



**Inland**  
Private Capital Corporation

Private Placement Memorandum

# National Multifamily Portfolio II DST

The Date of this Private Placement Memorandum is August 21, 2017

**CONFIDENTIAL**

Investing in DST Interests involves a high degree of risk. Before investing you should review the entire Private Placement Memorandum including the "Risk Factors" beginning on page 30.



## > National Multifamily Portfolio II DST

**Four multifamily properties in Castle Rock, CO, Chattanooga, TN, Jacksonville, FL and Montgomery, AL**

National Multifamily Portfolio II DST, a newly formed Delaware statutory trust, also known as the Parent Trust, and an affiliate of Inland Private Capital Corporation (IPC), is hereby offering (the Offering) to sell to certain qualified, accredited investors (Investors), pursuant to this Private Placement Memorandum (the Memorandum), 100 percent of the beneficial interests (Interests) in the Parent Trust. **You should read this Memorandum in its entirety before making an investment decision.**

The Parent Trust owns, or will acquire, 100 percent of the beneficial interests in Castle Rock Multifamily DST, or the Castle Rock Trust; Chattanooga Multifamily DST, or the Chattanooga Trust; Jacksonville Multifamily II DST, or the Jacksonville Trust; and Montgomery Multifamily DST, or the Montgomery Trust. The Castle Rock, Chattanooga, Jacksonville and Montgomery Trusts are sometimes referred to as the Operating Trusts and each as an Operating Trust. The Operating Trusts, together with the Parent Trust, are collectively referred to herein as the Trusts.

Each Operating Trust directly owns a residential apartment complex. The Castle Rock Trust owns the real estate and improvements known as Black Feather Apartment Homes, located in Castle Rock, Colorado (the Castle Rock Property); the Chattanooga Trust owns the real estate and improvements known as The Haven at Commons Park, located in Chattanooga, Tennessee (the Chattanooga Property); the Jacksonville Trust owns the real estate and improvements known as Magnolia Village, located in Jacksonville, Florida (the Jacksonville Property); and the Montgomery Trust owns the real estate and improvements known as Verandas at Taylor Oaks, located in Montgomery, Alabama (the Montgomery Property). The Castle Rock Property, the Chattanooga Property, the Jacksonville Property, and the Montgomery Property are collectively referred to herein as the Properties, and each may be referred to as a Property.

Capitalized terms used in pages i through xv but not defined herein shall have the meanings set forth in the Memorandum.

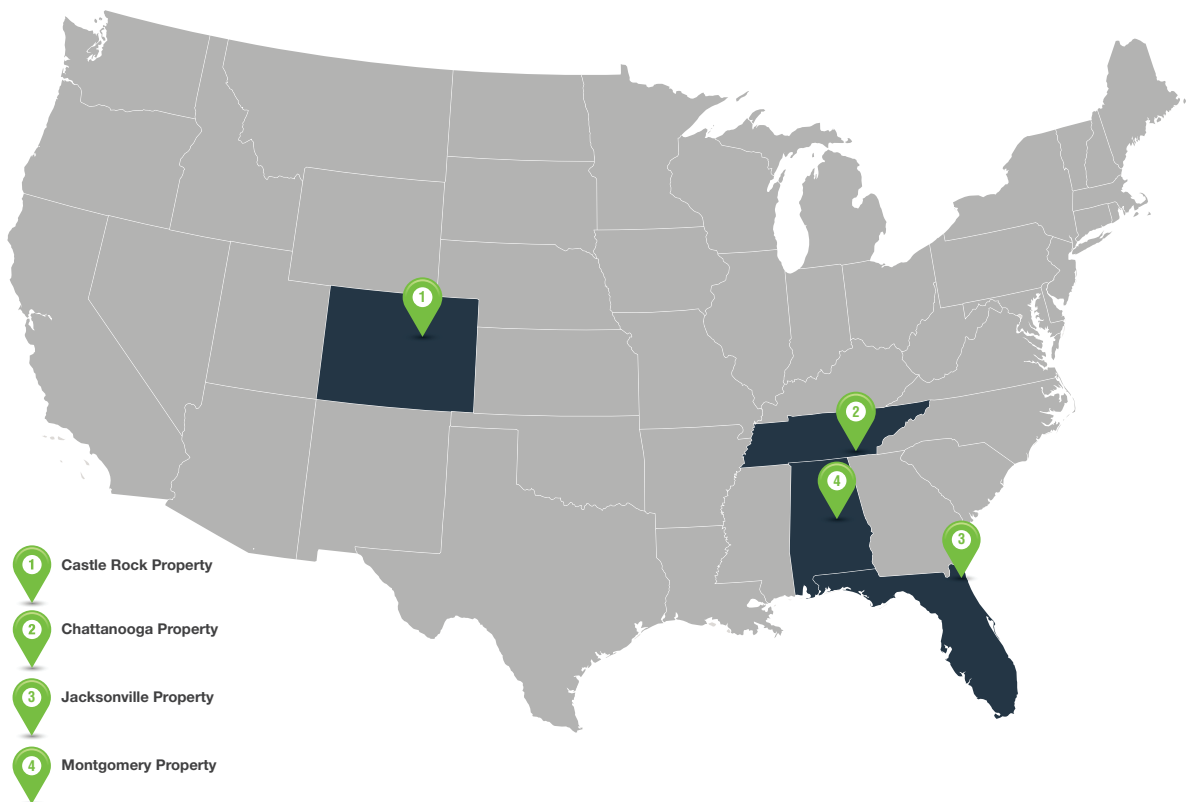
# > Location & Description of the Properties

General information about each of the Properties is summarized in the table below.

