow food is always in demand – there is little vacancy on good U.S. farmland.[26] Annual cash rents over the past seven years have averaged 3.44% of farmland value nationwide, and from 2005 to 2019 rental income nearly doubled from $78 per acre to $140 per acre; for irrigated cropland, the average rental rate was $220 per acre.[27] Thus, on average, farmland purchased in 2005 for $2,060 per acre is earning over double the original rent at a 6.8% cash return on the purchase price.

Cash rental rates tend to follow the gross value of the crops being produced, ranging from 15% to 45% of the gross crop value, depending on the crop.[28] Rental income can be increased by improving the value of crops grown on the land, such as through organic certification or by increasing yields through crop and livestock rotations, and by providing farmers with better soil fertility, cheaper or more reliable water (from secure water

[23] USDA NASS, "2019 Agricultural Land Values and Cash Rents", https://www.nass.usda.gov/Publications/Highlights/2019/2019LandValuesCashRents_Highlights.pdf.
[24] USDA ERS, "U.S. Farmland Ownership, Tenure, and Transfer", https://www.ers.usda.gov/data-products/data-visualizations/other-visualizations/visualizing-us-farmland-ownership-tenure-and-transition/.
[25] UBS, "Global Real Estate Analyser: 2014 Outlook", http://www.docstoc.com/docs/166566135/Global-Real-Estate-Analyser---2014-Outlook---UBS-global-real-estate-outlook-pdf.
[26] Nav Athwal, "5 Ways Farmland Investing Compares To Traditional Real Estate", https://www.forbes.com/sites/navathwal/2020/02/28/5-ways-farmland-investing-compares-to-traditional-real-estate/#73f65c8d7b61.
[27] USDA NASS, "2019 Agricultural Land Values and Cash Rents", https://www.nass.usda.gov/Publications/Highlights/2019/2019LandValuesCashRents_Highlights.pdf.
[28] Iowa State University Extension and Outreach, "Computing a Cropland Cash Rental Rate", C2-20 Revised April 2020, https://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-20.pdf. Ranges also based on current rental rates and terms of Vital Farmland LP leases.

rights), improved infrastructure and more land to generate economies of scale.

Figure 4. Value of U.S. Cropland and Rent Paid, 2003 – 2019



Source: USDA NASS

Market Inefficiencies

Against this backdrop of strong fundamentals, market inefficiencies persist. First, most farmland buyers are local, creating price differences for equally productive farmland in different places. For example, Fund I acquired farmland in California for a lower price per acre than Iowa cropland, even though the farmland in California can produce more product per acre.

Second, most farmland is valued based upon the traditional commodity crops it has grown, rather than the crops that *could be grown* – corn farmers are buying land to farm corn, not shift to higher-value crops. When a large number of buyers identify new, higher-value crops, such as almonds or grapes, that could be grown on land previously growing pasture or commodity crops, the land gets repriced. Over time, land prices can rise by several multiples as the market incorporates expectations of future earnings. Farmland LP does not believe organic conversion and the resulting higher value crops are priced into current values.

Finally, family dynamics and personal relationships play a significant role in this market, which is not surprising given that family farms operate more than 90% of U.S. farmland.[29] Farmland sales will increasingly be influenced by non-economic factors such as family succession planning. Farmland LP's commitment to sustainable land practices and long-term land stewardship has been a strong factor in Fund II's ability to acquire properties at favorable prices in the midst of generational change. While the older generations of farmers are

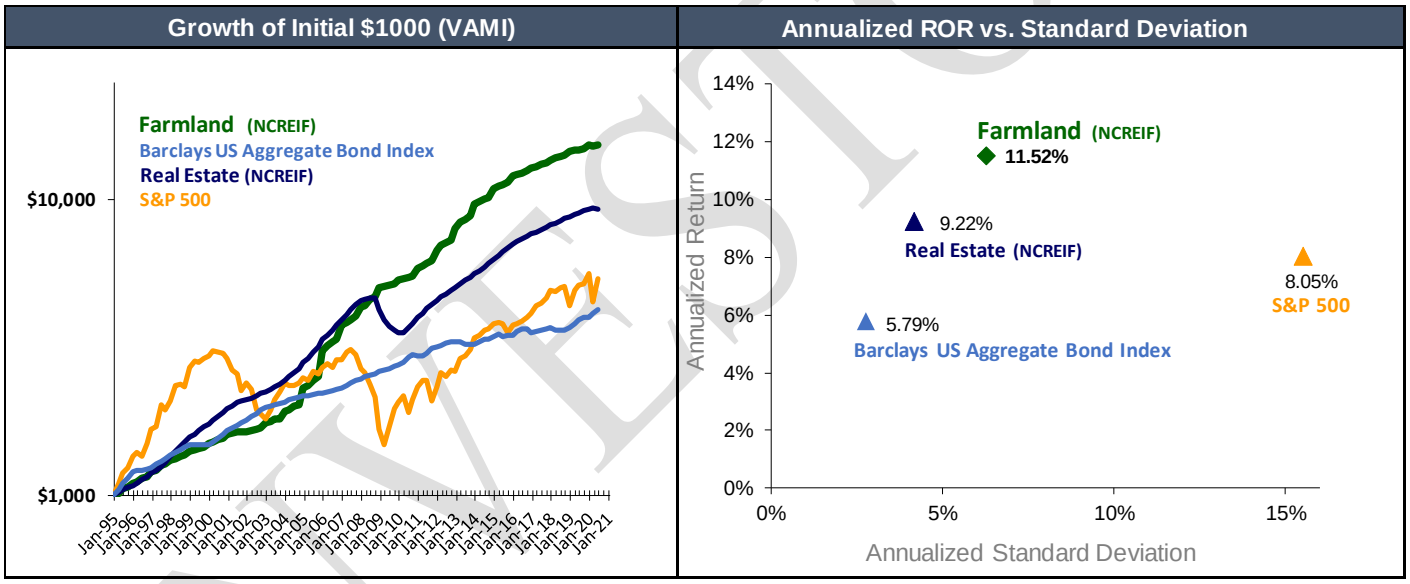
[29] USDA Census of Agriculture (2012), https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Highlights/NASS%20Family%20Farmer/Family_Farms_Highlights.pdf.

often skeptical of organic farming, the younger generation has proven to appreciate the opportunity to work on already-converted organic farmland, allowing them to earn experience on leased land while building credibility with large organic retailers and buyers. Our organic land is an important part of helping the farmers see the practices and benefits of organic agriculture.

Investing in Farmland

Taken together, these economic and non-economic factors have generated strong returns for investors, about half of which is from appreciation and half from rental income.[30] The NCREIF Farmland Index, which tracks farmland held by institutional investors, has generated a 11.5% annual compound return since the index was created in 1995,[31] regularly outperforming other asset classes.

Figure 5. Value Added Monthly Index (VAMI) and Annualized Performance of Farmland Relative to Other Investment Classes



Sources: NCREIF Farmland and Real Estate indexes; Standard & Poor's; US Federal Reserve; Morningstar

The Organic Food Market

The strength of the organic market creates opportunities for Fund II to deliver strong financial performance, as well as long-lasting social and environmental benefits.

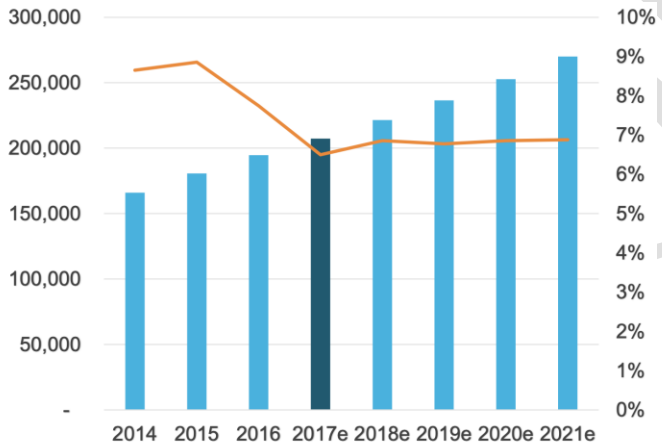
Supply and Demand

Organic food is now mainstream, evidenced by continued growth in the organic market annually; after increasing by more than 50% in the early days of kitchen stocking, organic produce sales were up by more than 20% in the spring of 2020. Organic sales in food and non-food markets have continued to increase, totaling

[30] Based on data from multiple sources: NCREIF farmland returns, USDA farmland returns, S&P and US. Federal Reserve.
[31] National Council of Real Estate Investment Fiduciaries, "Farmland Returns", www.ncreif.org/farmland-returns.aspx.

$55.1BN in 2019, up 5% from 2018, and outpacing the general food market growth rate of 2%.[32] Organics are popular not only among natural food retailers such as Whole Foods, but also among more conventional outlets such as Walmart, Kroger, Target, and Costco which in 2015 surpassed Whole Foods to become the largest organic grocer in the U.S. with organic sales totaling $4 billion besting Whole Foods' $3.6 billion.[33] Further, over 82% of American consumers reported purchasing organic food on a regular basis throughout 2016.[34]

Figure 6. U.S. Natural and Organic Product Industry

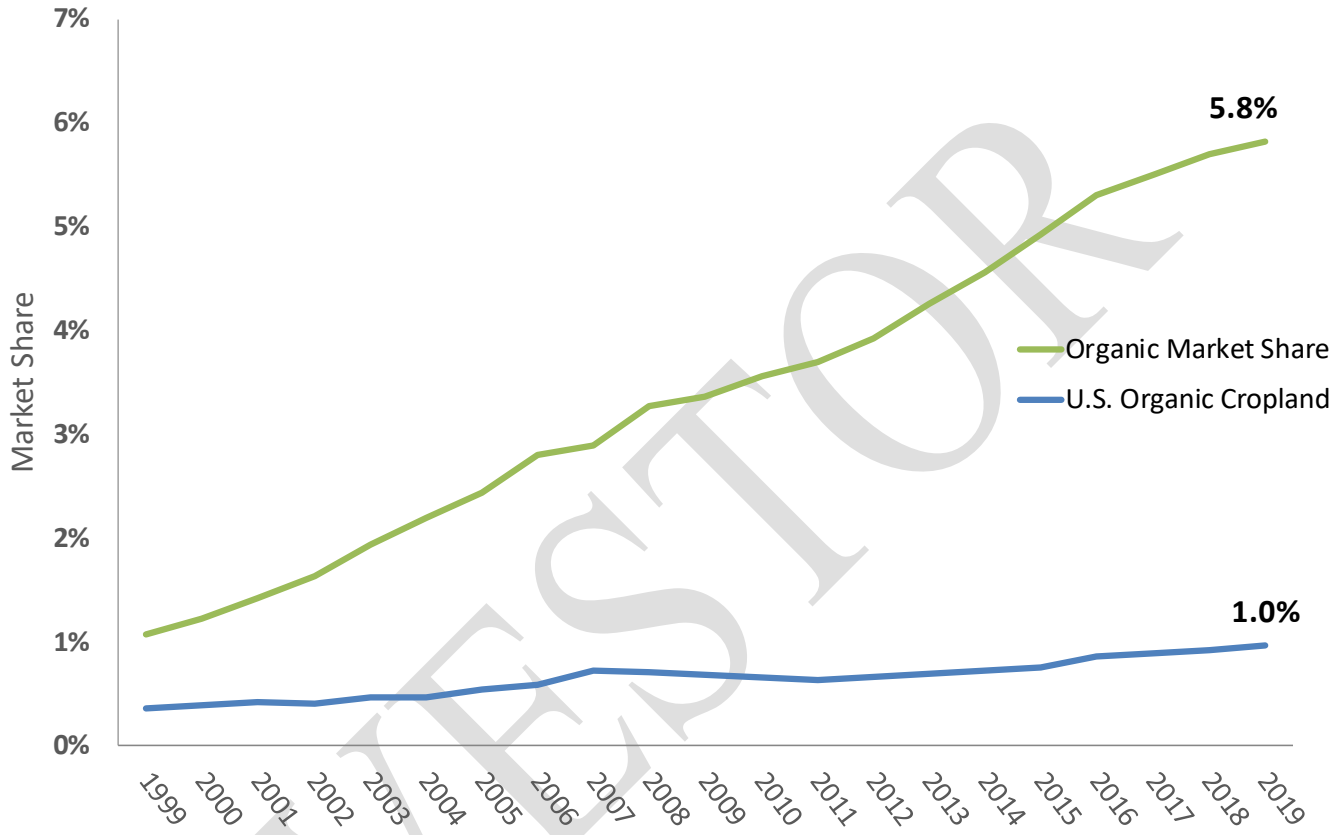


Source: Nutrition Business Journal in millions

The primary factor limiting the organic food trade is the inadequate supply of certified organic farmland, which is required to produce organic food and animal feed. Less than 1% of total U.S. farmland was certified organic as of the USDA's 2017 Census of Agriculture,[35] and organic cropland is growing at a rate of only 6% per year. Farmland LP estimates that the market gap to meet the demand is about $100 billion worth of certified organic farmland.[36]

[32] Organic Trade Association, Press Release: "COVID-19 will shape organic industry in 2020 after banner year in 2019", https://ota.com/news/press-releases/21328.
[33] The Motley Fool, June 7, 2015, https://www.fool.com/investing/general/2015/06/07/which-retailer-is-the-leading-organic-food-seller.aspx.
[34] Organic Trade Association, "Organic Purchasing", https://ota.com/organic-market-overview/organic-purchasing.
[35] USDA NASS, "2017 Census of Agriculture", https://www.nass.usda.gov/Publications/AgCensus/2017/index.php.
[36] Calculated by Sponsor: 3.4% supply gap multiplied by $2.4 trillion worth of farmland.

Figure 7. Growth of Organic Food Market and Supply of Organic Cropland



Sources: Organic Trade Association, USDA

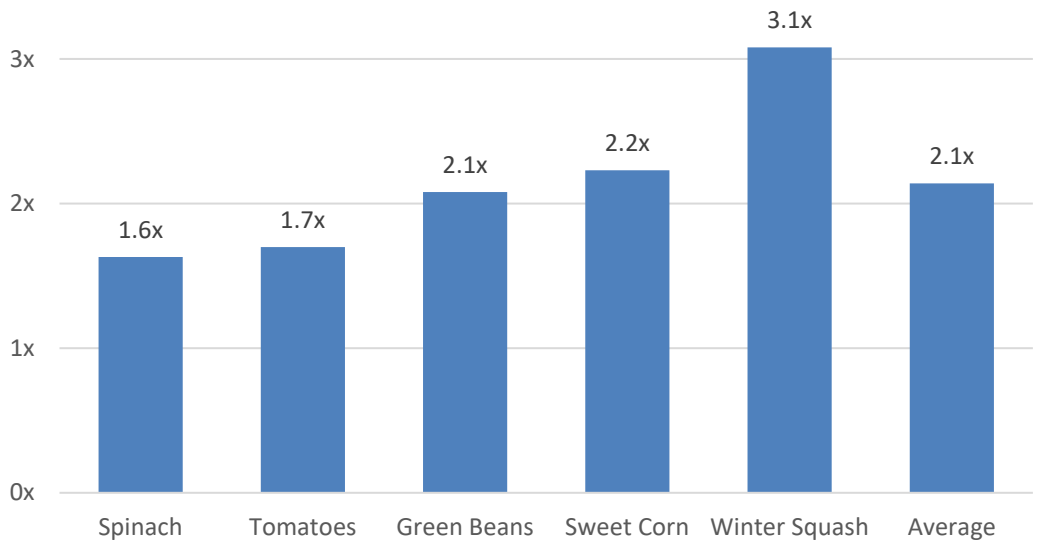
Despite the compelling economics of organic production, farmers are converting the land they own slowly (if at all) due to (i) a lack of knowledge about organic farming methods and markets, (ii) the barrier created by the three to five year conversion period, (iii) large existing investments in production equipment for commodity crops, (iv) near-retirement average age of farmers, and (v) other issues involving costs and finances. Leased land, which represents 39% of U.S. farmland,[37] presents additional challenges, as the owner and farmer tenant must be aligned on the conversion strategy, such as which party bears the financial uncertainty during the conversion period.

Price Premiums

Farmers who grow commodity crops are paid for quantity. However, consumers, retailers and restaurateurs will pay significant price premiums for high-quality food that is (i) certified organic, (ii) sustainably raised (e.g., pastured meat) and (iii) locally grown.

[37] USDA ERS, "Farmland Ownership and Tenure", https://www.ers.usda.gov/topics/farm-economy/land-use-land-value-tenure/farmland-ownership-and-tenure/.

Figure 8. Organic Produce Commands Significant Price Premiums Over Conventional



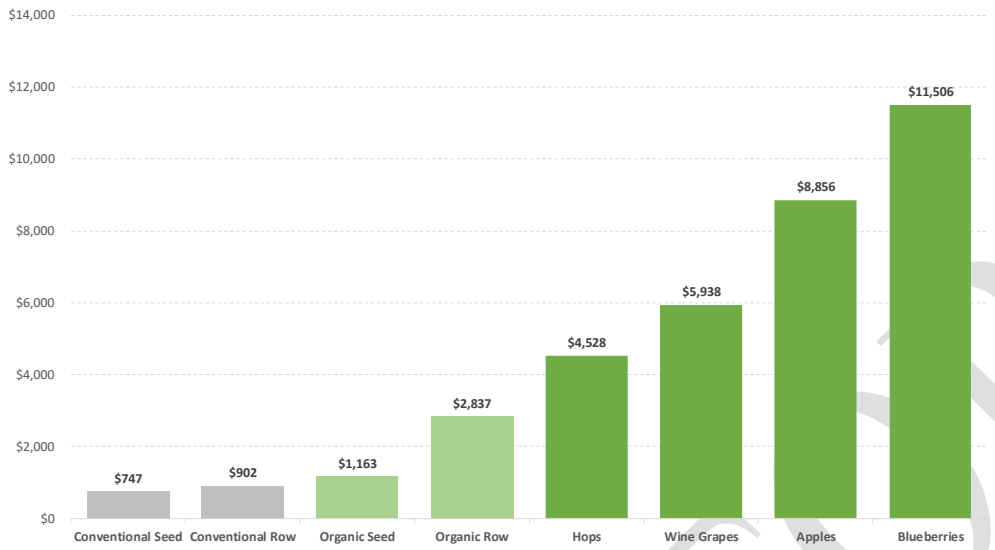
Source: Farmland LP's operations, tenants and buyers

With their products in strong demand, organic farmers and ranchers desire access to certified organic, sustainably managed farmland to grow their businesses, and they are willing to pay higher rents due to the price premiums they receive.

