



Carolina Opportunity Fund II, LLC

Fund Description and Term Sheet

August 7, 2019

Company/Structure of Fund:

Carolina Opportunity Fund II, LLC (the "Fund") is the corporate name of the Fund. The Fund is organized as a North Carolina limited liability company organized in accordance with the North Carolina Limited Liability Company Act (the "North Carolina Act"). Class B Units in the Fund will be offered by means of a Confidential Private Placement Memorandum ("PPM"). The operation and management of the Fund will be governed by a Limited Liability Company Operating Agreement (the "Operating Agreement") and the North Carolina Act. A copy of the Operating Agreement is attached to the PPM as Exhibit A. The principal place of business of the Fund will initially be located at 111.5 N Churton St., Hillsborough, NC 27278 and its telephone number is (919) 448-7752.

The Fund is intended to qualify as Qualified Opportunity Fund for the purpose of providing equity funding to select Opportunity Zone projects. The Fund will be treated as a closed end Qualified Opportunity Fund under guidelines created by the Tax Cuts and Jobs Act of 2017 and will file Form 8996 to certify that it is organized to invest in Qualified Opportunity Zone property.

Management:

Carolina Opportunity Funds, LLC, a North Carolina limited liability company (the "Manager"), will be the manager of the Fund. The Manager is owned and managed by Hannah Kirby. The Manager operates as a management company, not an investment fund, for a series of Qualified Opportunity Funds formed by the Manager, or which the Manager intends to form in the future. The principal place of business of the Manager will initially be located at 111 1/2 N Churton St., Hillsborough, NC 27278 and its telephone number is (919) 448-7752.

Ownership of the Fund

The Fund shall be owned by investors purchasing equity

interests or membership shares (“Class B Membership Units” or “Class B Units”) in the Fund, and who shall be called “Investor Members,” and the Manager, which will have a carried interest in the Fund represented by the “Class A Units.” Investor Members shall own 100% of the Class B Units in the Fund, each in a percentage equal to their outstanding Class B Units divided by the total Class B Units outstanding (the “Ownership Interest”). The Manager will be issued all of the Class A Units of the Fund.

Target Returns from Investments and Preferred Return:

The Fund intends to invest in projects that target annualized returns to its investors between 12% and 18%.

The Preferred Return of the Fund is 8%. Subject to the performance of the Fund and after paying Fund Expenses and the Management Fee and Deployment Fee to the Manager, Members will receive a Preferred Return of 8%, paid at intervals determined by the Manager and the receipt of operating or capital proceeds from the real estate projects invested in by the Fund. The Preferred Return shall be cumulative and any shortfall will carry forward to the next distribution interval (further defined in the PPM).

While the Fund intends to invest in projects that provide annualized returns of between 12% and 18%, an investment in such investments, and thus an investment in the Fund, is inherently speculative and no specific return on invested capital or even return of invested capital is promised or guaranteed.

Offering Amount:

The Fund will seek to raise the Maximum Offering of up to \$9,000,000 in equity capital. The Manager may or may not raise the full amount during the life of the Fund.

Minimum Subscription Amount:

The price of each Unit shall be \$50,000. Each member in the Fund agrees to purchase Five (5) Class B Units of the Fund totaling at least \$250,000 per unique Investor, which amount may be adjusted in the sole discretion of the Manager.

Initial Closing:

Once the Fund has received a minimum of \$5,000,000, raised capital will be released to the Fund’s operating account and the Fund will be permitted to make investments with said capital, including release funds to the developer/sponsor of the Project identified below.

Offering Period:

Upon the launch of the Fund, the Manager will accept new Subscription Agreement commitments for the earliest of:

1. the date the Fund, in the Manager’s discretion, elects to terminate, or
2. the date upon which all Class B Units have been sold, or

3. such date as determined by the Fund, as may be extended from time to time by the Fund, but not later than 180 days after the initial closing of the Fund (i.e., the sale of at least 100 Class B Units)

Use of Proceeds:

The proceeds from the Offering will be used to purchase a equity positions in one or more Qualified Opportunity Zone real estate projects to be determined by the Manager. (See Fund Strategy for further definition)

Fee Schedule:

The Fund will be subject to the following fees:

- Deployment Fee: one-time 1.85% fee on the amount of deployed capital paid upon the deployment of Fund into real estate projects or other assets.
- Management Fee: Annual 1.85% fee on the amount of unreturned capital contributions of the Class B Unit holders payable quarterly and commencing on the initial closing of the Fundy.
- Broker / Dealer Fee: 1.5% of the Total Deal Size
- Affiliate Investor Network Fee: not to exceed 3% of the pro rata share of the capital raised through the third party network.
- Carried Interest: 5% on profits above the Preferred Hurdle rate of 8% (see Investor Waterfall for further information)

Fund Strategy:

The strategy of the Fund is to produce attractive risk adjusted returns by investing in real estate projects. Individual Opportunity Funds will focus primarily on Opportunity Zone projects whereby developers;

1. have structured an equity real estate deal,
2. have a track record of successful development projects,
3. have control of the underlying asset or land, and;
4. have met or will meet the “substantial improvement” or “original use” requirements for Opportunity Zone real estate projects.