Property & Address	Total Apartment Units	1-Bedroom Units	2-Bedroom Units	3-Bedroom Units	4-Bedroom Units	Year Built	Parking
<b>Castle Rock Property</b> Black Feather Apartment Homes 410 Black Feather Loop Castle Rock, CO 80104	83	N/A	49	31	3	2016	205
<b>Chattanooga Property</b> The Haven at Commons Park 7477 Commons Boulevard Chattanooga, TN 37421	319	77	176	66	N/A	2008	565
<b>Jacksonville Property</b> Magnolia Village 1620 Bartram Road Jacksonville, FL 32207	168	48	96	24	N/A	2008	339
<b>Montgomery Property</b> Verandas at Taylor Oaks 7701 Taylor Oaks Circle Montgomery, AL 36116	332	24	248	60	N/A	2008	696

N/A = Not Applicable

See “*The Properties*” in the Memorandum for additional detail. Also see “*Risk Factors – Risks Related to the Properties*” in the Memorandum.



# > Investment Highlights

IPC believes that an investment in the Parent Trust offers the following benefits:

## Diverse Portfolio with Value-Add Opportunity



- Portfolio dispersed across the United States to offer additional diversification
- Range of properties including three constructed in 2008 and one new build completed in 2016
- Value-add potential with planned unit upgrades at the Jacksonville Property to grow rental income
- Potential upgrades at Jacksonville Property include replacing or refinishing countertops, installing wood-style flooring, installing new appliance packages, replacing or refinishing cabinets and upgrading fixtures, hardware and lighting
- Appropriate rental increases at the Jacksonville Property to be applied when renovations are completed

## Experienced Property Management



- Inland management team has extensive experience in all aspects of acquiring, owning, managing and financing multifamily properties
- Acquired and managed more than 73,000 multifamily units throughout the United States as of 3/31/17

## Long-Term, Fixed Rate, Amortizing Loans



- Each Property is, or will be, financed with a separate loan with no cross-collateralization
- Fixed interest rates
- Each loan has, or will have, a 10-year term
- Each Operating Trust is, or will be, required to make payments of interest only during the first five years and principal and interest for the final five years
- Principal amortizing on 30-year schedule (final five years)

## Master Lease Structure



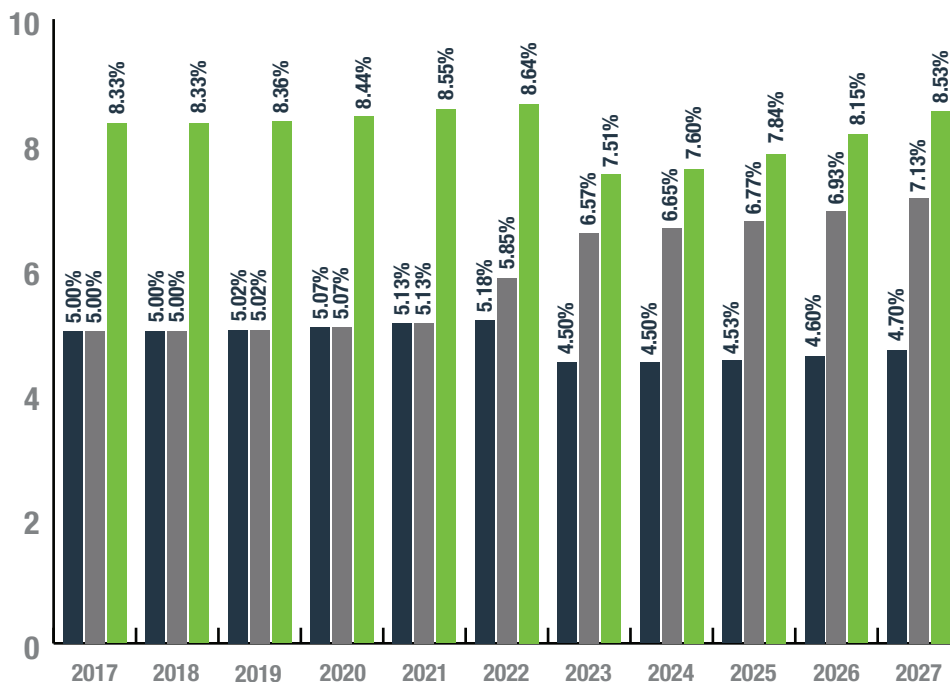
- Master lease structure will allow Master Tenants to operate the respective Properties on behalf of the Operating Trusts
- Will enable actions to be taken that Operating Trusts would be unable to take, such as a restriction against re-leasing

# > The Offering

The Offering is available to accredited investors seeking to participate in a tax-deferred exchange as well as those seeking a quality, multiple-owner real estate investment. Only accredited investors may purchase interests in this Offering. For more information, see “*Summary of the Offering*” and “*The Offering*” in the Memorandum.