Permanent Crop Strategy

Permanent crops can generate some of the highest returns per acre, while enhancing the diversification and sustainability of farmland. Many benefits are gained by lengthening the average term of planted crops, including adding a portion of permanent crops. Most of the farmland the Sponsor buys is a mix of annual and perennial crops, which refers to their duration in the ground. Annual crops are planted and harvested once within a year, and include wheat, sweet corn, and green beans. Examples of perennial crops are alfalfa, tall fescue, and mint that are planted once and can last for several years with multiple harvests. "Permanent" crops are named for their long tenure, at least a decade and often more. Apples, almonds, grapes, and blueberries are prominent examples. Crops tend to be more financially rewarding the longer their duration, with permanent crops generating annual revenues up to 20 times more per acre than that of annual crops. Further, the margins can be substantial – for example wine grapes in Fund II generate revenues of around $8,000 to $10,000 per acre at ~40% to 50% margins. This compares to annual ryegrass revenues of $600 to $800 per acre, annual perennial seed crop revenues of $1,100 per acre, and/or annual sweet corn revenues of $2,000 per. Thus, where land is ideally suited to a specific permanent crop that can be produced at scale, and in a quality way, it makes financial sense to convert those acres.

Figure 9. Crop Profit per Acre



Source: Farmland LP; University Extension Crop Enterprise Budgets

Permanent Crop Development

Permanent crops can more than double the IRR of farmland, though generating permanent crop returns requires an investment of time, capital and expertise, with permanent crops requiring several years, at a minimum, to establish before producing their first crop. Organic permanent crops are often in short supply, improving their price trends vs conventional crops. Scale and quality are also differentiators that buyers seek, which can result in greater price stability and price premiums. In Oregon, Fund II produces quality wine grapes, and our size makes Fund II a desirable partner of the larger, high-quality wineries. For example, in addition to 224.3 acres of producing vineyards, Fund II has signed additional contracts for 112.9 unplanted acres that are now developing. This is expected to result in around $1 million of additional annual revenues and $500,000 of annual net profits at maturity. Had these acres been farmed as annual crops, it is likely that they would generate less than 1/10th of that.

By assessing market trends and combining that with experienced knowledge of farm management, soil, water and climate patterns, Fund II strives to produce the most optimal crops via direct farming or advantageous tenant farming relationships. Through this strategy, the Sponsor intends to generate superior, risk-adjusted performance. Further, the societal benefits from avoiding pesticides and synthetic nitrogen and sequestering CO2 provide environmental and ecological benefits that produce multiple bottom-line returns.

IV. INVESTMENT STRATEGY

Farmland has historically been a secure asset class characterized by steady cash flows and appreciation with negative to low correlation to traditional asset classes at a low standard deviation. Farmland LP adds value to farmland by upgrading it to certified organic land, and utilizing regenerative farming practices, capable of producing a diverse mix of organic produce. Fund II's investment strategy is comprised of three key components:

1. Acquire High Quality Farmland

Fund II will only invest in U.S. agricultural assets, primarily through direct acquisition of conventional farmland. Fund II will target farmland in markets that have strong demand for locally grown organic food. Fund II will only purchase currently farmed land, avoiding the environmental issue of deforestation.

Property acquisition criteria includes, but is not limited to:

a. Soil quality.

b. Legal and physical access to significant high-quality water sources.

c. Attractive valuation based on productive capacity.

d. Projected increase in revenue from organic conversion.

e. Available pool of prospective farmer and rancher tenants in the area.

f. Ability to construct a portfolio of properties in tight geographic proximity to achieve economies of scale.

g. Long-term climate modeling.

h. Natural features (creeks, forest patches, riparian zones that create islands of native and naturalized biodiversity).

i. Availability of adequate power.

Taking these and other factors into consideration, Fund II seeks to acquire a portfolio of farmland acreage in each market in which it operates to provide farmers with economies of scale and enable efficient management of large amounts of farmland.

2. Convert to Certified Organic Farmland and Utilize Regenerative Farming Practices

For many crops, there are strong economic incentives to convert conventional farmland to certified organic farmland. USDA regulations require three years must elapse since the last application of a synthetic, non-approved input. During this three-year conversion period, we design and implement a crop plan that generates revenue while improving soil quality. We use two main methods for the conversion process.

The first method involves planting pasture, installing fences, establishing water systems and generating revenue from livestock ranchers. Livestock ranchers may directly lease fields or enter into custom management agreements with GSF, whose personnel will manage third-party livestock on Fund II's pastures and pass

revenue through to Fund II. Vitality Farms, an affiliate of the Sponsor with approximately 500 sheep, is currently a tenant livestock rancher in Fund II. The Vitality Farm's tenant farming relationship is managed by GSF at terms no less favorable than those received from non-affiliated third parties.

The second method involves farming "transitional" fields using organic methods and crop rotations. Such farming may be undertaken by third-party farmer tenants, or Fund II may engage GSF and/or other third parties to provide custom farming services, in which case Fund II would own and sell crops for its own account. Typically, the transitional crops will be seed crops such as grains, grass seed and legume seed.

Fund II will convert select acreage to organic using a thoughtful planning approach that may stagger the conversion process to best utilize resources and the current crops on the land. The Sponsor and GSF may slow the conversion of certain fields if for example there are high-value perennial crops at the time of acquisition (which can provide a stable source of revenue and may be costly to remove prior to the end of their useful life), or to ensure sufficient livestock tenants for a pasture program or farmer tenants, or ensuring optimal resources for a transitional cropping program, or to address soil or infrastructure conditions. For certain crops, particularly permanent crops such as trees or vines, there may be a lack of proven and approved organic methods; in these cases, Farmland LP may defer organic certification, but continue to incorporate more sustainable agriculture practices. Once organic certification has been achieved, Fund II will benefit from the organic price premiums accessed by farmers primarily by charging higher rent than rents for equivalent conventional farmland, or by farming the land directly and getting the cash premiums associated with organic crops.

3. Thoughtful Land Management and Investing for Operational Efficiencies

The Sponsor and GSF will actively manage Fund II's properties to increase revenues and drive increased margins through operational efficiencies. The land management strategy involves crop rotations and permanent crops, tenant and direct farming, deployment of technology, strategic partnerships and investing to drive operational efficiencies.

a. **Crop Rotations and Permanent Crops:** Cropland we acquire is often underutilized, producing lower value crops than what is possible. We develop multiyear, field-by-field management plans for the portfolio, such as long-term rotations that alternate between livestock production on pasture and high-value annual crops, especially during the regenerative/organic conversion phase. Fund II's portfolio also includes permanent crops, which are highly productive per unit of input (such as water) and generate significant revenues per acre.

   Crop rotations are designed to mimic natural ecosystems, with diversity enhancing the resilience and adaptability of Fund II's farmland. Resilience is the ability to recover from stress, and adaptability is the ability to adjust to new conditions. Farmland LP believes these land management practices reduce risk to the portfolio and ultimately serve to increase returns. An example of this is Farmland LP's creation of pollinator communities around its properties to encourage plant pollination and increase buds/products.

   Diverse pastures and permanent crops build soil structure and fertility, sequester carbon and nitrogen in soil, and cover fields in vegetation year-round to avoid air and water pollution from the farms. The increase in soil organic matter benefits crops that follow in the rotation. Soil organic matter increases water holding capacity, which reduces the risk of drought stress, lowers the need for irrigation and feeds an active soil biota, which increases nutrient availability to hungry plants. Taken together, these rotations should require fewer inputs and achieve more reliable yields.

b. **Tenant and Direct Farming:** Fund II seeks to either directly farm or lease portfolio properties to qualified farmer tenants and ranchers. GSF's onsite managers collaborate with farmers and ranchers to

ensure tenant and crop diversity across the portfolio. Fund II's tenants benefit by gaining access to large tracts of organic farmland without incurring the cost of acquiring the land and without spending three years on organic conversion. While direct farming creates more opportunity for higher profits and control over the soil fortification process, tenant farming may have lower cashflow risks for Fund II.

GSF selects tenant farmers based upon their expertise (e.g., pastured beef cattle or seed crop farming) to fit the planned land management strategy; these leases align Fund II's tenants with the Managing Member's goals of improving both the soil fertility and the economic productivity of the land. Overall, a diverse tenant base and crop mix minimize the risk from crop-specific failure or a commodity price reduction.

While Fund II is still a c-corporation, and not a REIT, it has the flexibility to farm directly (e.g., grow and sell crops for its own account) by utilizing GSF personnel or engaging other custom farmers. This capability is particularly valuable during the three-year conversion period in which organic methods are required but organic price premiums are not yet available. Farmers are willing to lease conventional farmland and certified organic farmland, but leasing transitional farmland may involve financial uncertainty during the conversion period, as risks to crop yields and quality cannot be managed with synthetic chemicals, and revenues are less predictable. The option of direct farming allows Fund II to exert greater control over the pace and methods used to convert farmland and ensures full utilization of its properties. Further, direct farming allows Fund II to select crops and varietals that are projected to produce the highest revenues, while also ensuring control over the soil quality.

c. **Strategic Partnerships:** While farmer tenants often have strong commodity buyer and marketing relationships, many farmers are constrained by the challenge of marketing organic crops, and many buyers seek product at a larger scale or on a different schedule than one farmer can provide. We work to develop supply chain relationships and help connect farmer tenants to buyers.

d. **Invest to Drive Operational Efficiencies:** The revenue and profitability of farmland may be increased by investing in infrastructure and/or equipment. For example, Fund II may invest in irrigation infrastructure and water rights, farm machinery, fencing, value-added processing facilities or asset-lite improvements such as technology and business management systems. Historically, the team has been successful in obtaining matching funds for infrastructure improvements through state or federal agricultural funding programs.

REIT Election

When Fund II's properties are primarily generating income from rent, and the fund otherwise satisfies the conditions to qualify as a REIT, the Managing Member will have the right to convert Fund II to a REIT for federal income tax purposes. The Managing Member only intends to undertake this decision if it is in the best interest of the Members and Fund II.

In general, a REIT is an entity that:

- combines the capital of many investors to acquire or provide financing for real estate investments;
- allows individual and institutional investors to invest in a professionally managed, large-scale, diversified portfolio of real estate assets;
- pays distributions to investors of at least 90% of its annual taxable income (computed without regard to the dividends paid deduction and excluding net capital gain); and

- avoids the "double taxation" treatment of income that normally results from investments in a corporation because a REIT is not generally subject to U.S. federal corporate income taxes on the portion of its income distributed to its stockholders, as long as certain income tax requirements are satisfied.

Should REIT election for Fund II occur, Fund II will be operated as a specific form of REIT called an umbrella partnership REIT, or "UPREIT". The UPREIT structure provides a tax advantage over a standard REIT, in which sales of property to REITs would generally be taxable transactions to the sellers. With an UPREIT, a seller can transfer property to the Operating Partnership on a tax-deferred basis in exchange for units of the Operating Partnership. The seller can defer taxation of gain until the units are sold or exchanged for Units of Fund II.

V. PERFORMANCE

Fund I

Fund I was formed in 2009 and acquired six properties between 2010 and 2014. Currently, two properties have been sold, and four remain active. As of June 30, 2020, the portfolio consists of 5,175 acres of farmland in the San Francisco Bay Area and Oregon's Willamette Valley, valued at $81.3 million.

Through June 30, 2020, Fund I achieved an 86.4% net post-tax gain and a 9.98% net post-tax fund IRR.[38]

Fund II

As of the date of this Memorandum, Fund II owns approximately 8,100 acres and leases-in another 2,300 acres in Oregon's Willamette Valley and Walla Walla, WA. The owned acres are comprised of nine properties that produce a variety of annual crops, perennial crops, and permanent crops, including vineyards (Pinot Noir, Pinot Gris and Chardonnay), hazelnut orchards and blueberry fields. Total assets under management as of June 30, 2020 were $94.0 million. Over 1094 acres have been sold to date from Willamette Valley, Oregon. While Fund II will continue to review attractive properties, Fund II has ample acreage for the target fund size.

Fund II is in the investment stage and has not generated a return to investors. The Fund is targeting a net return of 9% - 11% with a 2.5X – 2.9X equity multiple by the end of the term of the Fund.

VI. FUND MANAGEMENT AND THE FARM MANAGER

The Sponsor and the Managing Member

The Sponsor has won numerous awards and recognitions, including being named one of "The World's 50 Most Innovative Companies"[39] by *Fast Company*, and being named three consecutive years to both the "Impact Assets 50"[40], featuring the top 50 fund managers worldwide who lead their field in creating positive social and

[38] Fund I net gain and net IRR calculation based on audited results and independent property appraisals and is net of pro forma carried interest. Past performance is not a guaranty or indicative of future results.
[39] "Most Innovative Companies 2014: Farmland LP", *Fast Company*, http://www.fastcompany.com/most-innovative-companies/2014/farmland-lp.
[40] Impact Assets, http://www.impactassets.org/ia50_new/..

environmental impact while generating financial returns for investors, and B Corp's "Best for the World"[41]. The Sponsor currently employs five professionals located in San Francisco, California, and Corvallis, Oregon, who have strong experience in investment and agricultural management. Biographical information of the Sponsor's management team is provided in ***Section VII.***

The Sponsor's first fund, Fund I, is currently comprised of 5,175 acres of farmland in the San Francisco Bay Area and Oregon's Willamette Valley.[42] Performance results for Fund I are provided in ***Section V.***

The Managing Member, a wholly owned subsidiary of the Sponsor will serve as the sole managing member of each of Fund II and the Operating Partnership, and in such capacity will manage and be responsible for all facets of Fund II's operations. The Managing Member has no employees and will utilize the employees of the Sponsor and Green Spring Farms in managing Fund II.

The Sponsor is overseen by the Executive Committee, comprised of:

- Craig Wichner, Managing Partner, Sponsor
- Randy Struckmeier, President, Green Spring Farms
- Mark Chedekel, Chief Financial Officer, Sponsor

The Executive Committee, along with the below listed Green Spring Farms' employees, comprise the Senior Management Team.

- Kevin Lehar, Director of Farm Operations and Business Development, Green Spring Farms
- Dean Underwood, Vineyard Manager and Farm Manager, Oregon, Green Spring Farms
- Frank Savage, California Farm Manager, Green Spring Farms

Green Spring Farms

Green Spring Farms, a wholly owned subsidiary of the Sponsor will provide farm management and custom farming services to Fund II's subsidiaries. In its capacity as agent of Fund II, it will also provide custom livestock management services to third party ranchers on Fund II's pasture, manage the sale of Fund II's owned crops and oversee the organic certification of portfolio properties, including, without limitation, farm record-keeping and coordinating with organic certification agents. Should Fund II elect to be treated as a REIT, GSF may act as the default tenant for fields that are not otherwise leased to third party tenants.

GSF is staffed by over forty five farming and ranching professionals in California and Oregon. Most of GSF's Oregon staff was previously employed by Olsen Agricultural Enterprises ("OAE"), a multi-generational family farming operation that farmed over 6,000 acres of row and permanent crops in Oregon's Willamette Valley. Fund II acquired the assets of OAE in June 2015. Biographical information of GSF's management team is provided in ***Section VII***.

[41] B Corporation, "Farmland LP B Impact Report", http://www.bcorporation.net/community/farmland-lp.
[42] Based on appraisals as of January 2020

VII. MANAGEMENT TEAM BIOGRAPHIES

The Sponsor

Craig Wichner, Co-Founder and Managing Partner. Mr. Wichner co-founded Farmland LP in 2009 and is responsible for day-to-day management, business strategy and all investment activity for the funds. Mr. Wichner is a seasoned executive with over 30 years of experience building companies, in addition to helping build and manage his family's real estate portfolio of apartment and office buildings. The companies include ATM Equity, a private investment vehicle for ATMs; Kindmark, which developed and sold automated employee charitable contribution programs for Fortune 500 Companies (sold to Kintera, now Blackbaud); and Depotech, which developed and currently produces an FDA-approved treatment for metastatic brain cancer (sold to Skyepharma).

Mr. Wichner received a Bachelor of Science in Biochemistry and Molecular Biology, with a minor in Economics, from the University of California, San Diego. Mr. Wichner served on the board of BN Ranch, Bill Niman's successor company to Niman Ranch, Inc, prior to its sale to Blue Apron.

Mark Chedekel, Chief Financial Officer. Mr. Chedekel is responsible for the oversight of accounting and finance for Farmland LP and its funds. Mr. Chedekel has over 25 years of real estate finance and accounting experience working with a variety of stakeholders, from corporate owners to individual investors; he has led several teams in implementing accounting processes, procedures and controls. Before joining Farmland LP, Mr. Chedekel managed his own consulting firm specializing in interim controller positions, asset sales and dispositions. Previously, he worked as Controller for Tioga Energy, as well as several real estate firms, including JCM Partners, Harvest Properties, Bridger Commercial Funding, and Braddock and Logan. For the 15 years prior, Mr. Chedekel was with Jones Lang LaSalle (formerly Compass Management and Leasing) responsible for some of their largest corporate accounts, including Bank of America and AT&T; Mr. Chedekel departed as a VP of Finance.

Mr. Chedekel earned a B.S. in Accounting from the State University of New York, Fredonia. He is also a Certified Management Accountant (CMA).

Green Spring Farms

Randy Struckmeier, President. Mr. Struckmeier leads the day-to-day operations, as well as accounting and finance, for GSF. Mr. Struckmeier brings a lifetime of financial planning, accounting, and agriculture experience. Previously, he held the position of Chief Financial Officer and Controller of Pratum Co-op, where he led accounting and finance as the company grew from $60 million to $106 million in annual revenue. Prior to Pratum, Mr. Struckmeier led financial planning for agriculture, manufacturing, distribution and corporate finance at Harry & David, as the company grew from $180 million to $660 million in annual revenue. He played an integral role in the company's divesture of its Jackson & Perkins rose subsidiary. Mr. Struckmeier began his career as a financial analyst with Dole Fresh Vegetables in Salinas, California. Dole annually sourced over $200 million of row crops from Salinas to the Imperial Valley and into Arizona and Mexico. At Dole, Mr. Struckmeier designed and implemented a crop forecasting model to align supply with demand, smoothing production across growing seasons and regions, and reducing crop price volatility.

Mr. Struckmeier earned a B.S. in Business Administration from Biola College, graduating *Magna Cum Laude,* and an M.B.A. from the University of Oregon where he served as a graduate teaching fellow. He is also a Certified Management Accountant (CMA). Mr. Struckmeier sits on the board of directors of Willamette Valley Fruit Company.

