

RXR Qualified Opportunity Zone Fund

Disclaimer & Cautionary Statements (Cont.)

RXP 153 Alpha Group Capital

RISK FACTORS

ECONOMIC RISKS OF INVESTING IN OPPORTUNITY ZONES

OPPORTUNITY ZONES ARE LOW INCOME URBAN, SUBURBAN OR RURAL COMMUNITIES THAT WERE NOMINATED FOR THAT DESIGNATION BY EACH STATE AND POSSESSION, AND WHICH WERE CERTIFIED BY THE SECRETARY OF THE UNITED STATES TREASURY VIA HIS DELEGATION AUTHORITY TO THE INTERNAL REVENUE SERVICE ("IRS"). THE PURPOSE OF THE LEGISLATION IS TO ENCOURAGE ECONOMIC GROWTH AND INVESTMENT IN THESE DESIGNATED DISTRESSED COMMUNITIES BY PROVIDING FEDERAL INCOME TAX BENEFITS TO TAXPAYERS WHO INVEST WITHIN THESE ZONES. INVESTOR MEMBERS SHOULD UNDERSTAND THAT AN INVESTMENT IN THESE AREAS IS SUBJECT TO THE RISK THAT THE ANTICIPATED ECONOMIC GROWTH MAY NOT MATERIALIZE AND COULD RESULT IN A LOSS OF SOME OR ALL OF THEIR INVESTMENT.

RISKS RELATED TO THE UNCERTAINTY OF AND COMPLIANCE WITH THE QOF RULES

THE PARALLEL LLCs ARE BEING FORMED FOR THE PURPOSE OF BENEFITING FROM THE QOF PROGRAM, AND EACH PRESENTLY INTENDS TO CONDUCT ITS OPERATIONS SO THAT IT WILL BE TREATED AS A QOF WITHIN THE MEANING OF SUBCHAPTER Z OF THE TAX CODE. HOWEVER, NO ASSURANCES CAN BE PROVIDED THAT A PARALLEL LLC WILL QUALIFY AS A QOF OR THAT, EVEN IF IT DOES QUALIFY, ANY OR ALL OF THE TAX BENEFITS ENUMERATED HEREIN WILL BE AVAILABLE TO ANY PARTICULAR INVESTOR MEMBER IN A PARALLEL LLC.

THERE ARE NUMEROUS ASPECTS OF SUBCHAPTER Z AND THE TCJA THAT ARE SUBJECT TO INTERPRETATION AND THAT WILL REQUIRE CLARIFICATION BY THE TREASURY. WHILE PROPOSED REGULATIONS RELATED TO OPPORTUNITY ZONES WERE RELEASED ON OCTOBER 19, 2018, SUCH REGULATIONS DO NOT ADDRESS MANY IMPORTANT ISSUES AND NUMEROUS ISSUES REMAIN WITH RESPECT TO THE TOPICS ADDRESSED BY SUCH REGULATIONS. ALTHOUGH THE GOVERNMENT HAS ANNOUNCED IT WILL RELEASE ADDITIONAL GUIDANCE, IT IS UNCLEAR WHEN ANY ADDITIONAL GUIDANCE WILL BE RELEASED, OR IN WHAT MANNER THE TREASURY WILL RESOLVE THE MANY AREAS OF UNCERTAINTY IN THE QOF PROGRAM. TECHNICAL CORRECTIONS LEGISLATION ALSO MAY BE NEEDED FROM CONGRESS TO CLARIFY CERTAIN PROVISIONS OF THE TCJA AND TO GIVE PROPER EFFECT TO CONGRESSIONAL INTENT. NO ASSURANCE CAN BE PROVIDED THAT ADDITIONAL LEGISLATION WILL BE ENACTED, AND EVEN IF ENACTED, ADDITIONAL LEGISLATION MAY NOT CLEARLY ADDRESS ALL ITEMS THAT REQUIRE OR WOULD BENEFIT FROM CLARIFICATION.