Beneficial Interests:	<b>\$63,028,537</b>
Loan Proceeds:	<b>\$73,980,000</b>
Offering Price:	<b>\$137,008,537</b>
Loan-to-Offering Price Ratio:	<b>54.00%</b>
Minimum Purchase (1031):	<b>\$100,000</b>
Minimum Purchase (cash):	<b>\$25,000</b>
Current Cash Flow:	<b>5.00%</b>

## Forecasted Cash-on-Cash Returns\* (Paid Monthly)



■ Forecasted Cash-on-Cash Return \*   ■ Yield \*\*   ■ Tax Equivalent Yield \*\*\*

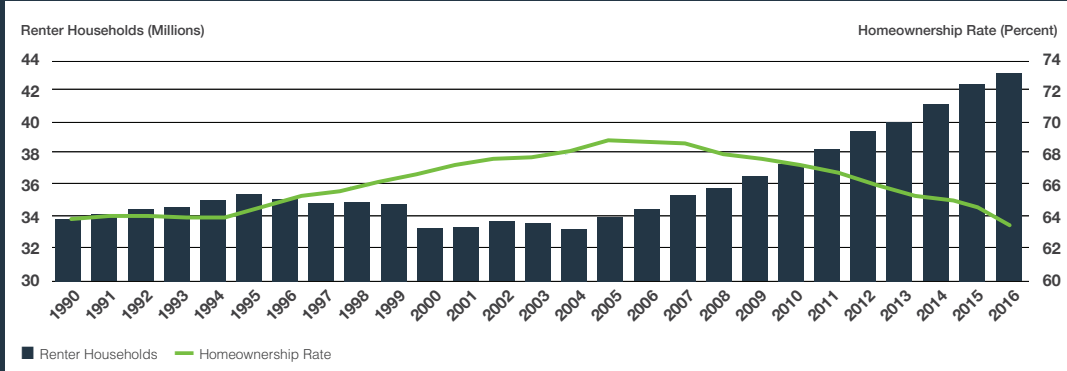
\* These forecasts are estimates which are based on certain assumptions and may vary. Please consult the “*Risk Factors*” section of the Memorandum for events that may cause the actual results to differ. The “Forecasted Cash-on-Cash Return” is calculated by taking the sum of the: (a) excess Base Rent (any amount of Base Rent after debt service); (b) Additional Rent; and (c) Supplemental Rent payable to the Trust (as such terms are defined in the Memorandum). Additional Rent will be estimated and paid on a monthly basis with year-end reconciliation. Supplemental Rent will be paid annually within 90 days of the end of the calendar year.

\*\* “Yield” is calculated by dividing the amounts distributed to investors plus any principal pay-down on debt over the indicated period divided by Investors’ original capital investment.

\*\*\* “Tax Equivalent Yield” represents the yield required to achieve an equivalent after tax cash flow on an interest-bearing investment, which has no shelter from depreciation and would be taxed at the effective tax rate. The calculations are based on an assumed effective tax rate of 40% of taxable income. Each prospective Investor should consult with his or her own legal, tax, accounting and financial advisors.

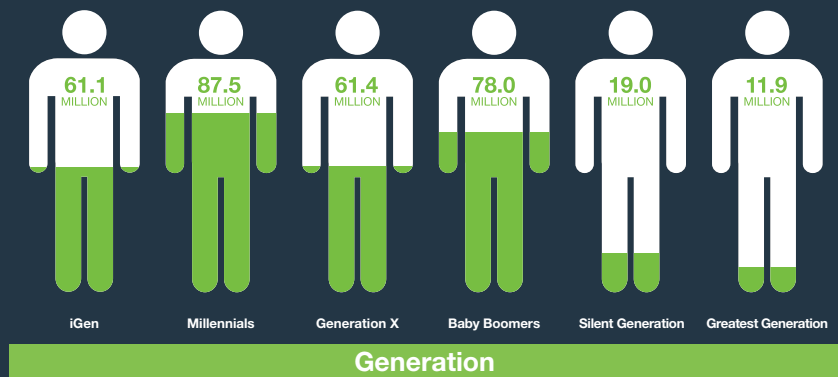
# Multifamily Sector

Looking at the past 10 years, renter household growth has surged while home ownership has dropped. As the rate of homeownership continues to decrease, the rate of apartment living continues to increase.



Note: Data as of 1Q 2017  
Source: U.S. Census Bureau, Housing Vacancy Surveys

The population of the United States is expected to grow by 45 million people over the next 20 years. Both multifamily and single family housing stock remain well below long-term averages that are not nearly enough to house the number of people needing homes.<sup>1</sup>



Source: U.S. Census Bureau 2014 Population Estimates

Preferences of the two largest generations in the United States, the Millennials and Baby Boomers, are driving this growing trend of renting – and creating significant demand for multifamily apartments.