Kevin Lehar, Director of Farm Operations and Business Development. Mr. Lehar is experienced in managing large farming projects and operations on tens of thousands of acres. Mr. Lehar has worked extensively in Organic Crop Protection with particular expertise in working with tenants, land leases, and offtake agreements. Mr. Lehar began his career with J.G. Boswell, where he gained exposure to a wide variety of crops and production and held roles of Agronomist up to Vegetable Crop Manager during his 10-year career at Boswell, managing the conversion of 8,000 acres to vegetables. Later Mr. Lehar joined Woolf Farming Co., a large farming operation in the Central Valley of CA. At Woolf Mr. Lehar oversaw all crop production and safety management of the operation – which grew to over 26,000 acres, including the conversion of conventional land to organic land. Most recently Mr. Lehar was with Vino Farms, where he managed 8,000 acres of vineyards, including planting 3,000 acres. Mr. Lehar holds certifications as a California Agricultural Pest Control Advisor and California Qualified Pesticide Applicator.

Mr. Lehar earned a B.S. in Agricultural Plant Science - Vegetable Crop Production from California State University, Fresno.

Frank Savage, California Farm Manager. Mr. Savage manages Fund I's 5,800 acres of farmland east of San Francisco; he is responsible for tenant relations, leasing, livestock management and farm infrastructure. Mr. Savage holds General Engineering and General Building contractor's licenses and has over 30 years of professional experience in public works and water infrastructure, project management, construction and livestock management. A fourth-generation rancher, Mr. Savage grew up on a sheep and cattle ranch in Susanville, California.

Dean Underwood, Vineyard Manager and Farm Manager, Oregon. Mr. Underwood is the vineyard developer and manager for GSF. He has over 36 years of farming experience and has developed and managed Farmland LP vineyards since 2005. Mr. Underwood is well regarded as an expert in vineyard management and maintains a strong network across vineyard professionals throughout the vine value chain and academia. Mr. Underwood has planted and/or managed over 3,000 acres from Northern California to the Pacific Northwest.

Advisors

Ali Partovi. Mr. Partovi is an angel investor, startup advisor and serial entrepreneur. Mr. Partovi is also a cofounder of the computer education nonprofit Code.org and an active investor in sustainable food systems. His portfolio as an investor and advisor has included such successes as Facebook, Zappos and DropBox, as well as newer ventures such as Viagogo and OPOWER. The author of "*Food is the New Frontier*" in Green Tech and "*Hacking the Food System: Focus on the Supply Chain*", and angel investor in Farmigo and BrightFarms, Mr. Partovi is presently focused on scaling up sustainable food and agriculture. He serves on the board of school food nonprofit FoodCorps.

Spencer B Beebe. Mr. Beebe spent 14 years with the Nature Conservancy before helping found Conservation International in 1987. In 1991, he founded Ecotrust to focus his work on the rainforests of the Pacific Northwest. He serves on the boards of Ecotrust and Ecotrust Canada, Ecotrust Forest Management, Inc., the Tamástslikt Cultural Institute and Walsh Construction Company of Portland.

Jim Zukin. Mr. Zukin is the cofounder of Houlihan Lokey Howard & Zukin (www.HL.com), a global investment bank founded in 1972. His firm was named the Best Bank to Work For the last four years by Vault.com. In 2012, HL was named the #1 Global Investment Banking Restructuring Advisor by Thomson Reuters, the #1 M&A advisor for U.S. transactions under $3 billion, and the #1 Global M&A Fairness Opinion Advisor. As one of the world's foremost valuations and restructuring experts, Mr. Zukin advised on notable transactions such as the 55% purchase of United Airlines by an employee stock ownership plan, advised numerous government agencies such as the IRS and Department of Labor, and also formed the firm's sovereign service practice for clients including Antigua and Barbuda, Belize, Iraq and Russia. Mr. Zukin advises Chinese officials on various M&A and restructuring issues. Mr. Zukin is a prominent speaker and has served on the

faculty of various World Bank, IFC and IMF conferences. Mr. Zukin earned his B.A. with honors in economics and English from University of California, Berkeley, and an M.B.A. from Harvard Business School.

Bill Niman. A pioneering rancher in the good meat movement, Mr. Niman has been called "The Guru of Happy Cows" by the Los Angeles Times, "The Master of Meat" by Wine Spectator magazine, "The Steve Jobs of Meat" by Men's Journal and "Food Artisan of the Year" by Bon Appetit magazine. He is the founder and former CEO of Niman Ranch, Inc., the largest natural meat company in the United States, and is the founder and CEO of BN Ranch, his successor natural beef and poultry company. Mr. Niman also serves as sustainable agriculture adviser to Chipotle Mexican Grille, Inc. (NYSE: CMG).

VIII. CONFLICTS OF INTERESTS

*There are certain inherent and potential conflicts of interest among the Managing Member, the Sponsor and the Sponsor's members, officers and employees, on the one hand, and Fund II and the Members, on the other. Certain of those inherent and potential conflicts of interests are discussed below. See also "**Section IX. Risk Factors**".*

Other Activities of the Sponsor's Employees

Because the Sponsor, its members, officers, employees and affiliates may have interests in other business activities (including Fund I and GSF), they may have actual or potential conflicts of interests with Fund II. Such other activities may require such persons to devote substantial amounts of their time to matters unrelated to the business of Fund II, which may pose conflicts in the allocation of management resources. The Sponsor's management team works to minimize any potential conflicts of interests, including working with Fund II's and/or the Operating Partnership's advisory committee to address conflicts (as further described in the Fund II LLC Agreement and OP LLC Agreement). While the Sponsor will work to avoid conflicts, these may occur in the allocation of management and staff time, services and functions among the Managing Member, Fund II and other affiliates, the Sponsor believes it has sufficient staff available to discharge its responsibilities to Fund II. Further, the Sponsor's management team intends to deal with any actual or potential conflicts of interest in an equitable fashion. However, there can be no assurance that a result will be advantageous to Fund II.

Carried Interest

The Managing Member will receive a carried interest of up to 20% of the overall profits from the Operating Partnership. The existence of the carried interest may create an incentive for the Managing Member to make more speculative investments on behalf of Fund II than Fund II would otherwise make in the absence of the carried interest. This may be mitigated by the Managing Member investing its own capital in the Operating Partnership. Nonetheless, the interests of the Managing Member may under some circumstances differ from those of Fund II and/or the Members. Such conflicting interests could potentially affect the decisions of the Managing Member in purchasing, holding and disposing of the investments of Fund II.

Transactions with GSF

GSF will provide certain farm management and custom farming services to Fund II's subsidiaries and will receive fees for such services. GSF may also lease Fund II's farmland to enable Fund II's qualification as a REIT, and in such event will pay rent to Fund II. Fees for any such services, and rents under leases, will be on market terms and will not be less favorable to Fund II's subsidiaries than generally available in an arm's length transaction from experienced and unaffiliated parties. However, such fees and rents will not be determined through arm's-length negotiations; although, the Managing Member will assess the terms of any GSF lease against market rate leases with unaffiliated parties in arm's length transactions. Any fees for services or revenue generated from GSF's own farming operations on properties it leases will be solely for the account of GSF, and

will not be shared with Fund II. As of the date of this PPM, GSF provides all farming services at cost and all farm management services at cost, plus a margin of $25k per year for employee bonuses and corporate purposes.

Other Affiliates and Potential Conflicts of Interest

Vital Farmland, LP ("Fund I")

The Sponsor and its employees are also affiliated with Fund I. Fund I is a sustainable agriculture investment fund launched in 2009 that owns 5,175 acres in California and Oregon. The Sponsor and its employees actively manage the assets in Fund I. Fund I is closed to new investors, and it is not anticipated that Fund I will acquire additional farmland properties. Of the six properties originally purchased in Fund I, two have been sold.

Vital Farmland Partners, LLC ("VF Partners")

VF Partners is wholly owned by the Sponsor and serves as the general partner of Fund I. The Sponsor's management team provides management services to VF Partners.

Vitality Farms LLC ("**Vitality Farms**")

Vitality Farms, an entity controlled by Messrs. Wichner and Jason Bradford but in which Fund II has no ownership, currently pastures a flock of 500 sheep on small portions of Fund II's Oregon farmland, on terms no less favorable to Fund II than market terms.

IX. RISK FACTORS

An investment in Fund II involves a high degree of risk and is suitable only for sophisticated investors whose financial resources are sufficient to enable them to bear the loss of all or a significant portion of their investment. The following risk factors (together with the other factors set forth in this Memorandum) should be carefully considered by prospective investors. Additional risks and uncertainties not currently known or that Fund II currently deems to be immaterial also may materially adversely affect an investment in Fund II and the business, financial condition and/or operating results of Fund II. There can be no assurance that an investor will receive a return on its capital, and therefore, an investor should only invest in Fund II if such investor is able to withstand a total loss of its investment. Prospective investors should ensure they understand the nature of Fund II and the potential extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisors to make their own fully independent legal, tax, accounting and financial evaluation of the merits and risks of investment in Fund II and that they consider the suitability of such investment in the context of their own circumstances and financial condition.

Risks Related to this Offering

Units Not Suitable for Certain Investors. Prospective investors are encouraged to meet with and obtain more information regarding Fund II from the Managing Member. In addition, prospective investors should consult with their own financial, legal and tax advisors before investing in Fund II. Each investor will be required to represent to Fund II, among other things, that the investor is an "accredited investor" (as that term is defined in the Securities Act) and has had the opportunity to ask questions and receive information sufficient to support its investment decision. In addition, each investor will be required to provide a letter from a qualified third party (*e.g.*, a registered investment adviser, registered broker-dealer, attorney or accountant) certifying that the investor is an accredited investor. Fund II, the Managing Member and their advisors will rely upon the truth and accuracy of these representations.

Lack of Public Market for Units. The Units represent highly illiquid investments and should be acquired only by investors that are able to commit their funds for an indefinite period of time. The Units are not transferable by investors, except as allowed in limited circumstances as set forth in the Fund II LLC Agreement.

Withdrawal Restrictions. Withdrawal of Members from Fund II generally will not be permitted, and a withdrawn Member may not be entitled to payment for its interest in Fund II. Any withdrawal of a Member may reduce the amount of capital available for investment or expenses.

Exculpation and Indemnification. The Fund II LLC Agreement sets forth the circumstances under which the Managing Member, its affiliates and their directors, officers, partners, members, employees or agents are to be excused from liability to Fund II and the Members for damages or losses that Fund II or the Members by virtue of any such person's performance or services for, on behalf of or in connection with Fund II. As a result, Fund II and the Members have limited rights against these persons. If a claim is made against the Managing Member, its affiliates or their directors, officers, partners, members, employees or agents, those persons may be entitled to be indemnified by Fund II, in which case the assets of Fund II could be used to indemnify those persons for amounts incurred in connection with that claim.

Failure to Make Capital Contributions. If Members fail to make their required capital contributions when due, Fund II's ability to complete its investment program or otherwise continue operations may be substantially impaired. A default by a number of Members would limit opportunities for investment diversification and likely reduce returns to Fund II.

Liability for Return of Distributions. If Fund II is otherwise unable to meet its obligations, the investors may, under applicable law, be obligated to return cash distributions previously received by them, with interest, if those distributions are determined to be a return of their capital contributions or a wrongful payment to them. In addition, an investor may be liable under applicable U.S. federal or state bankruptcy laws to return a distribution made during Fund II's insolvency.

Lack of Investor Control over Fund II Policies. The management, investment, financing and divestiture policies of Fund II and its policies with respect to certain other activities, including its distributions and operating policies, will largely be determined by the Managing Member, subject to the obligations under the Fund II LLC Agreement, and investors will have no control over such policies. No assurance can be given that the Managing Member will be successful in implementing those policies or that Fund II will achieve positive returns.

Potential Concentration of Voting Power. Members will be able to vote on matters concerning Fund II under certain circumstances. The Managing Member will control most decisions, including decisions relating to the day-to-day operations of Fund II. Even in situations where the Members vote on Fund II matters, a small group of Members with relatively large Fund II interests could have the requisite percentage of votes to determine the outcome of such decisions. Such a concentration of voting power, if it occurs, could have the effect of limiting the ability of Members with smaller Fund II interests to have a meaningful vote on matters requiring a vote of Members.

Investor Consent by Inaction. The Fund II LLC Agreement provides that the Managing Member can obtain the approval or consent of a Member through that Member's failure to affirmatively provide its approval or dissent. This could cause a Member to effectively provide its approval or consent to a measure (such as an amendment to the Fund II LLC Agreement) without having intended to do so. This could allow the Managing Member to amend the Fund II LLC Agreement or take other actions that require a certain level of approval or consent of the Members without that level of Members actually having decided to approve or consent to that amendment or other action.

***Alteration of Investment Strategy*.** The Managing Member is not required to adhere to the investment strategy of Fund II as described in this Memorandum and may determine that it is in Fund II's interest to alter such strategy due to adverse economic conditions, market changes, regulatory changes or other reasons. Investors should be aware that the Managing Member may do so in the future and that in such circumstances, Fund II would be exposed to different levels and types of risk, and Fund II's performance may be different than if the Managing Member followed the investment strategy described in this Memorandum.

Economic Conditions. The success of any investment activity is determined to a great degree by general economic conditions, which may affect property values, the level and volatility of interest rates and the extent and timing of investor participation in the equities and interest-rate markets. Unexpected volatility or illiquidity in the markets in which Fund II operates, or could otherwise be impacted by, could impair its ability to carry out its business or cause it to incur losses.

Dilution. Fund II held an initial closing on October 1, 2014 and has subsequently held rolling closes. The Managing Member is authorized to admit additional Members and to accept additional capital contributions from existing Members, on terms established by the Managing Member. If the approach to calculate Unit price for sales of Units (discussed in ***Section II. Summary of Principal Terms-Units***) results in prices that do not reflect the actual value of the proportionate interest in each of Fund II's assets represented by such Units, capital contributions made in that period may dilute existing Members' interests in Fund II's assets.

Reliance on Sponsor's Management Team. Fund II will depend upon the efforts, experience, contacts and skills of the members of the Sponsor's management team. The loss of any of these individuals could have a material adverse effect on Fund II, and such a loss could occur at any time due to death, disability, resignation or other reasons. Moreover, while the management team members generally will not be required to devote all of their time and attention exclusively to Fund II, the management team members intend to devote sufficient and ample time to the buildout, management and ultimate sale of the assets within the portfolio. Additional members may be admitted to the Managing Member following Fund II's initial closing and the Members will have no power to prevent any specific person from being admitted to the Managing Member as a member. Within the Managing Member, the economic, voting and other rights of the individual members of the Managing Member will be determined by agreement among those members and will be subject to change without notice to the Members. The Members will not be permitted to evaluate investment opportunities or relevant business, economic, financial or other information that will be used by the Managing Member in making decisions. Except as specifically provided in Fund II LLC Agreement and OP LLC Agreement, respectively, the Managing Member will have the exclusive right and power to manage (i) Fund II's business and affairs, and (ii) the Operating Partnership's business and affairs.

The Managing Member may appoint or admit certain persons to advisory or other committees or boards intended to assist the Managing Member by providing advice, industry contacts, deal flow, technical expertise or other benefits. Under most circumstances, those persons will have no contractual or other obligation to continue as members of those committees or boards or to provide any particular benefits. In evaluating an investment in Fund II, prospective investors should not depend upon any specific benefits accruing to the Managing Member or Fund II in respect of any such advisory or other committees or boards or their members.

Fund II, the Operating Partnership and the Managing Member Are Not Registered*.** Fund II and the Operating Partnership are not registered under the U.S. Investment Company Act of 1940 (the "Investment Company Act***"). The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur leverage), none of which will apply to Fund II. The Managing Member is not registered as a broker-dealer under the U.S. Securities Exchange Act of 1934 (the "***Exchange Act***"), or with the Financial Industry Regulatory Authority, Inc. ("***FINRA***"), and is consequently not subject to the record-keeping and specific business practice provisions of the Exchange Act and FINRA's rules. In addition, the Managing Member is not registered as an investment adviser under the U.S. Investment Advisers Act of 1940 (the

"***Advisers Act***"). However, the Managing Member is required to comply with certain requirements under the Advisers Act, such as anti-fraud provisions.

If Fund II or the Operating Partnership were obligated to register as an investment company, that entity would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure.
- restrictions on specified investments.
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase operating expenses.

Under the relevant provisions of Section 3(a)(1) of the Investment Company Act, an entity is not an "investment company" if:

- it is not engaged primarily, nor holds itself out as being engaged primarily, nor proposes to engage primarily, in the business of investing, reinvesting or trading in securities (the "***Primarily Engaged Test***"); and
- it is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities and does not own or proposes to acquire "investment securities" having a value exceeding 40% of the value of its total assets on an unconsolidated basis (the "***40% Test***"). "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under section 3(c)(1) or section 3(c)(7) of the Investment Company Act (relating to private investment companies).

The Managing Member believes that Fund II and the Operating Partnership satisfy both tests above. With respect to the 40% Test, the term "investment securities" does not include securities or other ownership interests in a "majority-owned subsidiary" that is not itself an investment company nor is relying on certain specified exemptions from the definition of "investment company". The Managing Member believes that most of the entities through which Fund II and the Operating Partnership will own their farmland and related real assets are majority-owned subsidiaries that are not themselves investment companies and are not relying on one of the specified exemptions from that definition.

With respect to the Primarily Engaged Test, Fund II and the Operating Partnership are holding companies. Through the majority-owned subsidiaries of the Operating Partnership, Fund II and the Operating Partnership are primarily engaged in the non-investment company businesses of purchasing and managing farmland and operating farms.

The Managing Member believes that some subsidiaries of the Operating Partnership are able to rely on section 3(c)(5)(C) of the Investment Company Act for an exception from the definition of an investment company. The SEC staff's position on section 3(c)(5)(C) generally requires that an entity maintain at least 55% of its assets in "mortgages and other liens on and interests in real estate" ("***Qualifying Assets***"); at least 80% of its assets in Qualifying Assets plus real estate-related assets ("***Real Estate-Related Assets***"); and no more than 20% of the value of its assets in other than Qualifying Assets and Real Estate-Related Assets ("***Miscellaneous Assets***"). To constitute a Qualifying Asset under this 55% requirement, a real estate interest must meet various criteria; therefore, these subsidiaries are limited with respect to the value and nature of the assets that they may own at any given time. Other subsidiaries of the Operating Partnership own crops and are expected to avoid being an "investment company" by virtue of owning only crops and not any securities.