FURTHER, ANY ADDITIONAL LEGISLATION OR ADMINISTRATIVE GUIDANCE MAY REQUIRE THE MANAGING MEMBER TO CHANGE THE STRUCTURE, INVESTMENT STRATEGIES AND/OR PRACTICES OF A PARALLEL LLC IN ORDER TO PERMIT THAT PARALLEL LLC TO QUALIFY AS A QOF OR FOR INVESTOR MEMBERS TO BE ABLE TO RECEIVE CERTAIN OF THE ANTICIPATED TAX BENEFITS OF INVESTING IN A QOF. THE MANAGING MEMBER MAY ALSO DETERMINE, IN ITS SOLE DISCRETION, TO CHANGE THE STRUCTURE, INVESTMENT STRATEGIES AND/OR PRACTICES OF A PARALLEL LLC (INCLUDING IN A SIGNIFICANT MANNER) IN ORDER TO PERMIT A PARALLEL LLC TO QUALIFY AS A QOF OR IN ORDER FOR CERTAIN INVESTORS TO BE ABLE TO RECEIVE CERTAIN OF THE ANTICIPATED TAX BENEFITS OF INVESTING IN A QOF WITHOUT THE PRIOR CONSENT OF THE INVESTOR MEMBERS. SUCH CHANGES MAY CAUSE THE FUND TO INCUR SIGNIFICANT COSTS AND/OR AVOID OR EXECUTE ON TRANSACTIONS IT OTHERWISE WOULD NOT HAVE, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON THE PERFORMANCE OF THE FUND. NOTWITHSTANDING THE FOREGOING, IN THE EVENT THAT ADDITIONAL LEGISLATION OR ADMINISTRATIVE GUIDANCE PROVIDES THAT DUE TO THE CURRENT OR ANTICIPATED STRUCTURE, INVESTMENT STRATEGIES AND/OR PRACTICES (OR OTHERWISE) OF THE PARALLEL LLCs, A PARALLEL LLC WILL BE UNABLE TO QUALIFY AS A QOF OR PROVIDE INVESTOR MEMBERS WITH SUCH ANTICIPATED TAX BENEFITS, THE MANAGING MEMBER WILL HAVE NO OBLIGATION TO MAKE CHANGES TO A PARALLEL LLC IN ORDER FOR SUCH PARALLEL LLC TO QUALIFY AS A QOF. FURTHER, ADDITIONAL LEGISLATION OR ADMINISTRATIVE GUIDANCE MAY PROVIDE THAT, AS A RESULT OF THE PARALLEL LLC'S STRUCTURE, A PARALLEL LLC WILL BE UNABLE TO QUALIFY AS A QOF OR PROVIDE INVESTOR MEMBERS WITH THE ANTICIPATED TAX BENEFITS IN RESPECT OF QOFS PROVIDED UNDER SUBCHAPTER Z, AND THAT THERE ARE NO REMEDIES THAT THE MANAGING MEMBER WILL BE ABLE TO UNDERTAKE IN ORDER TO QUALIFY SUCH PARALLEL LLC TO RECEIVE SUCH BENEFITS. IN ADDITION, IN THE EVENT THAT ADDITIONAL LEGISLATION IS NOT ENACTED OR FURTHER ADMINISTRATIVE GUIDANCE IS NOT PROVIDED IN RESPECT OF A PARTICULAR MATTER RELATING TO SUBCHAPTER Z, A PARALLEL LLC MAY TAKE CERTAIN ACTIONS BASED ON ITS ASSUMPTIONS REGARDING THE INTERPRETATION OF CERTAIN PROVISIONS IN SUBCHAPTER Z AGAINST WHICH THE IRS MAY ASSERT A CONTRARY POSITION, WHICH COULD HAVE AN ADVERSE IMPACT ON THE PARALLEL LLC, ITS STATUS AS A QOF, AND THE TAX BENEFITS OTHERWISE AFFORDED TO THE INVESTORS IN A PARALLEL LLC UNDER SUBCHAPTER Z.

IN ADDITION, NOTWITHSTANDING ANYTHING IN THIS PRESENTATION OR THE MEMORANDUM TO THE CONTRARY, THE MANAGING MEMBER MAY DETERMINE, AT ANY TIME, TO CEASE MANAGING ANY PARALLEL LLC IN A MANNER DESIGNED TO QUALIFY SUCH PARALLEL LLC AS A QOF AND/OR TO SEEK TO PROVIDE CERTAIN OR ALL INVESTORS IN THE FUND WITH THE TAX BENEFITS OF THE TCJA RELATING TO QOFS.