Millennials...		Baby Boomers...	
<p><b>Love of Amenities</b> Including electric car charging ports, gyms and cellphone reception in all areas</p>	<p><b>Love of Community</b> Including community and shared spaces and proximity to culture and nightlife</p>	<p><b>Love of Activity</b> Including walkability and easy transportation to jobs and activities they love</p>	<p><b>Love of Luxury</b> Apartments offer a more luxurious place to live with high-end amenities often not affordable with owning a home</p>
<p><b>Love of Flexibility</b> Being able to terminate lease or choose not to renew for any reason, especially career reasons</p>	<p><b>Love of Flexibility</b> Being able to terminate lease or choose not to renew for any reason, especially career reasons</p>	<p><b>Love of Convenience</b> No responsibility for maintenance, which is a lifestyle perk that apartments offer</p>	<p><b>Love of Savings</b> Renting saves thousands of dollars a year to enjoy life, travel and spend time with family versus the upkeep required for homes</p>

<sup>1</sup> CoStar. Midyear Multifamily Update. Too Much Apartment Construction, or Not Enough. August 10, 2017.

# > The Castle Rock Property

Recently completed in 2016, Black Feather Apartment Homes is an 83-unit community presenting a mix of two-, three- and four-bedroom units. The Castle Rock Property features condominium-level finishes and offers 205 parking spaces, including 28 private attached garages and 40 private detached garage spaces. Residents can enjoy easy access to shopping, dining and entertainment via the Founders Parkway retail corridor and I-25, a major north-south thoroughfare. The location of these apartments, approximately 30 miles to downtown Denver and approximately 17 miles to Denver Tech Center, provides close proximity to a range of employers.



Unit Features	Access to Community Features
<ul style="list-style-type: none"> <li>✓ 9' and 10' ceilings</li> <li>✓ Stainless steel appliance package</li> <li>✓ Granite countertops</li> <li>✓ Wood-style flooring</li> <li>✓ Oversized closet</li> <li>✓ In-unit washer/dryer</li> <li>✓ Undermount sinks</li> <li>✓ Custom tile in bathrooms</li> <li>✓ Gas fireplaces*</li> </ul> <p>* In select units</p>	<ul style="list-style-type: none"> <li>✓ Resident clubhouse</li> <li>✓ Community kitchen</li> <li>✓ Fitness center</li> <li>✓ Playground</li> <li>✓ Picnic areas</li> <li>✓ Outdoor BBQ grills</li> <li>✓ Resort-style pool and spa</li> </ul>

Investors should note that certain of the community features mentioned above are not owned by the Castle Rock Trust, but rather are shared with an adjacent condominium association pursuant to an easement agreement. The Master Tenant will pay the association a monthly fee to access such amenities.

## The Castle Rock Market

Castle Rock, Colorado is located a short distance to the southeast of downtown Denver and the Denver Tech Center, which is located between Denver and Colorado Springs. Drawn by gold and land, settlers established this town in 1870 and much of the character prevails today through several historical sites. Today, most Castle Rock residents are employed in white collar occupations. The town's affluent population of nearly 60,000, 58 percent of whom have a college degree, creates a stable demand for convenient goods and services – and a ready source of skilled workers. Castle Rock is located in Douglas County, which was rated the ninth highest-income county by median household income in the country.<sup>2</sup>

## Market Highlights:

- Castle Rock has been **#1 in job growth** with a 244% increase in jobs since 1990<sup>3</sup>
- Denver **#2 on U.S. News & World Report's** Best Places to Live<sup>4</sup>
- Denver **#5 on Forbes'** list of The Best Places for Business and Careers<sup>5</sup>
- **Colorado #5** on Forbes' list of Best States for Business<sup>6</sup>



2 Castle Rock Economic Development. [www.castlerockcdc.com](http://www.castlerockcdc.com)

3 Castle Rock Economic Development. [www.castlerockcdc.com](http://www.castlerockcdc.com)

4 U.S. News & World Report. Best Places to Live. 2017.

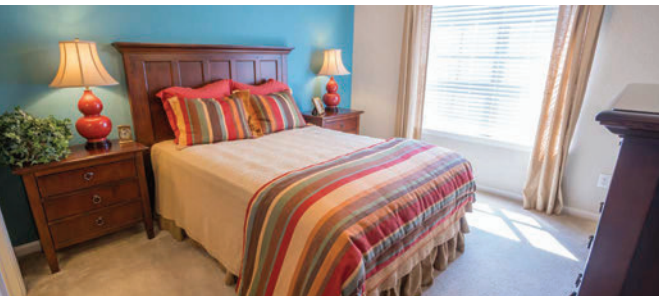
5 Forbes. Best Places for Business and Careers.