If, however, the value of the Operating Partnership's subsidiaries that rely on section 3(c)(1) or section 3(c)(7) of the Investment Company Act is greater than 40% of the value of the assets of the Operating Partnership, then Fund II and the Operating Partnership may seek to rely on the exception from registration under section 3(c)(6) of the Investment Company Act. In order to rely on that section, an entity must be "primarily engaged" through majority-owned subsidiaries in the business of purchasing or otherwise acquiring interests in real estate. Although the SEC staff has issued little interpretive guidance with respect to section 3(c)(6), the Managing Member believes that Fund II and the Operating Partnership would be able to rely on section 3(c)(6) if 55% of the Operating Partnership's assets consist of, and at least 55% of the Operating Partnership's income is derived from, majority-owned subsidiaries that rely on section 3(c)(5)(C) of the Investment Company Act.

To maintain compliance with the Investment Company Act, the Operating Partnership's subsidiaries may be unable to sell assets that the Managing Member would otherwise want them to sell, and those subsidiaries may need to sell assets that the Managing Member would otherwise wish them to retain. In addition, the Operating Partnership's subsidiaries may have to acquire additional assets that they might not otherwise have acquired or may have to forego opportunities to make investments that the Managing Member would otherwise want them to make and that would be important to Fund II's investment strategy. Moreover, SEC staff interpretations with respect to various types of assets are subject to change. This increases the chances that an entity may become required to register as an investment company or forced to make adverse changes to its portfolio to avoid a requirement to register.

If Fund II or the Operating Partnership is required to register as an investment company and does not do so, that entity would be prohibited from engaging in its business, and criminal and civil actions could be brought against it. In addition, certain of that entity's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of that entity and liquidate its business.

Impact of the AIFM Directive. Fund II is an alternative investment fund ("***AIF***") and the Managing Member is an alternative investment fund manager ("***AIFM***") under the Alternative Investment Fund Managers Directive 2011/61/EU ("***AIFMD***"). Unless the Managing Member decides to market Units in the European Union (the "***EU***"), the Managing Member does not expect that it, Fund II, or the Operating Partnership is subject to registration or regulation under AIFMD. It is possible that the Managing Member may decide that compliance with AIFMD would make it not in Fund II or the Operating Partnership's interest to market interests to investors in the EU. If AIFMD prevents the marketing of interests to EU investors, Fund II and the Operating Partnership may raise less capital than would be the case if interests were marketed to EU investors. With less capital, the Managing Member may not be able to carry out the investment program that it desires. If the Managing Member, Fund II, or the Operating Partnership do become subject to registration or regulation under AIFMD, then there may be operational restrictions that prevent the Managing Member from carrying out the investment program that it desires.

Incentive Compensation. The carried interest payable to the Managing Member may create incentives for the Managing Member to make riskier or more speculative investments on behalf of the Operating Partnership than would otherwise be the case in the absence of such incentives.

Factual Statements. Certain factual statements made in this Memorandum are based upon information from various sources believed by the Managing Member to be reliable. The Managing Member and Fund II have not independently verified any of that information and neither of them has any liability for any inaccuracy or inadequacy of that information. Except to the extent that legal counsel has been engaged solely to advise as to matters of law, no other party has been engaged to verify the accuracy or adequacy of any of the factual statements contained in this Memorandum. In particular, neither legal counsel nor any other party has been engaged to verify any statements relating to the experience, track record, skills, contacts or other attributes of the members of the Managing Member or the anticipated future performance of Fund II. During Fund II's term, the Managing Member will provide Members with reports and other information regarding the condition and prospects of Fund II and its investments. The Managing Member's duties and obligations with respect to the

content, completeness, and accuracy of that information will be determined solely under Fund II LLC Agreement.

Definitive Terms and Conditions. Portions of this Memorandum describe specific terms and conditions expected to be set forth in the Fund II LLC Agreement and the OP LLC Agreement. The actual terms and conditions set forth in the Fund II LLC Agreement and the OP LLC Agreement may vary materially from those described in this Memorandum for a variety of reasons, including amendments to the Fund II LLC Agreement or the OP LLC Agreement after the preparation of this Memorandum. Moreover, the Fund II LLC Agreement and the OP LLC Agreement contain highly detailed terms and conditions, many of which are not described fully (or at all) in this Memorandum. In all cases, the Fund II LLC Agreement and the OP LLC Agreement will supersede this Memorandum. Prospective investors are urged to carefully review Fund II LLC Agreement and the OP LLC Agreement, and must also be aware that, under the rules governing amendments set forth in Fund II LLC Agreement and the OP LLC Agreement, amendments to the Fund II LLC Agreement and the OP LLC Agreement may be adopted with the consent of less than all Members or by the Managing Member, in certain cases.

Risks Relating to the Business of Fund II and the Operating Partnership

The Managing Member may not be successful in identifying and consummating suitable acquisitions that meet its investment criteria. Fund II intends to use the proceeds of the Offering of Units to invest in and acquire farmland and farm-related assets.

Although the Managing Member has acquired specific properties with a portion of the capital raised through this Offering, there is no assurance that Fund II will acquire additional properties. Therefore, investors are unable to evaluate the manner in which new capital will be invested and the economic merits of new projects before investment. At the time of this Memorandum, Fund II has acquired through the Operating Partnership's subsidiaries approximately 8,100 deeded acres of farmland, equipment, crops, leases and other assets in Oregon's Willamette Valley and Walla Walla, WA, with proceeds of this Offering. The Managing Member has identified additional properties that Fund II could acquire with a portion of the proceeds of this Offering. There can be no assurance that Fund II will be successful in purchasing any of these properties, and the Managing Member is aware that Fund II has sufficient acreage for the target fund size. The Managing Member might be unable to agree to definitive purchase terms for the properties with the prospective sellers. The Managing Member might discover problems with the properties in its due diligence investigations. As a result, investors in the Units are unable to evaluate the manner in which new capital is invested and the economic merits of specific projects before investing in Units. Additionally, the Managing Member has broad authority to make acquisitions of properties that it identifies in the future. There can be no assurance that the Managing Member will be able to identify or negotiate acceptable terms for the acquisition of properties that meet Fund II's investment criteria, or that Fund II will be able to acquire such properties. The Managing Member cannot, and does not, assure any potential investor that acquisitions made by Fund II will produce a return on its investment. Any significant delay in investing the proceeds of this Offering would likewise delay Fund II's ability to generate cash flow and make distributions to the Members.

Fund II has used and may continue to use substantial debt financing to acquire and operate Fund II. This exposes Fund II to risks associated with leverage such as restrictions on additional borrowing and payment of distributions, risks associated with balloon payments, and risk of loss of equity upon foreclosure. Fund II has used leverage to acquire properties and to fund capital improvements and operating expenses at the properties. Fund II may continue to borrow on a secured or unsecured basis. Neither the Fund II LLC Agreement nor the OP LLC Agreement imposes any limitation on borrowing.

The Managing Member intends to use leverage to benefit the properties. Fund II's existing borrowings with AgAmerica, Columbia Pacific and Metropolitan Partner Group contain, and any credit facility Fund II might subsequently enter into may contain, certain customary restrictions, requirements and other limitations on its

ability to incur indebtedness and specifies or may specify (as applicable) debt ratios that Fund II will be required to maintain. Accordingly, Fund II may be unable to obtain the degree of leverage that the Sponsor's management team believes to be optimal, which may cause Fund II to have less cash for distribution to Members than it would have with an optimal amount of leverage. If the income generated by Fund II's properties and other assets fails to cover its debt service, Fund II could be forced to reduce or eliminate distributions to the Members and Fund II may experience losses. The use of leverage could also make Fund II more vulnerable to a downturn in its business or the economy generally.

Fund II's debt financing arrangements may require Fund II to make lump-sum or "balloon" payments at maturity. The ability to make a balloon payment at maturity is uncertain and may depend upon Fund II's ability to obtain additional financing or to sell the financed property. At the time the balloon payment is due, Fund II may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment, which could adversely affect the amount of distributions to Members.

Fund II may acquire additional properties by borrowing all or a portion of the purchase price and securing the loan with a mortgage on some or all of its real property. If Fund II is unable to make its debt payments as required, a lender could foreclose on the property securing its loan. This could cause Fund II to lose part or all of its investment in such property which in turn could cause the value of the Units or the amount of distributions to the Members to be reduced.

Increases in interest rates could increase the amount of Fund II's debt payments and limit Fund II's ability to pay distributions to the Members. Increases in interest rates would then increase the cost of debt, which could reduce the cash that Fund II would have available for distributions. In addition, if Fund II needs to repay debt during periods of rising interest rates, Fund II could be required to liquidate one or more of its investments at times that do not permit realization of the maximum return on those investments.

Broken Deal Fees and Expenses. Fund II's investments may require extensive due diligence activities before acquisition, and the related expenses may be quite substantial. Due diligence costs may include among others: feasibility and technical studies; preliminary engineering costs and marketing studies; environmental reviews; legal costs; and bid preparation and submission costs. These expenses will be borne by Fund II even if the applicable prospective investment is not finalized. Additionally, in connection with its real estate acquisitions Fund II may enter into an agreement that requires Fund II to make a deposit of part of the purchase price before closing. If Fund II does not close on the acquisition, Fund II could forfeit the deposit or otherwise be required to pay a broken deal fee. The Managing Member currently does not intend to deposit a part of the purchase price for any property that could result in broken deal fees; nonetheless, should the Managing Member pursue this in the future, the amount of these forfeited amounts could be significant in any deal or in the aggregate.

Competition for the acquisition of agricultural real estate may impede the Managing Member's ability to make acquisitions or increase the cost of these acquisitions, which could adversely affect Fund II's operating results and financial condition. Fund II will compete for the acquisition of properties with many other entities engaged in agricultural real estate investment activities, including corporate agriculture companies, financial institutions, institutional pension funds, other REITs, other public and private real estate companies and private real estate investors. These competitors may prevent Fund II from acquiring desirable properties or may cause an increase in the price it must pay for farmland. Fund II's competitors may have greater resources than Fund II and may be willing to pay more for certain assets or may have a more compatible operating philosophy with the Managing Member's acquisition targets. In particular, larger buyers of agricultural real estate may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Fund II's competitors may also adopt transaction structures similar to Fund II's, which would decrease Fund II's competitive advantage in offering flexible transaction terms. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If Fund II pays higher prices for properties,

Fund II's profitability may decrease, and investors may experience a lower return on their investment. Increased competition for properties may also preclude Fund II from acquiring those properties that would generate attractive returns to Fund II.

Income from properties may be reduced during the organic conversion process, which would delay Fund II's ability to make distributions to the Members. The process of converting conventional farmland to certified organic farmland typically takes three years from the time the conversion is initiated. Revenues from properties in transition may be reduced during that period as pasture and other non-specialty crops that the Managing Member expects will improve the soil productivity and economic utility of those properties over the long run are planted. If revenues are reduced during the transition period, Fund II's ability to make distributions to the Members would be restricted.

Highly leveraged tenants may be unable to pay rent, which could adversely affect the cash available to Fund II to make distributions to the Members. Some tenants may be subject to significant debt obligations. Tenants that are subject to significant debt obligations may be unable to make their rent payments if there are adverse changes to their businesses or economic conditions. The payment of rent and debt service may reduce the working capital available to leveraged entities and prevent them from devoting the resources necessary to remain competitive in their industries. Such companies are more vulnerable to adverse conditions in their businesses or industries, to changes in economic conditions generally, and to increases in interest rates.

Leveraged tenants are more susceptible to bankruptcy than unleveraged tenants. Bankruptcy of a tenant could cause:

- the loss of lease payments.
- an increase in the costs incurred to carry the property occupied by that tenant.
- a reduction in the value of the Units; and
- a decrease in distributions to the Members.

Under bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of continuing or terminating any unexpired lease. If a bankrupt tenant terminates a lease, any claim for breach of the lease (excluding a claim against collateral securing the claim) will be treated as a general unsecured claim. The claim would likely be capped at the amount the tenant owed for unpaid rent before the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, a bankruptcy court could re-characterize a net lease transaction as a secured lending transaction. If that were to occur, Fund II (or its direct or indirect subsidiary) would not be treated as the owner of the property but would instead have rights as a secured creditor. This would mean that a claim in bankruptcy court would only be for the amount paid for the property, which could adversely impact Fund II's financial condition.

Fund II's real estate investments will consist of agricultural properties that may be difficult to sell or re-lease upon tenant defaults or early lease terminations. The Managing Member intends to focus on investments in agricultural properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets. This illiquidity will limit the Managing Member's ability to quickly change Fund II's portfolio in response to changes in economic or other conditions. In addition, if Fund II is forced to sell the property, it may have difficulty finding qualified purchasers that are willing to buy the property. These and other limitations may affect Fund II's ability to sell or re-lease properties without adversely affecting returns to the Members.

The inability of a tenant to pay rent will reduce Fund II's revenues. Lease payment defaults by one or more tenants could adversely affect Fund II's cash flows and cause Fund II to reduce the amount of distributions to the Members. If a tenant defaults, Fund II may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-leasing the subject property. If a lease is terminated,

there is no assurance that Fund II will be able to lease the property for the rent previously received or sell the property without incurring a loss.

Revenue-share or other performance-based leases may result in little or no rent being due from tenant farmers. Some of Fund II's leases may include revenue sharing or other performance-based factors that in good years can increase Fund II's income but may result in some tenants paying little or no rent in other years. The Managing Member will target a diversity of tenants, crops and lease types to reduce risk, however there is no guarantee that this will be successful.

Fund II's active farming operations may not be profitable, which could adversely affect Fund II's financial performance and cash available to Fund II to make distributions to the Members. Fund II's strategy is to (i) lease its properties to farmer and rancher tenants, as well as (ii) acting through one or more subsidiaries, engage in direct farming operations on portfolio properties, particularly during the transition phase and with high value crops, where the Managing Member determines that engaging in active farming operations is advantageous to Fund II. Such farming operations will involve the planting, cultivation, harvesting and sale of crops, the risks of which, including the financial risk of loss, will be borne by Fund II. If such farming operations are not profitable, such operations could adversely affect Fund II's financial performance and the cash available to Fund II to make distributions to the Members.

Fund II's active farming operations will rely on execution by GSF and other Third-Party Service Providers. Fund II's subsidiaries involved in active farming operations will not have any employees of their own. Such subsidiaries will engage GSF (a related party owned by the Sponsor) and third parties to perform custom farming services. Fund II's financial performance may be dependent on the ability of GSF and third-party service providers to successfully execute the custom farming services, and if such custom farming services are not successfully executed Fund II's financial performance may be adversely affected.

Fund II is subject to risks associated with real estate ownership, which could reduce the value of the Units. Fund II indirectly invests in agricultural real estate. Fund II's performance, and the value of its investments, is subject to risks incident to the ownership, leasing and operation of these types of properties, including, without limitation:

- short- or long-term adverse weather conditions, such as frosts, freezes, floods, heat waves or droughts
- climate change
- changes in the physical, legal or regulatory access to irrigation or livestock water
- crop and/or livestock diseases or pests
- changes in the general economic climate
- changes in local conditions such as an oversupply of farmland or reduction in demand for farmland
- changes in market price of or demand for crops that are grown on Fund II's properties
- changes in interest rates and the availability of financing
- competition from other available properties
- natural disasters or acts of god
- changes in laws and governmental regulations, including those governing real estate usage, zoning, taxes and organic certification
- loss of organic certification for a field or farm due to failure of tenants to abide by organic practices

If one or more of these events transpires, Fund II's financial performance may be materially adversely impacted, resulting in the reduction in the value of Fund II's assets and the Units.

While the Managing Members expects to lease Fund II's properties primarily to large, experienced agricultural companies, the Managing Member may lease some of Fund II's properties or portions thereof to small and medium-sized farmers and agricultural companies, which will expose Fund II to risks unique to these entities. At this time, no single tenant farmer leases more than 10% of Fund II's total acreage.

Nonetheless, leasing real property to small and medium-sized farmers and agricultural businesses will expose Fund II to a number of unique risks related to these entities, including the following.

- *Limited financial resources.* Small and medium-sized agricultural businesses are more likely than larger farming operations to have difficulty making lease payments when they experience adverse events, such as the events described above. If Fund II's tenants are unable to make lease payments to Fund II, it would have a material adverse effect on Fund II's ability to make distributions to the Members.
- *Smaller market share than larger agricultural companies.* Smaller farmers tend to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, small farmers may face intense competition, including competition from companies with greater financial resources. Competition could lead to price pressure on crops or livestock that could lower the tenants' income, which could adversely impact their ability to make lease payments to Fund II and, in turn, lead to a reduction in the amount of distributions to the Members.
- *Little or no publicly available information about the target tenants.* Many of Fund II's tenants are likely to be privately owned businesses, about which there is generally little or no publicly available operating and financial information. As a result, Fund II will rely on the Managing Member to perform due diligence investigations of these tenants, their operations, and their prospects. The Managing Member may not learn all of the material information that it wants to know regarding these businesses. As a result, it is possible that Fund II could lease properties to tenants that ultimately are unable to pay rent, which could adversely impact the amount of cash available for distribution to the Members.
- *Less predictable operating results.* Small and medium-sized farmers may have less predictable operating results than larger agricultural companies. The Managing Member expects that some of Fund II's tenants may experience significant fluctuations in their operating results, may from time to time be parties to litigation, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive positions, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Therefore, Fund II's tenants may not meet net income, cash flow and other coverage tests typically imposed by their lenders. The failure of one of Fund II's tenants to satisfy financial or operating covenants imposed by their lenders could lead to defaults and, potentially, foreclosure on credit facilities, which could additionally trigger cross-defaults in other agreements. If this were to occur, it is possible that the ability of one of Fund II's tenants to make required lease payments to Fund II would be jeopardized.
- *Dependence on one or two key personnel.* Typically, the success of a small or medium-sized business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons involved with a tenant could have a material adverse impact on that tenant and, in turn, on Fund II.

If Fund II elects to be taxed as a REIT, because Fund II must distribute a substantial portion of its net income to qualify as a REIT, Fund II will be largely dependent on third-party sources of capital to fund future growth and capital needs. To qualify as a REIT, Fund II generally must distribute to its Members at least 90% of its taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that Fund II will be able to fund a significant portion of Fund II's future growth and capital needs, such as property acquisitions or large capital improvements, from retained earnings. Therefore, Fund II will likely rely on debt and equity capital to fund its business. This capital may not be available on favorable terms or at all. Fund II's access to additional capital depends on a number of things, including the market's perception of Fund II's growth potential and Fund II's current and potential future earnings. Moreover, additional debt financings may substantially increase Fund II's leverage, exposing it to greater risk of default and potentially reducing cash available for distributions to Members.