AS A RESULT OF THE FOREGOING, THERE CAN BE NO GUARANTEE THAT INVESTORS WILL BE ABLE TO TAKE ADVANTAGE OF ANY OF THE POTENTIAL TAX BENEFITS DESCRIBED HEREIN

REAL ESTATE OWNERSHIP IN GENERAL

EACH PARALLEL LLC'S INVESTMENTS WILL BE SUBJECT TO THE RISKS GENERALLY INCIDENT TO THE OWNERSHIP, OPERATION AND DEVELOPMENT OF REAL PROPERTY. BECAUSE REAL ESTATE, LIKE MANY OTHER TYPES OF LONG-TERM INVESTMENTS, HISTORICALLY HAS EXPERIENCED SIGNIFICANT FLUCTUATION AND CYCLES IN VALUE, SPECIFIC MARKET CONDITIONS MAY RESULT IN OCCASIONAL OR PERMANENT REDUCTIONS IN THE VALUE OF THE FUND'S INVESTMENTS. PROPERTY CASH FLOWS AND THE MARKETABILITY AND VALUE OF REAL PROPERTY ARE AFFECTED BY A NUMBER OF FACTORS, SOME OF WHICH ARE BEYOND THE CONTROL OF THE FUND, INCLUDING, RISKS RELATED TO THE DEVELOPMENT AND REDEVELOPMENT OF PROPERTIES, COMPETITION FOR ACQUISITIONS AND TENANTS, AND THE POTENTIAL LACK OF DIVERSIFICATION OF THE FUND'S INVESTMENTS:

- CHANGES IN THE GENERAL AND LOCAL ECONOMIC CLIMATE;
- CHANGES IN SUPPLY OF AND DEMAND FOR COMPETING PROPERTIES IN AN AREA (AS A RESULT, FOR INSTANCE, OF OVERBUILDING);
- THE QUALITY AND PHILOSOPHY OF MANAGEMENT;
- ATTRACTIVENESS, LOCATION AND PHYSICAL CONDITION OF THE PROPERTIES;
- COMPETITION BASED ON RENTAL RATES;
- FINANCIAL CONDITION AND RESOURCES OF TENANTS, BUYERS AND SELLERS OF PROPERTIES;
- QUALITY OF MAINTENANCE, INSURANCE AND MANAGEMENT SERVICES;
- CHANGES IN REAL ESTATE AND OTHER TAXES, OPERATING COSTS AND EXPENSES;
- CHANGES OR PROMULGATION AND ENFORCEMENT OF GOVERNMENT REGULATIONS (INCLUDING THOSE GOVERNING LAND USE, IMPROVEMENTS, ZONING, ENVIRONMENTAL, OCCUPATIONAL AND SAFETY MATTERS, RENT CONTROL AND TAXES);
- ENERGY AND SUPPLY SHORTAGES;
- VARIOUS UNINSURED OR UNINSURABLE RISKS;
- CHANGES IN INTEREST RATES, CAPITALIZATION RATES AND CREDIT MARKET DISLOCATION;
- AVAILABILITY OF FINANCING WHICH MAY RENDER THE SALE OR REFINANCING OF PROPERTIES DIFFICULT OR IMPRACTICABLE;
- NATURAL DISASTERS, ACTS OF WAR OR TERRORISM AND OTHER FACTORS THAT ARE BEYOND THE CONTROL OF THE FUND, THE MANAGING MEMBER, OR THE MANAGER; AND
- RISKS ASSOCIATED WITH THE BURDENS OF OWNERSHIP OF REAL PROPERTY;
- THE MANAGING MEMBER MAY NOT BE ABLE TO LOCATE AND COMPLETE INVESTMENTS THAT ENABLE EACH PARALLEL LLC TO INVEST ALL OF ITS CAPITAL IN OPPORTUNITIES THAT SATISFY THE FUND'S INVESTMENT OBJECTIVES AND THAT MEET THE REQUIREMENTS OF THE TCJA RELATING TO QOFS, REALIZE THE VALUE OF THESE INVESTMENTS OR FULLY INVEST THE CAPITAL CONTRIBUTIONS TO THE FUND.