6 Forbes. Best States for Business.



# > The Chattanooga Property

Nestled in the lush Chattanooga landscape, in the rocky Tennessee River Gorge, The Haven at Commons Park provides residents the exclusivity of a luxury property with easy access to many retail, entertainment, and both high-end and fast casual dining options. The Chattanooga Property, a 319-unit community, includes a mix of one-, two- and three-bedroom models to suit the needs of potential residents. A total of 565 parking spaces are available, including 51 garage spaces.



Unit Features	Community Features
<ul style="list-style-type: none"> <li>✓ Granite countertops</li> <li>✓ Ceramic tile backsplash and flooring</li> <li>✓ Stainless-look appliance package</li> <li>✓ Farm-style kitchen sink</li> <li>✓ Wood-style flooring</li> <li>✓ Plantation blinds</li> <li>✓ In-unit washer/dryer</li> <li>✓ Jetted garden and garden tubs</li> <li>✓ 10' vaulted ceilings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Resident clubhouse</li> <li>✓ Business and media center</li> <li>✓ Exercise facility</li> <li>✓ Central park with fountain</li> <li>✓ Lanai with community grilling area</li> <li>✓ Swimming pool and heated spa</li> <li>✓ Outdoor playground</li> <li>✓ Dog park</li> <li>✓ Car care center</li> </ul>

## The Chattanooga Market

Chattanooga, the fourth largest city in the state of Tennessee, is located near the border of Georgia at the junction of four interstate highways. The city has received national recognition for the renaissance of its downtown and redevelopment of its riverfront. A growing population nearing 200,000 and emphasis on education make Chattanooga a favorable location for new and expanding businesses. Hamilton County's population grew at a healthy 5.2 percent rate since 2010, helping make Chattanooga the second-fastest growing among Tennessee's urban areas.<sup>7</sup> Chattanooga boasts a low unemployment rate of 3.9 percent and a job growth rate of 3.4 percent,<sup>8</sup> nearing 425,000 current jobs in the area.<sup>9</sup>

## Market Highlights:

- **Ranked #1** on Outside's 2015 list of best places to live in the country<sup>10</sup>
- Wall Street Journal names Chattanooga one of the **Best Places to Retire in the Country**<sup>11</sup>
- **Volkswagen completed a \$900 million Chattanooga factory expansion** last year, which led to the production of the Atlas<sup>12</sup>
- Notable Chattanooga businesses include **Erlanger Health System, BlueCross BlueShield of TN, Memorial Health Care System and Amazon.com LLC**<sup>13</sup>



7 Times Free Press. Chattanooga metro growth is 2nd best among Tennessee's big cities. April 6, 2016.

8 Bureau of Labor Statistics. July 7, 2017.

9 Greater Chattanooga Economic Partnership.

10 Outside Magazine. August 17, 2015. [www.outsideonline.com](http://www.outsideonline.com)

11 Wall Street Journal. Best Places to Retire: Chattanooga Blends Culture and the Outdoors. November 29, 2015.

12 Times Free Press. Volkswagen eyes more SUVs, electric car production in Chattanooga. June 1, 2017.

13 Downtown Chattanooga. Major Companies.

# > The Jacksonville Property

Magnolia Village is a 168-unit, garden-style apartment community in Jacksonville, Florida. Residents enjoy excellent connectivity to the metro's largest employers – including Baptist Health, Bank of America and Mayo Clinic<sup>14</sup> – and downtown Jacksonville. Built in 2008, with partial renovations completed and the opportunity to complete updates and grow rental income, the Jacksonville Property is comprised of six three-story residential buildings and one one-story leasing office and community social center. The residential buildings offer three one-, two- and three-bedroom floor plans with unique unit features including crown molding, built-in computer desks and maple-finished flat-panel cabinetry.



## Potential Unit Upgrades

The Asset Manager intends to make upgrades to 140 apartment units at the Jacksonville Property in an effort to grow rental income. Upgrades will include:

- ✓ New appliance package
- ✓ Replace or refinish countertops
- ✓ Install wood-style flooring
- ✓ Replace or refinish cabinets
- ✓ Upgrade fixtures, hardware and lighting