Fund II's real estate portfolio will be concentrated in a limited number of properties and geographies, which subjects Fund II to an increased risk of significant loss if any property declines in value or if Fund II is

unable to lease or directly farm a property. Based on the anticipated capital to be raised in this Offering, the expected investment size, and the Sponsor's management team's experience in the marketplace, the Managing Member expects to purchase properties in one to three geographies with the net proceeds of this Offering. If Fund II raises less than the expected amount in this Offering, Fund II may not invest in more than one geography and may acquire a limited number of properties, yielding less diversification. A consequence of a limited number of investments is that the aggregate returns Fund II realizes may be substantially adversely affected by the unfavorable performance of a small number of leases or properties, or a significant decline in the value of any property. Lack of diversification will increase the potential that a single under-performing investment or region could have a material adverse effect on Fund II's cash flow.

Liability for uninsured losses could adversely affect Fund II's financial condition. Losses from disaster-type occurrences, such as wars, earthquakes, floods and other weather-related disasters, may be either uninsurable or not insurable on economically viable terms. Should an uninsured loss occur, Fund II could lose its capital investment or anticipated profits and cash flow from one or more properties, and possibly Fund II's capital investment. In addition, other than rental income, any working capital reserve, any other reserves or additional capital raised, Fund II would have limited sources of funding to repair or reconstruct any uninsured property aside from debt or raising new capital. Also, to the extent Fund II must pay unexpectedly large amounts for insurance, Fund II could suffer reduced earnings that would result in lower distributions to Members.

Potential liability for environmental matters could adversely affect Fund II's financial condition. Fund II will purchase agricultural properties and will be subject to the risk of liabilities under U.S. federal, state and local environmental laws. Some of these laws could subject Fund II to:

- assume responsibility and liability for the cost of removal or remediation of hazardous substances released on Fund II's properties, generally without regard to Fund II's knowledge of or responsibility for the presence of the contaminants.
- assume liability for the costs of removal or remediation of hazardous substances at disposal facilities for persons who arrange for the disposal or treatment of these substances.
- assume potential liability for common law claims by third parties for damages resulting from environmental contaminants.

Generally, Fund II's strategy is to convert large portions of conventional farmland into USDA certified organic farmland and employ regenerative farming practices. The regenerative process rids soil and water of harmful toxins, pesticides and synthetic nitrogen. The Managing Member further runs extensive due diligence on new properties. Nonetheless, the potential for environmental issues does exist. Hence, Fund II generally includes provisions in its leases that make tenants responsible for all environmental liabilities and for compliance with environmental regulations and require tenants to reimburse Fund II for damages or costs for which Fund II is found liable. However, these provisions do not eliminate Fund II's statutory liability or preclude third party claims against Fund II. Even if Fund II has a legal claim against a tenant to enable Fund II to recover any amounts Fund II is required to pay, there are no assurances that Fund II would be able to collect any money from that tenant. Fund II's costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of Fund II's properties, or the failure to properly remediate a contaminated property, could adversely affect Fund II's ability to sell or lease the property or to borrow using the property as collateral. If Fund II is unable to lease or sell the property, there will be less income to pay out as distributions to Members.

Fund II's potential participation in joint ventures may create additional risk. Fund II may participate in joint ventures or purchase properties jointly with unaffiliated entities. There are additional risks involved in these types of transactions. These risks include the potential of Fund II's joint venture partner becoming bankrupt or their economic or business interests diverging. These diverging interests could expose Fund II to liabilities of the joint venture in excess of its proportionate share of these liabilities. The partition rights of each owner in a jointly owned property could reduce the value of each portion of the divided property.

Fund II's success will depend on the performance of the Managing Member. If the Managing Member makes inadvisable investment or management decisions, Fund II's operations could be materially adversely impacted. Fund II's ability to achieve its investment objectives and to pay distributions to the Members is dependent upon the performance of the Managing Member in evaluating potential investments, selecting and negotiating property purchases and dispositions, managing the organic conversion process of the land, determining whether it is better to direct farm or lease out land, managing crop rotations, selecting tenants, setting lease terms and determining financing arrangements. Each Member will not have an opportunity to evaluate the terms of transactions or other economic or financial data concerning Fund II's investments. Each Member must rely entirely on the analytical and management abilities of the Managing Member. If the Managing Member makes inadvisable investment or management decisions, Fund II's operations could be materially adversely impacted.

The Managing Member and Fund II may have conflicts of interest with the Sponsor, VF Partners, GSF, Vitality Farms and other affiliates. The Managing Member will manage Fund II's business and will locate, evaluate, recommend and negotiate the acquisition of Fund II's farmland investments. At the same time, the Managing Member is controlled by the Sponsor, which also manages VF Partners, the general partner of Fund I. Farm management services will be provided to some or all of Fund II's properties by GSF, which is controlled by the Sponsor. GSF will also provide custom farming services to Fund II's subsidiaries, and will manage, in its capacity as agent to Fund II's subsidiaries, custom livestock services to third party ranchers and Vitality Farms on land owned by Fund II. The Managing Member intends to mitigate conflicts of interest between Fund II, Fund II's subsidiaries, GSF and Vitality Farms by having the farm management agreement(s) or custom farming services agreement(s) be no less favorable to Fund II than could otherwise reasonably be obtained by third party farm managers or service providers, as applicable. However, the terms of these agreements will not be determined through arm's-length negotiations but will consider the market rate and current market terms.

Fund II's financial condition and results of operations will depend on the Managing Member's ability to effectively manage Fund II's future growth. Fund II's ability to achieve its investment objectives will depend on its ability to sustain continued growth, which will, in turn, depend on the Managing Member's ability to find, select and negotiate property purchases and leases that meet Fund II's investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Managing Member's marketing capabilities; management of the investment process; ability to provide competent, attentive and efficient services and Fund II's access to financing sources on acceptable terms. As Fund II grows, the Managing Member (or the Sponsor) and GSF may be required to hire, train, supervise and manage new employees. The Managing Member's and GSF' failure to effectively manage Fund II's growth could have a material adverse effect on Fund II's business, financial condition and results of operations.

Fund II depends upon key management personnel for its future success, particularly Craig Wichner. Fund II depends on Mr. Wichner and other key management members to carry out its business and investment strategies. Fund II's future success depends to a significant extent on the continued service and coordination of the Sponsor's senior management team, particularly Craig Wichner. The departure of any key personnel of the Sponsor could have a material adverse effect on Fund II's ability to implement its business strategy and to achieve its investment objectives.

Tax Risks

If Fund II, which is initially treated as a corporation for U.S. federal income tax purposes, generates taxable income prior to its election to be taxed as a REIT, its income will become subject to taxation. If Fund II generates taxable income during the period preceding its election to be taxed as a REIT, such taxable income would be subject to taxation at regular corporate rates. This would substantially reduce Fund II's cash available to pay distributions and the return on each Member's investment. In addition, if any of the entities through

which Fund II owns its properties, in whole or in part, loses its characterization as a partnership or disregarded entity for U.S. federal income tax purposes, that entity would be subject to taxation as a corporation, thereby reducing distributions to Fund II.

Risks if Fund II Elects to be Taxed as a Real Estate Investment Trust
The following discussion applies only if Fund II elects to be taxed as a REIT.

Fund II might not qualify as a REIT for U.S. federal income tax purposes, which would subject Fund II to U.S. federal income tax on its taxable income at regular corporate rates, thereby reducing the amount of funds available for paying distributions to Fund II's Members. At such time as substantially all of Fund II's properties are leased, Fund II intends to operate in a manner that will give Fund II the option to qualify as a REIT for U.S. federal income tax purposes. Fund II's ability to qualify as a REIT will depend on its ability to meet various requirements set forth in the Internal Revenue Code concerning, among other things, the ownership of its outstanding Units, the nature of Fund II's assets, the sources of its income and the amount of distributions to the Members. The REIT qualification requirements are extremely complex, and interpretations of the U.S. federal income tax laws governing qualification are limited. Accordingly, the Managing Member cannot be certain that Fund II will be successful in operating so as to qualify Fund II as a REIT, and the Managing Member will have the discretion to delay Fund II's election to qualify as a REIT until the tax year in which Fund II satisfies the qualification requirements. At any time, new laws, interpretations or court decisions could change the U.S. federal tax laws relating to, or the U.S. federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause the Managing Member to delay or revoke Fund II's REIT election, which it may do without approval of its Members.

If Fund II fails to qualify or loses or revokes its status as a REIT, Fund II may face serious tax consequences that could substantially reduce the funds available for distribution to its Members because:

- Fund II would not be allowed a deduction for distributions to Members in computing its taxable income, Fund II would be subject to U.S. federal income tax at regular corporate rates and Fund II might need to borrow money or sell assets in order to pay any such tax;
- Fund II also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless Fund II is entitled to relief under statutory provisions, Fund II would be disqualified from taxation as a REIT for the four taxable years following the year during which Fund II ceased to qualify as such.

In addition, all distributions to Members made before January 1 of the first tax year in which Fund II is taxed as a REIT, and all distributions thereafter if Fund II does not qualify as a REIT, will be subject to tax to the extent of Fund II's current and accumulated earnings and profits. If Fund II does not qualify as a REIT, Fund II will not be required to make distributions to Members, and distributions to Members that are U.S. corporations might be eligible for the dividends received deduction.

As a result of all these factors, Fund II's failure to qualify as a REIT could impair its ability to expand its business and raise capital and would adversely affect the value of Units.

Fund II will not seek to obtain a ruling from the Internal Revenue Service that Fund II qualifies as a REIT for U.S. federal income tax purposes. As described herein, Fund II has the option to qualify as a REIT for U.S. federal income tax purposes. Fund II does not expect to request a ruling from the IRS that Fund II qualifies as a REIT should the Managing Member determine that it is in the best interest of the Members and Fund II to quality as such. An IRS determination that Fund II does not qualify as a REIT could deprive the Members of the tax benefits of status as a REIT only if the IRS determination is upheld in court or otherwise becomes final. If Fund II challenges an IRS determination that it does not qualify as a REIT, Fund II will likely incur legal expenses that would reduce its funds available for distribution to Members.

Failure to make required distributions would subject Fund II to tax. In order to qualify as a REIT, each year commencing with the first tax year in which Fund II elects to be taxed as a REIT, Fund II must distribute to the Members at least 90% of its taxable income, other than any net capital gains. To the extent that Fund II satisfies the distribution requirement but distributes less than 100% of its taxable income, Fund II will be subject to U.S. federal corporate income tax on its undistributed income. In addition, Fund II will incur a 4% nondeductible excise tax on the amount, if any, by which its distributions in any year are less than the sum of:

- 85% of its ordinary income for that year
- 95% of its capital gain net income for that year
- 100% of its undistributed taxable income from prior years

Fund II intends to pay out its income to the Members in a manner intended to satisfy the distribution requirement applicable to REITs and to avoid corporate income tax and the 4% excise tax. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require Fund II to borrow money or sell assets to pay out enough of its taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. In the future, Fund II may borrow funds to pay distributions to the Members and the limited partners of the Operating Partnership. Any funds that Fund II borrows would subject Fund II to interest rate and other market risks.

If Fund II makes consent dividends, Members may have a tax liability in excess of cash distributions. On one or more occasions, the Managing Member may find it beneficial to cause Fund II to make "consent dividends" to avoid paying a corporate-level tax on its undistributed ordinary income and capital gains and to maintain its status as a REIT. Consent dividends are amounts that the stockholders of a REIT agree to treat as having been distributed to them even though no cash is actually distributed. The stockholders include those amounts in gross income, and Fund II receives a dividends-paid deduction for those amounts. If the Managing Member decides to cause Fund II to make consent dividends, Fund II will send a notice to each of its Members of the amount of the consent dividend required to be consented to by that Member. Under Fund II's limited liability company agreement, each Member agrees to file the necessary consent form with the U.S. Internal Revenue Service and report its share of the amount of consent dividends that Fund II makes. Each Member will also be required either to pay to Fund II any amount of withholding tax that the Managing Member determines is required to be withheld with respect to those consent dividends, or to have Fund II pay the withholding tax and treat that payment as a loan from Fund II to the Member, to be repaid with interest out of future distributions.

Distribution requirements could adversely affect Fund II's ability to execute its business plan. Fund II might generate taxable income greater than its income for financial reporting purposes, or its taxable income might be greater than its cash flow available for distribution to Members. If Fund II does not have other funds available in these situations Fund II could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable Fund II to pay out enough of its taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase Fund II's costs or reduce the value of its equity. Thus, compliance with the REIT requirements may hinder Fund II's ability to operate solely on the basis of maximizing pre-tax profits.

To maintain its status as a REIT, Fund II may be forced to forego otherwise attractive opportunities, which may delay or hinder its ability to meet its investment objectives and reduce the Members' overall return. To qualify as a REIT, Fund II must satisfy certain tests on an ongoing basis concerning, among other things, the sources of its income, the nature of its assets and the amounts it distributes to its Members. Fund II may be required to make distributions to Members at times when it would be more advantageous to reinvest cash in its business or when it does not have funds readily available for distribution. Compliance with the REIT requirements may hinder its ability to operate solely on the basis of maximizing pre-tax profits

The IRS may treat sale-leaseback transactions as loans, which could jeopardize Fund II's status as a REIT. The IRS may take the position that specific sale-leaseback transactions that Fund II treats as true leases are not true leases for U.S. federal income tax purposes but are, instead, financing arrangements or loans. If Fund II were to consummate a sale-leaseback transaction and the transaction were so recharacterized, Fund II might fail to satisfy the asset or income tests required for qualification as a REIT and consequently lose its status as such effective with the year of recharacterization. Alternatively, the amount of Fund II's taxable income could be recalculated which could cause Fund II to fail the distribution test for qualification as a REIT.

There are special considerations for pension or profit-sharing trusts, Keogh Plans or individual retirement accounts, or IRAs, whose assets are being invested in the Units. If an investor is considering investing the assets of a pension, profit sharing, 401(k), Keogh or other retirement plan, IRA or benefit plan in Units, that investor should consider:

- whether the proposed investment is consistent with the applicable provisions of the U.S. Employee Retirement Income Security Act of 1974 ("***ERISA***") or the Internal Revenue Code
- whether the proposed investment will produce unrelated business taxable income to the benefit plan

the plan's need to value its assets annually

The Managing Member does not believe that, under current ERISA law and regulations, Fund II's assets would be treated as "plan assets" for purposes of ERISA. However, if Fund II's assets were considered to be plan assets, those assets would be subject to ERISA, section 4975 of the Internal Revenue Code, or both, and certain transactions with the Managing Member and its affiliates could be considered "prohibited transactions" which could cause Fund II, the Managing Member and its affiliates to be subject to liabilities and excise taxes. In addition, the Managing Member and its affiliates could be deemed to be fiduciaries under ERISA and subject to other conditions, restrictions and prohibitions under Part 4 of Title I of ERISA. Even if Fund II's assets are not considered to be plan assets, a prohibited transaction could occur if Fund II or any of its affiliates is a "fiduciary" or "party in interest" (within the meaning of ERISA) or a "disqualified person" (within the meaning of the Internal Revenue Code) with respect to a purchase by a benefit plan. Therefore, unless an administrative or statutory exemption applies, if those persons are fiduciaries (within the meaning of ERISA) of a prospective investor, that investor should not purchase Units.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Internal Revenue Code may result in the imposition of civil and criminal penalties and could subject the fiduciary to claims for damages or for equitable remedies. In addition, if an investment in the Units constitutes a prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary or IRA owner who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified, and all of the assets of the IRA may be deemed distributed and subjected to tax. ERISA plan fiduciaries and IRA custodians should consult with counsel before making an investment in Units.

If the Operating Partnership fails to maintain its status as a partnership for U.S. federal income tax purposes, its income may become subject to taxation. The Managing Member intends to maintain the status of the Operating Partnership as a partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of the Operating Partnership as a partnership, it would be taxable as a corporation. Such a successful challenge would reduce the amount of distributions that the Operating Partnership could make to Fund II. This would also result in Fund II losing its status as a REIT and becoming subject to a corporate level tax on its income. This would substantially reduce Fund II's cash available to pay distributions and the return on each Member's investment. In addition, if any of the entities through which the Operating Partnership owns its properties, in whole or in part, loses its characterization as a partnership or disregarded entity for U.S. federal income tax purposes, that entity would be subject to taxation as a

corporation, thereby reducing distributions to the Operating Partnership. Such a recharacterization of an underlying property owner could also threaten Fund II's ability to maintain its status as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to income from "qualified dividends" payable to U.S. stockholders (or members) of regular corporations (including a limited liability company taxed as corporation) taxed at individual income tax rates is reduced to 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. More favorable rates applicable to regular corporate qualified dividends may cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of corporations that are not REITs and that pay dividends, which could adversely affect the value of Units or other securities issued by Fund II.

Fund II's ownership of and relationship with taxable REIT subsidiaries ("TRSs") will be limited, and a failure to comply with the limits would jeopardize Fund II's status as a REIT and may result in the application of a 100% excise tax. In the future Fund II may form TRSs as part of its overall business strategy. A TRS may earn income that would not be qualifying income if earned directly by its parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's length basis.

Any TRSs that Fund II forms will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to Fund II but is not required to be distributed to Fund II. The Managing Member anticipates that the aggregate value of any TRS stock and securities owned by Fund II in the future will be less than 20% of the value of Fund II's total assets (including the TRS stock and securities). The Managing Member will scrutinize all of Fund II's transactions with any TRSs that Fund II forms for the purpose of ensuring that they are entered into on arm's-length terms in order to avoid incurring the 100% excise tax described above. There can be no assurance, however, that Fund II will be able to comply with the 20% limitation discussed above or to avoid application of the 100% excise tax discussed above.