## Access to Community Features

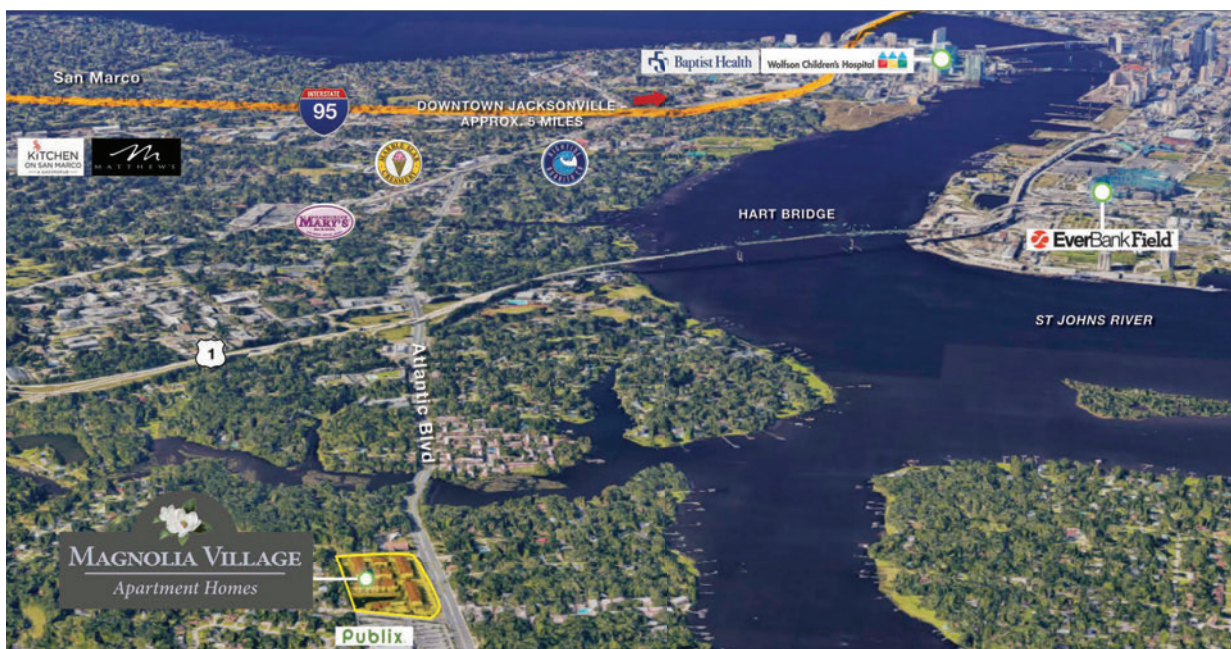
- ✓ Resident social center with gathering room
- ✓ Landscaped picnic and grilling areas
- ✓ Gated community
- ✓ Playground and open green space
- ✓ Newly remodeled clubhouse
- ✓ Exercise facility
- ✓ Resort-style swimming pool with large sundeck
- ✓ Lake views

## The Jacksonville Market

The Jacksonville Property is surrounded by retailers and restaurants, including a Publix-anchored shopping center within walking distance. A large and expanding healthcare presence in Jacksonville results in a well-educated and affluent population. The Property is proximate to three of the metro's largest hospitals – Baptist Medical Center South, University of Florida Health and St. Vincent's Healthcare. Jacksonville's Central Business District is approximately four miles from the Jacksonville Property and Jacksonville International Airport is approximately 18 miles away. Residents also have close proximity to key interstates I-10, I-295 and I-95, with the Florida Department of Transportation working on the Overland Bridge project to continue to improve traffic flow along the I-95 corridor.<sup>15</sup>

## Market Highlights:

- **Ranked #2** on Forbes' list of 10 Cities Americans Are Moving To<sup>16</sup>
- **Ranked #2** on list of cities people are flocking to by Realtor.com<sup>17</sup>
- **Expected job growth of nearly 40 percent** over the next 10 years<sup>18</sup>
- **Unemployment rate at 5 percent**, below the national average<sup>18</sup>



<sup>15</sup> Florida Department of Transportation. <http://www.i95overlandbridge.com/>

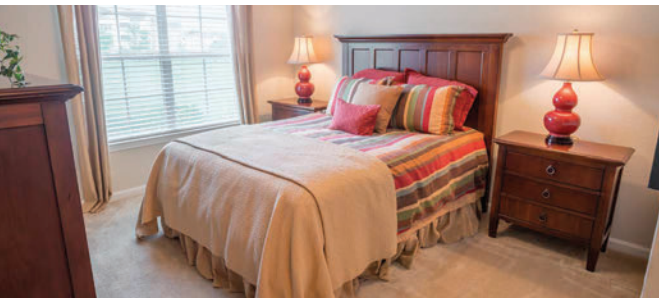
<sup>16</sup> Forbes. 10 Cities Americans Are Moving To. June 21, 2017.

<sup>17</sup> Realtor.com. The New Hot Spots Where Americans Are Moving Right Now. May 23, 2016.

<sup>18</sup> Sperling's Best Places.com. Jacksonville, FL.

# > The Montgomery Property

Verandas at Taylor Oaks is a premier apartment community that offers best-in-class rentals in an affluent part of East Montgomery, Alabama. This 332-unit community includes a mix of one-, two-, and three-bedroom models to suit the needs of potential residents. The three-story walk-up community is home to many medical and other professionals that work close by. Approximately 30 percent of the units offer a view of the lake that is centrally located on the Montgomery Property.



Unit Features	Access to Community Features
<ul style="list-style-type: none"> <li>✓ Granite countertops</li> <li>✓ Ceramic tile backsplash and flooring</li> <li>✓ Stainless-look appliance package</li> <li>✓ Farm-style kitchen sink</li> <li>✓ Wood-style flooring</li> <li>✓ Sunrooms and lake views</li> <li>✓ In-unit washer/dryer</li> <li>✓ Jetted garden and garden tubs</li> <li>✓ 10' vaulted ceilings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Resident clubhouse</li> <li>✓ Scenic central lake</li> <li>✓ Business and media center</li> <li>✓ Exercise facility</li> <li>✓ Lanai with community grilling area</li> <li>✓ Swimming pool and heated spa</li> <li>✓ Playground and tot lot</li> <li>✓ Dog park</li> <li>✓ Car care center</li> </ul>

## The Montgomery Market

Montgomery, Alabama, the state's capital located at the intersection of I-85 and I-65, has a population of more than 200,000.<sup>19</sup> Montgomery is home to an extensive service industry, wholesale and retail trade, and an industrial base that includes Hyundai Motor Manufacturing.<sup>20</sup> In 2016, 42 economic development projects were announced in Montgomery and Alabama, which resulted in \$371 million of investments in Montgomery.<sup>21</sup> Montgomery's lodging tax revenue increased by \$400,000 in 2016, confirming more tourists are enjoying the city.<sup>22</sup> Further, residential home sales improved 52.5 percent in 2016 since the end of the Great Recession, and the housing inventory dropped more than 26 percent from the 2008 high due to gradually rising residential demand.<sup>23</sup>

## Market Highlights:

- Major medical facilities added in 2016 include a new **112,000 square-foot VA Health Care Center**<sup>24</sup>
- Approximately **1,700 new jobs** were announced by new and expanding companies in 2016, reflecting the city's growth<sup>25</sup>
- Montgomery is home to several large organizations with top employers including **Baptist Health, Hyundai Motor Manufacturing and ALFA Insurance Companies**<sup>26</sup>
- **New Whole Foods Market** opened in 2016 approximately three miles from the Property<sup>27</sup>



19 Sperling's Best Places. Montgomery, AL.

20 Montgomery Chamber. Alabama's Capital City is Also the Capital of Commerce. May 18, 2017.

22 <https://www.montgomerychamber.com/file/newsletter-events/Commerce-Overview-2016-Report-UPDATED.pdf>

21 Montgomery Chamber. Capital of Commerce: MGM Economic Good News. <https://www.montgomerychamber.com/file/newsletter-events/Commerce-Overview-2016-Report-UPDATED.pdf>

22 Montgomery Chamber. <https://www.montgomerybusinessjournal.com/may17/mgmtourism>

23 Montgomery Chamber. <https://www.montgomerybusinessjournal.com/may17/buildingback>

24 U.S. Department of Veterans Affairs. Central Alabama Veterans Health Care System (CAVHCS), New health care center to open October 2015. February 9, 2015.

25 Montgomery Chamber. Alabama's Capital City is Also the Capital of Commerce. May 18, 2017.

26 Montgomery Chamber. Largest Employers. <http://www.choosemontgomery.com/About-Montgomery/Largest-Employers.aspx>

27 Montgomery Adviser. Whole Foods gets and opening date in Montgomery. September 7, 2016.



Chattanooga Property

## > The Financing

Each Property is, or will be, separately financed with a first mortgage loan (each, a Loan and collectively, the Loans), as described below, through the Freddie Mac Capital Markets Execution Multifamily Standard Rate Lock Loan Program. Each Loan has a term of 10 years. The Operating Trusts are, or will be, required to make monthly, interest-only payments for the first five years, and to make monthly payments of principal and interest, with principal amortizing on a 30-year schedule, for the final five years.

Borrower	Principal Loan Amount	Lender	Annual Interest Rate
Castle Rock Trust	\$14,010,000	KeyBank National Association	3.93% (estimated)
Chattanooga Trust	\$24,300,000	Berkadia Commercial Mortgage, LLC	3.86%
Jacksonville Trust	\$11,820,000	KeyBank National Association	3.93% (estimated)
Montgomery Trust	\$23,850,000	Berkadia Commercial Mortgage, LLC	3.86%

Investors should note that with respect to the Loans to the Castle Rock Trust and the Jacksonville Trust, the financing terms have not yet been finalized as of the date of the Memorandum, and the interest rates have been estimated and remain subject to change.

These Loans are not, and will not be, cross-collateralized or cross-defaulted, meaning a default under one of the Loans will allow the respective lender to recover against only the particular Property securing that Loan and will not trigger a default under any other Loan.

# > About Inland Private Capital Corporation

The Inland Real Estate Group of Companies, Inc. (Inland) is one of the nation's largest commercial real estate and finance groups, representing nearly 50 years of expertise and integrity in the industry. As a business incubator, Inland specializes in creating, developing and supporting member companies that provide real estate-related investment funds – including limited partnerships, institutional funds and nonlisted real estate investment trusts (REITs) – and real estate services for both third parties and Inland-member companies.

In March 2001, Inland Private Capital Corporation (IPC) was formed to provide replacement properties for investors wishing to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended, as well as investors seeking a quality, multiple-owner real estate investment. The programs sponsored by IPC offer securities to accredited investors on a private placement basis.