Fund II may be subject to adverse legislative or regulatory tax changes that could reduce the value of the Units. At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. The Managing Member cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective. Any such law, regulation or interpretation may take effect retroactively. Fund II and the Members could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

X. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences of an investment in Units. For purposes of this section under the heading "Federal Income Tax Considerations", (i) references to "Fund II" mean only Vital Farmland REIT, LLC and not its subsidiaries or other lower-tier entities, except as otherwise indicated, and (ii) references to "interests" means membership interests (including Units) in Fund II or the Operating Partnership, as applicable, except as otherwise indicated. This summary is based upon the Internal Revenue Code, the regulations promulgated by the U.S. Treasury Department, rulings, and other administrative

pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. The Managing Member has not sought and does not currently expect to seek an advance ruling from the IRS regarding any matter discussed in this Memorandum. The summary is also based upon the assumption that Fund II and its subsidiaries and affiliated entities will be operated in accordance with their applicable organizational documents. This summary is for general information only and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances or to investors subject to special tax rules, such as:

- financial institutions
- insurance companies
- broker-dealers
- regulated investment companies
- partnerships and trusts
- persons who hold Units on behalf of other persons as nominees
- persons who receive Units through the exercise of employee stock options (if Fund II ever has employees) or otherwise as compensation
- persons holding Units as part of a "straddle", "hedge", "conversion transaction", "constructive ownership transaction", "synthetic security" or other integrated investment
- "S" corporations
- persons subject to the alternative minimum tax
- persons holding a 10% or more (by vote or value) beneficial interest in Units

and, except to the extent discussed below:

- tax-exempt organizations
- non-U.S. investors

This summary assumes that investors will hold their Units as a capital asset, which generally means as property held for investment.

The federal income tax treatment of holders of Units depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular member of holding Units will depend on the member's particular tax circumstances. You are urged to consult your tax advisor regarding the federal, state, local and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of the Units.

For purposes of this summary, a U.S. holder is a beneficial owner of Units or interests in Fund II who for U.S. federal income tax purposes is:

- a citizen or resident of the U.S.
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or of a political subdivision thereof (including the District of Columbia)
- an estate whose income is subject to U.S. federal income taxation regardless of its source
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person

A non-U.S. holder of Units is a beneficial owner of Units or interests who is neither a U.S. holder of Units or interests nor an entity that is treated as a partnership for U.S. federal income tax purposes.

THE U.S. FEDERAL INCOME TAX TREATMENT OF HOLDERS OF UNITS DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE TAX CONSEQUENCES OF HOLDING UNITS TO ANY PARTICULAR HOLDER WILL DEPEND ON THE HOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF ACQUIRING, HOLDING, AND DISPOSING OF UNITS.

Taxation of Fund II Prior to a REIT Election

Fund II will elect to be taxed initially as a regular corporation and may subsequently elect to be taxed as a REIT. During the period in which Fund II is taxed as a regular corporation, Fund II will be subject to U.S. federal income tax on its taxable income at regular corporate rates.

Qualification and taxation as a REIT depend on Fund II's ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of membership interest and asset ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code. Fund II's ability to qualify as a REIT also requires that Fund II satisfy certain asset tests, some of which depend upon the fair market values of assets that Fund II owns directly or indirectly. Those values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of Fund II's operations for any tax year will satisfy the requirements for qualification and taxation as a REIT.

Taxation of Members of Fund II Prior to a REIT Election

Taxation of Taxable U.S. Holders

The distributions that Fund II makes to its taxable U.S holders out of current or accumulated earnings and profits will generally be taken into account by U.S. holders as ordinary income and will be eligible for the dividends received deduction for corporations. Fund II's distributions generally should be eligible for taxation at the preferential income tax rates (i.e., the 20% maximum U.S. federal rate) for qualified distributions received by U.S. holders that are individuals, trusts and estates from taxable C corporations.

Distributions in excess of Fund II's current and accumulated earnings and profits will generally represent a return of capital and will not be taxable to a U.S. holder to the extent that the amount of such distributions does not exceed the adjusted basis of the U.S. holder's interest in respect of which the distributions were made. Rather, the distribution will reduce the adjusted basis of the U.S. holder's interest. To the extent that such distributions exceed the adjusted basis of a U.S. holder's interest, the U.S. holder generally must include such distributions in income as long-term capital gain, or short-term capital gain if the interest has been held for one year or less.

In general, capital gains recognized by individuals, trusts and estates upon the sale or disposition of an interest will be subject to a maximum federal income tax rate of 20% if the interest is held for more than one year, and will be taxed at ordinary income rates (of up to 39.6%) if the interest is held for one year or less. Gains recognized by U.S. holders that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not such gains are classified as long-term capital gains. Capital losses recognized by a U.S. holder upon the disposition of an interest that was held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the U.S. holder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year).

In addition, any loss upon a sale or exchange of an interest by a U.S. holder who has held the interest for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that Fund II makes that are required to be treated by the U.S. holder as long-term capital gain.

Taxation of Non-U.S. Holders

Ordinary Dividends. The portion of distributions received by non-U.S. holders (1) that is payable out of Fund II's earnings and profits, (2) which is not attributable to Fund II's capital gains, (3) which is not effectively connected with a U.S. trade or business of the non-U.S. holder (in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain) and (4) which is not received by a non-U.S. holder who is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States (in which case the non-U.S. holder will be subject to a 30% tax on the individual's net capital gain for the year), will be subject to U.S. withholding tax at the rate of 30%, unless reduced or eliminated by treaty.

In general, non-U.S. holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of interests. In cases where the dividend income from a non-U.S. holder's investment in interests is, or is treated as, effectively connected with the non-U.S. holder's conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. holders are taxed with respect to such distributions. Such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. holder. The income may also be subject to the 30% branch profits tax in the case of a non-U.S. holder that is a corporation.

Non-Dividend Distributions. Since interests in Fund II constitute a U.S. real property interest (a "***USRPI***") as described below, distributions that Fund II makes in excess of the sum of (a) the member's proportionate share of Fund II's earnings and profits, plus (b) the member's basis in its interests, will be taxed under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. holder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 15% of the amount by which the distribution exceeds the member's share of Fund II's earnings and profits.

Dispositions of Interests. Since interests constitute USRPIs, a sale of interests by a non-U.S. holder generally will be subject to U.S. taxation under FIRPTA. Interests in Fund II will be treated as USRPIs because more than 50% of Fund II's assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor.

Even if the foregoing 50% test is met, interests will not constitute USRPIs if Fund II is a "domestically-controlled qualified investment entity," a "qualified shareholder," or a "qualified foreign pension fund" (both as defined above). A domestically controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by non-U.S. holders at all times during a specified testing period. The Managing Member believes that Fund II will be a domestically controlled qualified investment entity, and that a sale of interests should not be subject to taxation under FIRPTA. However, as mentioned above, the Managing Member can give you no assurance that interests will ever be publicly traded on an established securities market.

If interests constitute USRPIs and Fund II does not constitute a domestically-controlled qualified investment entity, but interests become "regularly traded", as defined by applicable Treasury regulations, on an established securities market, a non-U.S. holder's sale of interests nonetheless would not be subject to tax under FIRPTA as a sale of a USRPI, provided that the selling non-U.S. holder held 10% or less of Fund II's outstanding interests at all times during a specified testing period. However, as mentioned above, the Managing Member can give you no assurance that interests will ever be publicly traded on an established securities market.

If gain on the sale of interests were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to the same treatment as a U.S. holder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the interests could be required to withhold 15% of the purchase price and remit such amount to the IRS.

Gain from the sale of interests that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. holder in two cases: (1) if the non-U.S. holder's investment in interests is effectively connected with a U.S. trade or business conducted by such non-U.S. holder, the non-U.S. holder will be subject to the same treatment as a U.S. holder with respect to such gain, or (2) if the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain. In addition, even if Fund II is a domestically controlled qualified investment entity, upon disposition of interests, a non-U.S. holder may be treated as having gain from the sale or exchange of a USRPI if the non-U.S. holder (1) disposes of interests within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, other interests within 30 days after such ex-dividend date.

Taxation of Tax-Exempt Members

Tax-exempt entities, including qualified employee pension and profit-sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they may be subject to taxation on their unrelated business taxable income, or UBTI. While some investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a corporation to a tax-exempt entity do not constitute UBTI. Based on the foregoing, and provided that (1) a tax-exempt member has not held interests as "debt financed property" within the meaning of the Internal Revenue Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt member), and (2) interests is not otherwise used in an unrelated trade or business, distributions that Fund II makes and income from the sale of interests generally should not give rise to UBTI to a tax-exempt member.

Tax-exempt members are urged to consult their tax advisors regarding the federal, state, local and foreign income and other tax consequences of owning interests.

Taxation of Fund II after Electing to be Treated as a REIT

The following discussion applies after Fund II elects to be taxed as a REIT.

As indicated above, Fund II's qualification and taxation as a REIT depends upon Fund II's ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below under "***Requirements for Qualification—General***". While Fund II will operate with the option to qualify as a REIT, no assurance can be given that the IRS will not challenge Fund II's qualification, or that Fund II will be able to operate in accordance with the REIT requirements in the future. See "***Failure to Qualify***".

If Fund II qualifies as a REIT, generally Fund II will be entitled to a deduction for distributions that it pays to the Members and therefore will not be subject to U.S. federal corporate income tax on its taxable income that is currently distributed to the Members. This treatment substantially eliminates the "double taxation" at the entity and owner levels that generally results from investment in an entity taxed as a corporation. In general, the income that Fund II generates is taxed only at the Member level upon distribution to the Members.

Most U.S. holders that are individuals, trusts, or estates are taxed on corporate distributions at a maximum rate of 20% (the same as long-term capital gains). With limited exceptions, however, distributions from Fund II or

from other entities that are taxed as REITs are generally not eligible for this rate and will continue to be taxed at rates applicable to ordinary income, which are currently as high as 39.6% (at the U.S. federal level). See "***Distributions***" below.

Any net operating losses and other tax attributes of Fund II will not pass through to the Members, subject to special rules for certain items such as the capital gains that Fund II recognizes. See "***Taxation of Members Investing in Fund II After It Elects to be Treated as a Real Estate Investment Trust***".

If Fund II qualifies as a REIT, Fund II will nonetheless be subject to U.S. federal tax in the following circumstances:

- Fund II will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains.
- Fund II may be subject to the "alternative minimum tax" on its items of tax preference, including any deductions of net operating losses.
- If Fund II has net income from prohibited transactions, which are, in general, sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, that income will be subject to a 100% tax. See "***Prohibited Transactions***" and "***Foreclosure Property***" below.
- If Fund II fails to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintains its qualification as a REIT because it satisfies other requirements, Fund II will be subject to a 100% tax on an amount based on the magnitude of the failure, as adjusted to reflect the profit margin associated with Fund II's gross income.
- If Fund II violates the asset tests (other than certain de minimis violations) or other requirements applicable to REITs, as described below, and yet maintain its qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, Fund II may be subject to an excise tax. In that case, the amount of the excise tax will be at least $50,000 per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently 35%) if that amount exceeds $50,000 per failure.
- If Fund II fails to distribute during each calendar year at least the sum of (a) 85% of its ordinary income for that year, (b) 95% of its capital gain net income for that year, and (c) any undistributed taxable income from prior periods, Fund II would be subject to a nondeductible 4% excise tax on the excess of the required distribution over the sum of (i) the amounts that Fund II actually distributed and (ii) the amounts that Fund II retained and upon which Fund II paid income tax at the corporate level.
- Fund II may be required to pay monetary penalties to the IRS in certain circumstances, including if Fund II fails to meet record keeping requirements intended to monitor its compliance with rules relating to the composition of a REIT's members, as described below in "***Requirements for Qualification—General***".
- A 100% tax may be imposed on transactions between Fund II and a TRS (as described below) that do not reflect arms'-length terms.
- If Fund II acquires appreciated assets from a corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Internal Revenue Code) in a transaction in which the adjusted tax basis of the assets in Fund II's hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, Fund II may be subject to tax on that appreciation at the highest corporate income tax rate then applicable if Fund II subsequently recognizes gain on a disposition of any such assets during the five-year period following their acquisition from the subchapter C corporation.
- The earnings of each subsidiary that is a subchapter C corporation, including any subsidiary Fund II elects to treat as a TRS, are subject to U.S. federal corporate income tax.
- Fund II may elect to retain and pay income tax on its net long-term capital gain. In that case, a holder of interests would include the holder's proportionate share of the holder's undistributed long-term capital gain (to the extent that Fund II makes a timely designation of such gain to the holder) in the holder's income, would be deemed to have paid the tax that the holder paid on such gain, and would be allowed a

credit for the holder's proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the holder's basis in such interests. Holders of interests that are U.S. corporations will also appropriately adjust their earnings and profits for the retained capital gain in accordance with Treasury regulations to be promulgated.

In addition, Fund II and its subsidiaries may be subject to a variety of taxes, including payroll taxes (to the extent employees are hired) and state and local and foreign income, property and other taxes on its assets and operations. Fund II could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification—General

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest

(3) that would be taxable as a domestic corporation but for its election to be subject to tax as a REIT

(4) that is neither a financial institution nor an insurance company subject to specific provisions of the Internal Revenue Code

(5) the beneficial ownership of which is held by 100 or more persons

(6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Internal Revenue Code to include specified tax-exempt entities)

(7) that makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year that has not been terminated or revoked

(8) that has no earnings and profits from any non-REIT taxable year as a successor to any subchapter C corporation at the close of any taxable year

(9) that uses the calendar year for U.S. federal income tax purposes

(10) which meets other tests described below, including with respect to the nature of its income and assets

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) need not be met during a corporation's initial tax year as a REIT.

The Managing Member believes that Fund II will issue in this Offering interests with sufficient diversity of ownership to satisfy conditions (5) and (6). In addition, the Fund II LLC Agreement restricts the ownership and transfer of interests so that Fund II should continue to satisfy these requirements.

To monitor compliance with the share ownership requirements, Fund II generally is required to maintain records regarding the actual ownership of interests. To do so, Fund II must demand written statements each year from the record holders of significant percentages of interests under which the record holders must disclose the actual owners of the interests (i.e., the persons required to include Fund II's distributions in their gross income). Fund II must maintain a list of those persons failing or refusing to comply with this demand as part of its records. Fund II could be subject to monetary penalties if it fails to comply with these record-keeping requirements. Failure or refusal to comply with the demands, may cause Fund II to submit a statement with tax returns disclosing the actual ownership of interests and other information in accordance with Treasury regulations.

In addition, an entity generally may not elect to become a REIT unless its taxable year is the calendar year. Fund II has adopted December 31 as its year-end, and thereby satisfies this requirement.

The Internal Revenue Code provides relief from violations of the REIT gross income requirements, as described below under "***Income Tests***", in cases where a violation is due to reasonable cause and not to willful neglect, and other requirements are met, including the payment of a penalty tax that is based upon the magnitude of the violation. In addition, certain provisions of the Internal Revenue Code extend similar relief in the case of certain violations of the REIT asset requirements (see "***Asset Tests***" below) and other REIT requirements, again provided that the violation is due to reasonable cause and not willful neglect, and other conditions are met, including the payment of a penalty tax. If Fund II fails to satisfy any of the various REIT requirements, there can be no assurance that these relief provisions would be available to enable Fund II to maintain its qualification as a REIT, and, if such relief provisions are available, the amount of any resultant penalty tax could be substantial.

With respect to condition (8), the Managing Member believes Fund II will not initially have any earnings and profits from any non-REIT taxable year or as a successor to any subchapter C corporation.
With respect to condition (9), the Managing Member intends to adopt December 31 as Fund II's taxable year-end and thereby satisfy this requirement.

Effect of Subsidiary Entities

Ownership of Partnership Interests. Fund II will be deemed to own its proportionate share of the assets of the Operating Partnership and any partnership in which Fund II invests, and to earn its proportionate share of the partnership's income, for purposes of the asset and gross income tests applicable to REITs. Fund II's proportionate share of the Operating Partnership's or any other partnership's assets and income is based on its capital interest in the Operating Partnership or such other partnership (except that for purposes of the 10% value test, Fund II's proportionate share of the Operating Partnership's assets is based on Fund II's proportionate interest in the equity and certain debt securities issued by the Operating Partnership). In addition, the assets and gross income of the Operating Partnership and any other partnership in which Fund II invests are deemed to retain the same character in Fund II's hands. Thus, Fund II's proportionate share of the assets and items of income of any of its subsidiary partnerships will be treated as its assets and items of income for purposes of applying the REIT requirements.

Disregarded Subsidiaries. If Fund II owns a corporate subsidiary that is a "qualified REIT subsidiary", that subsidiary is generally disregarded for federal income tax purposes, and all of the subsidiary's assets, liabilities and items of income, deduction and credit are treated as Fund II's assets, liabilities and items of income, deduction and credit, including for purposes of the gross income and asset tests applicable to REITs. A qualified REIT subsidiary is any corporation, other than a TRS (as described below), that is directly or indirectly wholly owned by a REIT. Other entities that are wholly-owned by Fund II, including single member limited liability companies that have not elected to be taxed as corporations for federal income tax purposes, are also generally disregarded as separate entities for federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with any partnerships in which Fund II holds an equity interest, are sometimes referred to herein as "pass-through subsidiaries".

If a disregarded subsidiary of Fund II ceases to be wholly-owned—for example, if any equity interest in the subsidiary is acquired by a person other than Fund II or another disregarded subsidiary of Fund II—the subsidiary's separate existence would no longer be disregarded for federal income tax purposes. Instead, the subsidiary would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect Fund II's ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may

not own, directly or indirectly, more than 10% of the securities of another corporation. See "***Asset Tests***" and "***Income Tests***".

Taxable Corporate Subsidiaries. In the future Fund II may jointly elect with any of its subsidiary corporations, whether or not wholly owned, to treat such subsidiary corporations as taxable REIT subsidiaries, or TRSs. A REIT is permitted to own up to 100% of the stock of one or more TRSs. A domestic TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation with respect to which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Fund II generally may not own more than 10% of the securities of a taxable corporation, as measured by voting power or value, unless Fund II and such corporation elect to treat such corporation as a TRS. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs.

The separate existence of a TRS or other taxable corporation is not ignored for federal income tax purposes. Accordingly, a TRS or other taxable corporation generally would be subject to corporate income tax on its earnings, which may reduce the cash flow that Fund II and its subsidiaries generate in the aggregate, and may reduce Fund II's ability to make distributions to its members.

Fund II is not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by a taxable subsidiary to Fund II is an asset in Fund II's hands, and Fund II treats the distributions paid to Fund II from such taxable subsidiary, if any, as income. This treatment can affect Fund II's income and asset test calculations, as described below. Because Fund II does not include the assets and income of TRSs or other taxable subsidiary corporations in determining its compliance with the REIT requirements, Fund II may use such entities to undertake indirectly activities that the REIT rules might otherwise preclude Fund II from doing directly or through pass-through subsidiaries. For example, Fund II may use TRSs or other taxable subsidiary corporations to conduct activities that give rise to certain categories of income such as management fees or activities that would be treated in Fund II's hands as prohibited transactions.

Certain restrictions imposed on TRSs are intended to ensure that such entities will be subject to appropriate levels of U.S. federal income taxation. First, a TRS with a debt-equity ratio in excess of 1.5 to 1 may not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed, generally, 50% of the TRS's adjusted taxable income for that year (although the TRS may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the 50% test is satisfied in that year). In addition, if amounts are paid to a REIT or deducted by a TRS due to transactions between the REIT and a TRS that exceed the amount that would be paid to or deducted by a party in an arm's-length transaction, such as any redetermined rents, redetermined deductions, excess interest or, for taxable years beginning after December 31, 2015, redetermined TRS service income. the REIT generally will be subject to an excise tax equal to 100% of such excess. The Managing Member intends to scrutinize all of Fund II's transactions with any of its subsidiaries that are treated as a TRS in an effort to ensure that it do not become subject to this excise tax; however, there is no assurance that the Managing Member will be successful in avoiding this excise tax.

Income Tests

In order to qualify as a REIT, Fund II must satisfy two gross income requirements on an annual basis:

1. At least 75% of Fund II's gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions", generally must be derived from investments relating to real property, "rents from real property", distributions received from other REITs and gains from the sale of real estate assets, as well as specified income from temporary investments.
2. At least 95% of Fund II's gross income in each taxable year, excluding gross income from prohibited

transactions and certain hedging transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the 75% income test described above), as well as other distributions, interest, income from debt instruments of "publicly offered REITs," and gain from the sale or disposition of stock or securities, which need not have any relation to real property.

Rents received by Fund II will qualify as "rents from real property" in satisfying the gross income requirements described above only if several conditions are met. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the rent that is attributable to the personal property will not qualify as "rents from real property" unless it constitutes 15% or less of the total rent received under the lease. In addition, the amount of rent must not be based in whole or in part on the income or profits of any person. Amounts received as rent, however, generally will not be excluded from rents from real property solely by reason of being based on fixed percentages of gross receipts or sales. Moreover, for rents received to qualify as "rents from real property", Fund II generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an "independent contractor" from which Fund II derives no revenue. Fund II is permitted, however, to perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and which are not otherwise considered rendered to the occupant of the property. In addition, Fund II may directly or indirectly provide non-customary services to tenants of its properties without disqualifying all of the rent from the property if the payments for such services do not exceed 1% of the total gross income from the properties. For purposes of this test, Fund II is deemed to have received income from such non-customary services in an amount at least 150% of the direct cost of providing the services. Moreover, Fund II is generally permitted to provide services to tenants or others through a TRS without disqualifying the rental income received from tenants for purposes of the income tests. Also, rental income will qualify as rents from real property only to the extent that Fund II does not directly or constructively hold a 10% or greater interest, as measured by vote or value, in the lessee's equity.

Fund II may directly or indirectly receive distributions from TRSs or other corporations that are not REITs or qualified REIT subsidiaries. These distributions generally are treated as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test. Any distributions that Fund II receives from a REIT, however, will be qualifying income for purposes of both the 95% and 75% income tests.

The Managing Member does not intend to cause Fund II to enter into any hedging transactions except as required under the terms of a debt facility. However, to the extent that hedging transactions are entered into, such hedging transactions could take a variety of forms, including interest rate swap agreements, interest rate cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent provided by Treasury regulations, any income from a hedging transaction Fund II enters into (1) in the normal course of Fund II's business primarily to manage risk of interest rate, inflation and/or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which is clearly identified as specified in Treasury regulations before the closing of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction, (2) primarily to manage risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% income tests which is clearly identified as such before the closing of the day on which it was acquired, originated, or entered to, will not constitute gross income for purposes of the 75% or 95% gross income tests, and (3) new transactions entered into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of. To the extent that Fund II enters into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the 75% or 95% gross income tests. The Managing Member intends to structure any hedging transactions in a manner that does not jeopardize Fund II's qualification as a REIT.

If Fund II fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, Fund II may still qualify as a REIT for such year if Fund II is entitled to relief under applicable provisions of the Internal Revenue Code. These relief provisions will be generally available if (1) Fund II's failure to meet these tests was due to reasonable cause and not due to willful neglect and (2) following Fund II's identification of the failure to meet the 75% or 95% gross income test for any taxable year, Fund II files a schedule with the IRS setting forth each item of Fund II's gross income for purposes of the 75% or 95% gross income test for such taxable year in accordance with Treasury regulations yet to be issued. It is not possible to state whether Fund II would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances, Fund II will not qualify as a REIT. As discussed above under "***Taxation of Real Estate Investment Trusts in General***", even where these relief provisions apply, the Internal Revenue Code imposes a tax based upon the amount by which Fund II fails to satisfy the particular gross income test.

Asset Tests

At the close of each calendar quarter, Fund II must also satisfy five tests relating to the nature of its assets:

1. At least 75% of the value of Fund II's total assets must be represented by some combination of "real estate assets", cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, interests in personal property securing a mortgage secured by both real property and personal property if the fair market value of such personal property does not exceed 15% of the total fair market value of all such property, personal property leased in connection with real property for which the rent attributable to personal property is not greater than 15% of the total rent received under the lease, and debt instruments issued by "publicly offered REITs." Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.
2. The value of any one issuer's securities that Fund II owns may not exceed 5% of the value of Fund II's total assets.
3. Fund II may not own more than 10% of any one issuer's outstanding securities, as measured by either voting power or value. The 5% and 10% asset tests do not apply to securities of TRSs and qualified REIT subsidiaries and the 10% asset test does not apply to "straight debt" having specified characteristics and to certain other securities described below. Solely for purposes of the 10% asset test, the determination of Fund II's interest in the assets of a partnership or limited liability company in which Fund II owns an interest will be based on Fund II's proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Internal Revenue Code.
4. The aggregate value of all securities of taxable REIT subsidiaries that Fund II holds may not exceed 20% of the value of Fund II's total assets.
5. Not more than 25% of the value of Fund II's total assets may be represented by debt instruments of "publicly offered REITs".

For these purposes, (1) a REIT's interest as a partner in a partnership is not considered a security; (2) any debt instrument issued by a partnership (other than straight debt or another security that is excluded from the 10% value test) will not be considered a security issued by the partnership if at least 75% of the partnership's gross income is derived from sources that would qualify for the 75% gross income test; and (3) any debt instrument issued by a partnership (other than straight debt or another excluded security) will not be considered a security issued by the partnership to the extent of the REIT's interest as a partner in the partnership

Certain relief provisions are available to REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. One such provision allows a REIT which fails one or more of the asset requirements to nevertheless maintain its REIT qualification if (1) the REIT provides the IRS with a description of each asset causing the failure, (2) the failure is due to reasonable

cause and not willful neglect, (3) the REIT pays a tax equal to the greater of (a) $50,000 per failure, and (b) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 35%), and (4) the real estate investment rust either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame.

In the case of de minimis violations of the 10% and 5% asset tests, a REIT may maintain its qualification despite a violation of such requirements if (1) the value of the assets causing the violation does not exceed the lesser of 1% of the REIT's total assets and $10,000,000, and (2) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time frame.

Certain securities will not cause a violation of the 10% asset test described above. Such securities include instruments that constitute "straight debt", which includes, among other things, securities having certain contingency features. A security does not qualify as "straight debt" where a REIT (or a controlled TRS of a REIT) owns other securities of the same issuer which do not qualify as straight debt, unless the value of those other securities constitutes, in the aggregate, 1% or less of the total value of that issuer's outstanding securities. In addition to straight debt, the Internal Revenue Code provides that certain other securities will not violate the 10% asset test. Such securities include (1) any loan made to an individual or an estate, (2) certain rental agreements under which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT under attribution rules), (3) any obligation to pay rents from real property, (4) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity, and (5) any security (including debt securities) issued by another REIT.

While the Managing Member intends to get independent appraisals of the properties, no independent appraisals will be obtained to support the Managing Member's conclusions as to the value of Fund II's total assets. Accordingly, there can be no assurance that the IRS will not contend that Fund II's interests in its subsidiaries or in the securities of VFLP will not cause a violation of the REIT asset tests.

If Fund II should fail to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause Fund II to lose its REIT qualification if Fund II (1) satisfied the asset tests at the close of the preceding calendar quarter and (2) the discrepancy between the value of Fund II's assets and the asset requirements was not wholly or partly caused by an acquisition of non-qualifying assets, but instead arose from changes in the market value of Fund II's assets. If the condition described in (2) were not satisfied, Fund II still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose or by making use of relief provisions described above in "***Income Tests***" and "***Asset Tests***".

Annual Distribution Requirements

In order to qualify as a REIT, Fund II is required to make distributions, other than capital gain distributions, to its members in an amount at least equal to:

(a) the sum of

(1) 90% of Fund II's "REIT taxable income", computed without regard to Fund II's net capital gains and the dividends paid deduction, and

(2) 90% of Fund II's net income, if any, (after tax) from foreclosure property (as described below), minus

(b) the sum of specified items of non-cash income.

Fund II generally must make these distributions in the taxable year to which they relate, or in the following taxable year if declared before Fund II timely files its tax return for the year and if paid with or before the first regular distribution payment after such declaration. In order for distributions to be counted for this purpose, and to provide a tax deduction for Fund II, the distributions must not be "preferential dividends" unless Fund II qualifies as a "publicly offered REIT." A distribution is not a preferential dividend if the distribution is (1) pro rata among all outstanding interests within a particular class, and (2) in accordance with the preferences among different classes of interests as set forth in Fund II's organizational documents.

To the extent that Fund II distributes at least 90%, but less than 100%, of Fund II's "REIT taxable income", as adjusted, Fund II will be subject to tax at ordinary corporate tax rates on the retained portion. Fund II may elect to retain, rather than distribute, Fund II's net long-term capital gains and pay tax on such gains. In this case, Fund II could elect for its members to include their proportionate shares of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax that Fund II paid. Fund II's members would then increase their adjusted basis of their interests by the difference between (a) the amounts of capital gain distributions that Fund II designated and that they include in their taxable income, minus (b) the tax that Fund II paid on their behalf with respect to that income.

To the extent that Fund II has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that Fund II must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of Fund II's members, of any distributions that are actually made as ordinary dividends or capital gains. See "***Distributions***".

If Fund II should fail to distribute during each calendar year at least the sum of (a) 85% of Fund II's REIT ordinary income for such year, (b) 95% of Fund II's REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, Fund II would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed, plus (y) the amounts of income Fund II retained and on which Fund II has paid corporate income tax.

It is possible that, from time to time, Fund II may not have sufficient cash to meet the distribution requirements due to timing differences between (a) Fund II's actual receipt of cash, including receipt of rent from Fund II's tenants or distributions from any future subsidiaries, and (b) Fund II's inclusion of items in income for federal income tax purposes.

If such timing differences occur, in order to meet the distribution requirements, it might be necessary for Fund II to arrange for short-term, or possibly long-term, borrowings, or to pay distributions in the form of taxable in-kind distributions of property.

Fund II may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to members in a later year, which may be included in Fund II's deduction for distributions paid for the earlier year. In this case, Fund II may be able to avoid losing REIT qualification or being taxed on amounts distributed as deficiency dividends. Fund II will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If Fund II fails to satisfy one or more requirements for REIT qualification other than the gross income or asset tests, Fund II could avoid disqualification if Fund II's failure is due to reasonable cause and not to willful neglect and Fund II pays a penalty of $50,000 for each such failure. Relief provisions are available for failures of the gross income tests and asset tests, as described above in "***Income Tests***" and "***Asset Tests***".

If Fund II fails to qualify for taxation as a REIT in any taxable year, and the relief provisions described above do not apply, Fund II would be subject to tax, including any applicable alternative minimum tax, on Fund II's

taxable income at regular corporate rates. Fund II cannot deduct distributions to members in any year in which Fund II is not a REIT, nor would Fund II be required to make distributions in such a year. In this situation, to the extent of current and accumulated earnings and profits, distributions to U.S. holders that are individuals, trusts and estates will generally be taxable at capital gains rates. In addition, subject to the limitations of the Internal Revenue Code, distributees may be eligible for the dividends received deduction. Unless Fund II is entitled to relief under specific statutory provisions, Fund II would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which Fund II lost qualification. It is not possible to state whether, in all circumstances, Fund II would be entitled to this statutory relief.

Prohibited Transactions

Net income that Fund II derives from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business. Fund II intends to conduct its operations so that no asset that Fund II owns (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of Fund II's business.

Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that Fund II sells will not be treated as property held for sale to customers, or that Fund II can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will potentially be subject to tax in the hands of the corporation at regular corporate rates, nor does the 100% tax apply to sales that qualify for a safe harbor as described in Section 857(b)(6) of the Internal Revenue Code.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (1) that Fund II acquires as the result of having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default (or upon imminent default) on a lease of the property or a mortgage loan held by Fund II and secured by the property, (2) for which Fund II acquired the related loan or lease at a time when default was not imminent or anticipated, and (3) with respect to which Fund II made a proper election to treat the property as foreclosure property. Fund II generally will be subject to tax at the maximum corporate rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property. To the extent that Fund II receives any income from foreclosure property that does not qualify for purposes of the 75% gross income test, Fund II intends to make an election to treat the related property as foreclosure property. Fund II does not expect to have any income from foreclosure property.

Derivatives and Hedging Transactions

Fund II may enter into hedging transactions with respect to interest rate exposure on one or more of their assets or liabilities. Hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap agreements, interest rate cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent provided by Treasury regulations, any income from a hedging transaction Fund II enters into (1) in the normal course of Fund II's business primarily to manage risk of interest rate, inflation and/or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which is clearly identified as specified in Treasury regulations before the closing of the day on which it was acquired,

originated, or entered into, including gain from the sale or disposition of such a transaction, and (2) primarily to manage risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% income tests which is clearly identified as such before the closing of the day on which it was acquired, originated, or entered into, will not constitute gross income for purposes of the 75% or 95% gross income tests. To the extent that Fund II enters into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the 75% or 95% gross income tests. Although Fund II does not presently intend to enter into hedging transactions, if Fund II does enter into such transactions, the Managing Member intends to structure any hedging transactions in a manner that does not jeopardize Fund II's qualification as a REIT. Fund II may conduct some or all of its hedging activities through its TRS or other corporate entity, the income from which may be subject to federal income tax, rather than by participating in the arrangements directly or through pass-through subsidiaries. No assurance can be given, however, that Fund II's hedging activities will not give rise to income that does not qualify for purposes of either or both of the REIT gross income tests, or that its hedging activities will not adversely affect its ability to satisfy the REIT qualification requirements.

Taxation of Members in Fund II After a REIT Election

Taxation of Taxable U.S. Holders

Distributions. Should Fund II qualifies as a REIT, the distributions that Fund II makes to its taxable U.S holders out of current or accumulated earnings and profits that Fund II does not designate as capital gain distributions will generally be taken into account by members as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, Fund II's distributions are not eligible for taxation at the preferential income tax rates (i.e., the 20% maximum U.S. federal rate) for qualified distributions received by U.S. holders that are individuals, trusts and estates from taxable C corporations. Such members, however, are taxed at the preferential rates on distributions designated by and received from Fund II to the extent that the distributions are attributable to:

- income retained by Fund II in the prior taxable year on which Fund II was subject to corporate level income tax (less the amount of tax);
- distributions received by Fund II from TRSs or other taxable C corporations; or
- income in the prior taxable year from the sales of "built-in gain" property acquired by Fund II from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions that Fund II designates as capital gain dividends will generally be taxed to its members as long-term capital gains, to the extent that such distributions do not exceed Fund II's actual net capital gain for the taxable year, without regard to the period for which the member that receives such distribution has held its Units. Fund II may elect to retain and pay taxes on some or all of Fund II's net long-term capital gains, in which case provisions of the Internal Revenue Code will treat its members as having received, solely for tax purposes, Fund II's undistributed capital gains, and the members will receive a corresponding credit for taxes that Fund II paid on such undistributed capital gains. See "***Taxation of Fund II after Electing to be Treated as a REIT—Annual Distribution Requirements***". Corporate members may be required to treat up to 20% of some capital gain distributions as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 20% in the case of members that are individuals, trusts and estates, and 35% in the case of members that are corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum federal income tax rate for taxpayers who are taxed as individuals, to the extent of previously claimed depreciation deductions.

Distributions in excess of Fund II's current and accumulated earnings and profits will generally represent a return of capital and will not be taxable to a member to the extent that the amount of such distributions do not exceed the adjusted basis of the member's Units in respect of which the distributions were made. Rather, the distribution will reduce the adjusted basis of the member's Units. To the extent that such distributions exceed

the adjusted basis of a member's Units, the member generally must include such distributions in income as long-term capital gain, or short-term capital gain if the Units have been held for one year or less. In addition, any distribution that Fund II declares in October, November or December of any year and that is payable to a member of record on a specified date in any such month will be treated as both paid by Fund II and received by the member on December 31 of such year, provided that Fund II actually pays the distribution before the end of January of the following calendar year.

To the extent that Fund II has available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that Fund II must make in order to comply with Fund II distribution requirements. See "***Taxation of Fund II after Electing to be Treated as a REIT—Annual Distribution Requirements***". Such losses, however, are not passed through to members and do not offset income of members from other sources, nor would such losses affect the character of any distributions that Fund II makes, which are generally subject to tax in the hands of members to the extent that Fund II has current or accumulated earnings and profits.

Dispositions of Units. In general, capital gains recognized by individuals, trusts and estates upon the sale or disposition of Units will be subject to a maximum federal income tax rate of 20% if the Units are held for more than one year, and will be taxed at ordinary income rates (of up to 39.6%) if the Units are held for one year or less. Gains recognized by members that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not such gains are classified as long-term capital gains. Capital losses recognized by a member upon the disposition of Units that was held for more than one year at the time of disposition will be considered long- term capital losses, and are generally available only to offset capital gain income of the member but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of Units by a member who has held the Units for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that Fund II makes that are required to be treated by the member as long-term capital gain.

If an investor recognizes a loss upon a subsequent disposition of Units or other securities in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These regulations, though directed towards "tax shelters", are broadly written and apply to transactions that would not typically be considered tax shelters. The Code imposes significant penalties for failure to comply with these requirements. U.S. holders should consult their tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of Units or securities or transactions that Fund II might undertake directly or indirectly. Moreover, U.S. holders should be aware that Fund II, the Managing Member and other participants in the transactions in which Fund II is involved (including their advisors) might be subject to disclosure or other requirements under these regulations.

Taxation of Non-U.S. Holders

For a discussion of the tax treatment of ordinary dividends, non-dividend distribution, sale of interests in Fund II please see "***Taxation of Fund II Before a REIT Election – Taxation of Non-U.S. Holders***".