## Track Record Since Inception

(THROUGH DECEMBER 31, 2016)

<p>Sponsored <b>197</b> private placement programs</p>	<p><b>527</b> properties in 43 states</p>	<p>Offered more than <b>\$3</b> billion in equity</p>	<p>More than <b>\$6.3</b> billion of assets based on offering price</p>
<p>More than <b>31.80</b> million square feet of gross leaseable area</p>	<p><b>\$1,232,937,239</b> cumulative distributions to investors</p>	<p><b>70</b> assets sold</p>	

## Program Dispositions

(AS OF DECEMBER 31, 2016)

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL
Cumulative Sales Price	\$435,738,911	\$204,909,165	\$49,266,108	\$96,270,041
Weighted Avg. Total Return*	138.49%	119.43%	140.19%	133.26%
Weighted Avg. ARR**	8.11%	4.13%	22.68%	7.25%
Number of Programs	33	7	2	5



The Inland Real Estate Group of Companies, Inc.  
**2X RECIPIENT**  
of the Torch Award for Ethics in the Marketplace



Inland Private Capital Corporation  
**2X RECIPIENT**

### Metrics for Program Dispositions

\* **Weighted Average Total Return** is calculated by dividing the sum of amounts distributed to investors over the hold period of the investment plus the sale proceeds returned to the investors, by such investors' capital invested in the program inclusive of all taxes, fees and expenses. To determine the weighted average, the total return for each program is multiplied by the capital invested in that program, divided by total capital invested in all programs represented in the analysis.

\*\* **Weighted Average Annualized Rate of Return (ARR)** is calculated as the sum of total cash flows distributed during the term of the investment plus any profit or loss on the initial offering price, divided by the investment period. To determine the weighted average, the ARR for each program is multiplied by the capital invested in that program, divided by the total capital invested in all programs represented in this analysis.

The Weighted Average Total Return and Weighted Average ARR metrics presented above apply to those programs in which the property owned by such program was sold. Please note that this analysis does not include programs in which the subject property was in foreclosure. In such situations, IPC has negotiated with the applicable lender and advanced funds to the investors to allow the investors to exchange their beneficial interests in the original program for a proportional beneficial interest in a new program, in order to continue their Section 1031 exchanges and avoid potential capital gains and/or forgiveness of debt tax liabilities.



## Summary Risk Factors

An investment in the Interests of the Parent Trust involves significant risk and is suitable only for Investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment. Investors must read and carefully consider the discussion set forth in the section of the Memorandum captioned “*Risk Factors*.” The risks involved with an investment in the Parent Trust include, but are not limited to:

- The Interests may be sold only to accredited investors, which, for natural persons, are investors who meet certain minimum annual income or net worth thresholds.
- The Interests are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act of 1933, as amended.
- The Securities and Exchange Commission has not passed upon the merits of or given its approval to the Interests, the terms of the offering, or the accuracy or completeness of any offering materials.
- The Interests are subject to legal restrictions on transfer and resale and Investors should not assume they will be able to resell their Interests.
- Investing in Interests involves risk, and Investors should be able to bear the loss of their investment.
- Investors will have limited control over the Trusts.
- The Trustees will have limited duties to Investors and limited authority.
- There are inherent risks with real estate investments.
- The Parent Trust will depend on the Operating Trusts for revenue, the Operating Trusts will depend on the Master Tenants for revenue and the Master Tenants will depend on the residents under the residential leases, and any default by the Master Tenants or the residents will adversely affect the Parent Trusts’ and Operating Trusts’ operations.
- The costs of complying with environmental laws and other governmental laws and regulations may adversely affect the Trusts.
- The Castle Rock Property is located in a Special Wind Region, and the Jacksonville Property is located in a Hurricane Susceptible Region, which could result in damage to these Properties.
- The Loans will reduce the funds available for distribution and increase the risk of loss.
- The prepayment provisions related to each Loan may negatively affect the Parent Trust’s exit strategy.
- If the Operating Trusts are unable to sell or otherwise dispose of the Properties before the maturity dates of the respective Loans, they may be unable to repay the Loans and may have to cause a Transfer Distribution.
- The Chattanooga Loan Documents (as defined herein) and the Montgomery Loan Documents (as defined herein) each contain, and the Castle Rock Loan Documents (as defined herein) and the Jacksonville Loan Documents (as defined herein) are expected to each contain, various restrictive covenants, and if the Parent Trust and/or the Operating Trusts fail to satisfy or violate these covenants, the Lenders may declare one or more Loans in default.
- There is no public market for the Interests.
- The Interests are not registered with the Securities and Exchange Commission or any state securities commissions.
- Investors may not realize a return on their investment for years, if at all.
- The Parent Trust is not providing any prospective Investor with separate legal, accounting or business advice or representation.
- There are various tax risks, including the risk that an acquisition of an Interest may not qualify as a Section 1031 Exchange.

## IMPORTANT NOTES

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Each prospective Investor should consult with his, her or its own tax advisor regarding an investment in the Interests and the qualification of his, her or its transaction under Internal Revenue Code Section 1031 for his, her or its specific circumstances.



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