Capital Gain Distributions. Under FIRPTA, a distribution that Fund II makes to a non-U.S. holder, to the extent attributable to gains from dispositions of USRPIs that Fund II held directly or through pass-through subsidiaries, or USRPI capital gains, will, except as described below, be considered effectively connected with a U.S. trade or business of the non-U.S. holder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations, without regard to whether Fund II designates the distribution as a capital gain distribution. See above under "***Ordinary Dividends***", for a discussion of the consequences of income that is effectively connected with a U.S. trade or business. In addition, Fund II will be required to withhold tax equal to 35% of the amount of distributions to the extent the distributions constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a

corporation. A distribution is not a USRPI capital gain if Fund II held an interest in the underlying asset solely as a creditor. Capital gain distributions received by a non-U.S. holder that are attributable to dispositions of Fund II's assets other than USRPIs are not subject to U.S. federal income or withholding tax, unless (1) the gain is effectively connected with the non-U.S. holder's U.S. trade or business, in which case the non-U.S. holder would be subject to the same treatment as U.S. holders with respect to such gain, or (2) the non- U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. holder will incur a 30% tax on his or her capital gains.

A capital gain distribution that would otherwise have been treated as a USRPI capital gain will not be so treated or be subject to FIRPTA, and generally will not be treated as income that is effectively connected with a U.S. trade or business, and instead will be treated in the same manner as an ordinary dividend (see "***Ordinary Dividends***"), if (1) the capital gain distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States, and (2) the recipient non-U.S. holder does not own more than 5% of that class of stock at any time during the year ending on the date on which the capital gain distribution is received. At the time you purchase interests in this Offering, interests will not be publicly traded, and the Managing Member can give you no assurance that interests will ever be publicly traded on an established securities market. Therefore, these rules will not apply to Fund II's capital gain distributions unless and until the foregoing conditions are satisfied.

Dispositions of Units. Unless interests constitute a USRPI, a sale of interests by a non-U.S. holder generally will not be subject to U.S. taxation under FIRPTA. Interests will not be treated as a USRPI if less than 50% of Fund II's assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor.
Even if the foregoing 50% test is not met, interests nonetheless will not constitute a USRPI if Fund II is a "domestically-controlled qualified investment entity". A domestically controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by non-U.S. holders at all times during a specified testing period. The Managing Member believes that Fund II will be a domestically controlled qualified investment entity, and that a sale of interests should not be subject to taxation under FIRPTA. However, as mentioned above, the Managing Member can give you no assurance that interests will ever be publicly traded on an established securities market.

If interests constitute a USRPI and Fund II does not constitute a domestically-controlled qualified investment entity, but interests become "regularly traded", as defined by applicable Treasury regulations, on an established securities market, a non-U.S. holder's sale of interests nonetheless would not be subject to tax under FIRPTA as a sale of a USRPI, provided that the selling non-U.S. holder held 5% or less of Fund II's outstanding interests at all times during a specified testing period. However, as mentioned above, the Managing Member can give no assurance that interests will ever be publicly traded on an established securities market. In addition, distributions to certain non-U.S. publicly traded shareholders that meet certain record-keeping and other requirements ("qualified shareholders") are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of Fund II's capital stock. Furthermore, distributions to "qualified foreign pension funds" or entities all of the interests of which are held by "qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

If gain on the sale of interests were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to the same treatment as a U.S. holder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the interests could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of interests that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. holder in two cases: (1) if the non-U.S. holder's investment in interests is effectively connected with a U.S. trade or business conducted by such non-U.S. holder, the non-U.S. holder will be subject to the same treatment as a U.S. holder with respect to such gain, or (2) if the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain. In addition, even if Fund II is a domestically controlled qualified investment entity, upon disposition of interests, a non-U.S. holder may be treated as having gain from the sale or exchange of a USRPI if the non-U.S. holder (1) disposes of interests within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, other interests within 30 days after such ex-dividend date.

Estate Tax. If interests are owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of such individual's death, the interests will be includable in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and may therefore be subject to U.S. federal estate tax.

Taxation of Tax-Exempt Members

For a discussion of the U.S. tax treatment of income associated with an investment in Fund II generally please see "***Taxation of Fund II Before a REIT Election – Taxation of Tax-Exempt-U.S. Holders***".

In certain circumstances, a pension trust that owns more than 10% of interests in Fund II could be required to treat a percentage of its distributions as UBTI, if Fund II is a "pension-held REIT". Fund II will not be a pension-held REIT unless either (1) one pension trust owns more than 25% of the value of interests, or (2) a group of pension trusts, each individually holding more than 10% of the value of interests, collectively owns more than 50% of interests. Certain restrictions on ownership and transfer of interests should generally prevent a tax-exempt entity from owning more than 10% of the value of interests and should generally prevent Fund II from becoming a pension-held REIT.

Backup Withholding and Information Reporting

Fund II will report to its U.S. holders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Under the backup withholding rules, a U.S. holder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. holder that does not provide his or her correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. In addition, Fund II may be required to withhold a portion of a capital gain distribution to any U.S. holder who fails to certify its non-foreign status.

Fund II must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty. A non-U.S. holder may be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of Units within the U.S. is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or the holder otherwise establishes an exemption. Payment of the proceeds of a sale of Units conducted through certain U.S. related financial intermediaries is subject to information reporting (but not backup withholding) unless the financial intermediary has documentary evidence in its records that the beneficial owner is a non-U.S. holder and specified conditions are met or an exemption is otherwise established. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Other Tax Considerations

Legislative or Other Actions Affecting Partnerships, Real Estate and REITs. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to the federal tax laws and interpretations thereof could adversely affect an investment in Units.

State, Local and Foreign Taxes. Fund II and its subsidiaries may be subject to state, local or foreign taxation in various jurisdictions including those in which Fund II or its subsidiaries transact business, own property or reside. Fund II may own real property assets located in numerous jurisdictions and may be required to file tax returns in some or all of those jurisdictions. Fund II's state, local or foreign tax treatment and that of the members may not conform to the federal income tax treatment discussed above. Fund II may own foreign real estate assets and pay foreign property taxes, and dispositions of foreign property or operations involving, or investments in, foreign real estate assets may give rise to foreign income or other tax liability in amounts that could be substantial. Any foreign taxes that Fund II incurs do not pass through to members as a credit against their U.S. federal income tax liability. Prospective investors should consult their tax advisors regarding the application and effect of state, local and foreign income and other tax laws on an investment in Units.

Foreign Accounts. The Foreign Account Tax Compliance Act ("***FATCA***") imposes withholding taxes on U.S. source payments made to "foreign financial institutions" and certain other non-U.S. entities and disposition proceeds of U.S. securities realized after December 31, 2018. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. holders who own Units through foreign accounts or foreign intermediaries and to certain non-U.S. holders. The legislation imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, Units paid to a foreign financial institution or to a foreign entity other than a financial institution, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign entity that is not a financial institution either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution (that is not otherwise exempt) it must either enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements, or in the case of a foreign financial institution that is resident in a jurisdiction that has entered into an intergovernmental agreement to implement this legislation, comply with the revised diligence and reporting obligations of such intergovernmental agreement. Prospective Unit holders should consult their tax advisors regarding this legislation.

XI. ERISA CONSIDERATIONS

The following is a summary of some considerations associated with an investment in Units by an employee benefit plan or an individual retirement account ("***IRA***"). This summary is based on provisions of the Employee Retirement Income Security Act of 1974 ("***ERISA***") and the Code, each as amended through the date of this Memorandum, and the relevant regulations, opinions and other authority issued by the Department of Labor and the IRS. There is no assurance that there will not be adverse tax or labor decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein. Any such changes may apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA (such as a profit sharing, Section 401(k) or pension plan) or any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA, seeking to invest plan assets in Units must, taking into account the facts and circumstances of each such plan or IRA (each, a "***Benefit Plan***"), consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code
- whether, under the facts and circumstances pertaining to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied
- whether the investment will produce an unacceptable amount of "unrelated business taxable income" ("***UBTI***") to the Benefit Plan (see "***Federal Income Tax Considerations — Taxation of Members — Taxation of Tax-Exempt Members***")
- the need to value the assets of the Benefit Plan annually

the need of the plan for liquidity to meet its investment and distribution requirements.

- Under ERISA, a plan fiduciary's responsibilities include the following duties:
- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration
- to invest plan assets prudently
- to diversify the investments of the plan, unless it is clearly prudent not to do so
- to ensure sufficient liquidity for the plan
- to ensure that plan investments are made in accordance with plan documents
- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code

ERISA also requires that, with certain exceptions, the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Prohibited Transactions

Generally, both ERISA and the Internal Revenue Code prohibit Benefit Plans from engaging in certain transactions involving plan assets with specified parties, such as sales or exchanges or leasing of property, loans or other extensions of credit, furnishing goods or services, or transfers to, or use of, plan assets. The specified parties are referred to as "parties in interest" under ERISA and as "disqualified persons" under the Internal Revenue Code. These definitions generally include fiduciaries and persons providing services to the Benefit Plan, employer sponsors of the Benefit Plan, as well as other individuals or entities affiliated with the foregoing. For this purpose, a person generally is a fiduciary with respect to a Benefit Plan if, among other things, the person has discretionary authority or control with respect to plan assets or provides investment advice for a fee with respect to plan assets. Under current Department of Labor regulations, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in Units, and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or

understanding that such advice will serve as the primary basis for investment decisions, and that the advice will be individualized for the Benefit Plan based on its particular needs. Thus, if Fund II or the Operating Partnership is deemed to hold plan assets, the Managing Member could be characterized as a fiduciary, a party in interest or a disqualified person with respect to such assets with respect to investing Benefit Plans. Whether or not Fund II or the Operating Partnership are deemed to hold plan assets, if the Managing Member or its affiliates are affiliated with a Benefit Plan investor, the Managing Member might be a disqualified person or party in interest with respect to such Benefit Plan investor, resulting in a prohibited transaction merely upon investment by such Benefit Plan in Units.

Accordingly, any Benefit Plan purchaser of Units will be deemed to have represented in its corporate and fiduciary capacity that it or its fiduciary has independently made the decision to invest in Units, and in making its investment decision to invest in Units has not relied on any advice from the Managing Member, any broker-dealer who makes offers or sales of Units, any of their respective affiliates or employees except in their capacities as sellers of Units. Accordingly, fiduciaries of Benefit Plans should consult their own investment advisers regarding the prudence of the investment and their own legal counsel regarding the consequences under ERISA and the Code of such investment.

Plan Asset Considerations

In order to determine whether an investment in Units by a Benefit Plan creates or gives rise to the potential for prohibited transactions, a fiduciary must consider whether an investment in Units will cause the assets of Fund II or the Operating Partnership to be treated as assets of the investing Benefit Plan. Neither ERISA nor the Internal Revenue Code defines the term "plan assets"; however, regulations promulgated by the Department of Labor (29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA) provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity ("***Plan Assets Regulation***"). Under the Plan Assets Regulation, the assets of an entity in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan, unless one of the exceptions to this general rule applies.

In the event that the underlying assets of Fund II or the Operating Partnership were treated as the assets of investing Benefit Plans, the Managing Member would be treated as a fiduciary with respect to each Benefit Plan member and an investment in Units might constitute an ineffective delegation of fiduciary responsibility to the Managing Member and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by the Managing Member of the fiduciary duties mandated under ERISA.

If the Managing Member or its affiliates were treated as fiduciaries with respect to Benefit Plan members, the prohibited transaction restrictions of ERISA and the Internal Revenue Code could apply to any transaction involving the assets of Fund II and the Operating Partnership. These restrictions could, for example, require that Fund II and/or the Operating Partnership avoid transactions with persons that are affiliated with or related to the Managing Member or its affiliates or require that Fund II and/or the Operating Partnership restructure its activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, Fund II might have to provide Benefit Plan members with the opportunity to sell their Units or Fund II might dissolve.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not corrected in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, the Managing Member and possibly other fiduciaries of Benefit Plan members subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities (or a non-fiduciary participating in a prohibited transaction) could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an

IRA that invests in Units, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, could cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

The Plan Assets Regulation provides that the underlying assets of an entity such as Fund II will be treated as assets of a Benefit Plan investing therein unless the entity satisfies one of the exceptions to the general rule. The Managing Member believes that Fund II will satisfy one or more of the exceptions.

Exception for "Publicly-Offered Securities". If a Benefit Plan acquires "publicly-offered securities", the assets of the issuer of the securities will not be deemed to be "plan assets" under the Plan Assets Regulation. A publicly offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933, as amended, and be part of a class of securities registered under the Securities Exchange Act of 1934, as amended, within a specified time period
- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another
- "freely transferable"

The foregoing does not apply as, among other things, the Units are not being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and are not part of a class that will be registered under the Securities Exchange Act of 1934 within the specified period.

Exception for Insignificant Participation by Benefit Plan Investors. The Plan Assets Regulation provides that the assets of an entity will not be deemed to be the assets of a Benefit Plan if equity participation in the entity by employee benefit plans, including Benefit Plans, is not "significant". The Plan Assets Regulation provides that equity participation in an entity by Benefit Plan investors is "significant" if at any time 25% or more of the value of any class of equity interest is held by Benefit Plan investors. The term "Benefit Plan investors" is defined for this purpose under ERISA Section 3(42) and includes any employee benefit plan subject to Part 4 of Title I of ERISA, any plan subject Section 4975 of the Internal Revenue Code, and any entity whose underlying assets include plan assets by reasons of a plan's investment in such entity. In calculating the value of a class of equity interests, the value of any equity interests held by the Managing Member or any of its affiliates must be excluded. The Managing Member believes that Fund II will qualify for this exception and intends to ensure that equity participation by "Benefit Plan investors" will not be significant, as defined above.

Other Prohibited Transactions

A prohibited transaction could occur if Fund II, the Managing Member, any selected broker-dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA), a party in interest or a disqualified person with respect to any Benefit Plan purchasing Units. Accordingly, unless an administrative or statutory exemption applies, Units should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary, a party in interest or a disqualified person.

Annual Valuation

The fiduciaries of a Benefit Plan are required to determine the fair market value of the plan's assets as of the close of each of the plan's fiscal years. Although Fund II will annually provide Benefit Plan members with the Managing Member's estimate of the value of the Units, it may not be possible to value the Units adequately from year to year because there will be no market for them.

The foregoing requirements of ERISA and the Internal Revenue Code are complex and subject to change. Plan fiduciaries and the beneficial owners of IRAs are urged to consult with their own advisors regarding an investment in the Units.

XII. SUBSCRIPTION PROCEDURES AND INVESTOR SUITABILITY STANDARDS

Persons interested in subscribing for Units will be furnished and will be required to complete and return to the Managing Member, a Subscription Booklet containing a Subscription Agreement and certain other documents.

This Offering is limited to "accredited investors", as defined in Regulation D of the Securities Act. Each subscriber will be required to represent as to its status as an "accredited investor", as well as provide a letter from a qualified third party (registered investment advisor, broker-dealer, attorney or accountant) certifying such subscriber's status. The form of such letter will be provided as part of the subscription documents.

XIII. ANTI-MONEY LAUNDERING REGULATIONS

As part of Fund II's responsibility for the prevention of money laundering, the Managing Member and any of its affiliates, subsidiaries or associates may require a detailed verification of a subscriber's identity, any beneficial owner underlying the account and the source of the payment.

Fund II reserves the right to request such information as is necessary to verify the identity of a subscriber and the underlying beneficial owner of a subscriber's or Member's Units. In the event of delay or failure by the subscriber to produce any information required for verification purposes, the Managing Member on its behalf may refuse to accept a subscription or may cause the withdrawal of any such Member from Fund II. The Managing Member by written notice to any Member, may suspend the payment of withdrawal proceeds to such Member if the Managing Member reasonably deems it necessary to do so to comply with anti-money laundering regulations applicable to Fund II, the Managing Member or any of Fund II's other service providers.

Each subscriber will be required to make those representations to Fund II that Fund II and the Managing Member require in connection with those anti-money laundering programs, including, without limitation, representations to Fund II that the subscriber is not a prohibited country, territory, individual or entity listed on the Department of Treasury's Office of Foreign Assets Control ("***OFAC***") website and that the subscriber is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programs. Each Member will also be required to represent to Fund II that amounts contributed by it to Fund II were not directly or indirectly derived from activities that may contravene U.S. federal, state, or non-U.S. laws and regulations, including anti-money laundering laws and regulations.

XIV. CERTAIN OFFERING NOTICES

NOTICE TO RESIDENTS OF FLORIDA
The Units being offered have not been registered with the Florida Division of Securities. If sales are made to five or more Florida purchasers, each sale is voidable by the purchaser within three days after the first tender of consideration is made by such purchaser to the issuer, an agent of the issuer or within three days after availability of that privilege is communicated to such purchaser, whichever occurs later.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE
Neither the fact that a registration statement or an application for a license has been filed with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New

Hampshire constitutes a finding by the New Hampshire Secretary of State that any document filed under New Hampshire RSA 421-b is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the New Hampshire Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO NON-U.S. RESIDENTS GENERALLY

No action has been or will be taken in any jurisdiction outside the U.S. that would permit an offering of these securities, or possession or distribution of offering material in connection with the issue of these securities, in any country or jurisdiction where action for that purpose is required. It is the responsibility of any person wishing to subscribe for the Units to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective investors should inform themselves as to the legal requirements within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of the Units, and any foreign exchange restrictions that may be relevant thereto.

NOTICE TO INVESTORS IN EUROPEAN ECONOMIC AREA

Fund II is an alternative investment fund ("***AIF***") and the Managing Member is an alternative investment fund manager ("***AIFM***") under the Alternative Investment Fund Managers Directive 2011/61/EU ("***AIFMD***"). Fund II may not be marketed (within the meaning of "marketing" under the AIFMD), and this Memorandum may not be sent, to prospective investors domiciled or with a registered office in any member state of the European Economic Area ("***EEA***") unless: (i) the AIF or the AIFM benefits from the transition provisions of article 61 of the AIFMD as transposed into the domestic law of the relevant EEA member state; (ii) the AIF is permitted to be marketed under any other private placement regime or other exemption in the relevant EEA member state; or (iii) the marketing was initiated by the prospective investor and not by the AIFM or another individual or entity acting directly or indirectly on behalf of the AIFM. In case of any conflict between this notice to EEA investors and any notices in respective of individual EEA member states in this Memorandum, this notice prevails.

NOTICE TO INVESTORS IN JAPAN

The Units have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (the "***FIEL***"). The Units have not and will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which means any person resident in Japan or any Japanese corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any applicable laws and regulations of Japan.