The Fund intends to invest as joint venture, capital partner in portfolio companies engaging in real estate projects. While the Fund may invest, through portfolio companies, in one or more real estate projects not yet identified, the current intention of the Fund is to invest primarily, if not

exclusively, on a minority equity basis, in that certain mixed-use real estate development project in Burlington, NC known as more fully described in the PPM (the “Dream Factory Project” or the “Project”). The Fund plans to make one or more private placement investments of up to approximately \$9 million to secure an interest (anticipated to initially constitute up to a 90% equity interest) in a joint venture (the “JV”) that will acquire, develop, own and operate the Dream Factory Project and control any subsequent sale or other disposition thereof. The JV will be governed by a JV agreement (the “JV Agreement”). The Fund will be a “Capital Member” of the JV. The Fund will limit its capital contribution to 65% of the total development cost of the Project and will be the “Last Money In” the Project (JV partner equity and debt financing are in place before the Fund will release capital to the Project).

Carolina Opportunity Fund II LLC is created specifically for investment in Qualified Opportunity Zone projects with a Hold Period of 10 years, and as will be detailed in the PPM, the Operating Agreement and the respective project based joint venture agreement.

Fund Activities

All identification of projects, due diligence, and joint venture agreements for the Fund will be done by the Manager for the benefit of each individual Fund. The Manager may subcontract some due diligence functions to third parties (e.g., appraisers, inspectors, subcontractors, real estate brokers, etc.) for the benefit of the Fund which shall be considered Fund Expenses.

Fund Income

The Fund shall receive as Fund Income; it’s pro rata share of the distributable cash flow, as outlined in the joint venture agreements entered into by the Fund from operations of the underlying real estate projects assets as well as proceeds from the sale or refinancing of the projects following the “Hold Period”.

Waterfall

The following outlines the priority for the distribution of cash from the Fund:

1. Fund Expenses
2. Management Fee: annualized 1.85% Management Fee (paid quarterly) on the Unreturned Capital Contributions of the Class B Unit holders.
3. Deployment Fee: a one-time of 1.85% on the Capital deployed by the Fund
4. Preferred Return of 8% to Investor Members.

5. Return of Capital to the Investor Members
6. Carried Interest of 5% on profits above the Hurdle Rate of 8% to the Manager as owner of the Class A Units.
7. 100% of pro rata share of remaining profits to the Investor Members

Fund Administration

The Fund may elect to retain the services of an outside third party Fund Administrator to provide professional Fund administration and investor relations functions, the cost of which shall be a Fund Expense. The Fund will utilize Fintech services to provide each Member with electronic access to their capital account.

Financial Statements

The Fund expects to use the cash basis of accounting to prepare its financial statements. The Manager shall also cause the Fund to have its financial statements audited on an annual basis by a Certified Public Accountant. Access to financial statements will be made through Member access to Carolina Opportunity Funds online portal.

Fund Expenses

Fund Expenses shall include, but not necessarily be limited to the following: Fund organizational costs, tax preparation, CPA fees, legal fees, fund administration fees, capital acquisition fees and costs (including payment to duly licensed third parties who are contracted to raise capital for the Fund), sales commissions, taxes, insurance, utilities, and any other expenses associated with the operation of the Fund and the management of its Assets. The Manager shall be reimbursed for all reasonable out of pocket expenses incurred on behalf of the Fund.

Fund Subscription

The investors in the Fund, the Investor Members, will consist of institutions, corporations and private individuals (or their estate planning vehicles) that qualify as "accredited investors" as that term is defined in Rule 501(a) of Regulation D of the Securities Act. All Investor Members must be accredited investors, and the Manager has engaged a third party to perform accreditation verification, subscription automation, Fund escrow, and broker/dealer services for the Fund. Interested investors will be directed to all offering docs through the Carolina Opportunity Funds website portal. The minimum subscription is 5 Class B Units or \$250,000.

Subscriptions will be deposited into an escrow account held by a third party affiliate until the Initial Closing amount is raised. Upon which time, funds will be released to the Fund Account for distribution and use by the Fund as determined

by the Manager.

Once a subscription is accepted by the Manager, the committed capital is irrevocable, investors will have no opportunity to request or receive redemption of Class B Units, and Members will need to retain their Class B Units until all Fund Assets are liquidated pursuant to the PPM and the Operating Agreement.

This term sheet ("Term Sheet") is not intended to be relied upon as the basis for any investment decision, and is not, and should not be assumed to be, complete. The contents herein are not to be construed as legal, business, or tax advice and each party that receives this Term Sheet should consult its own attorney, business advisor, and tax advisor as to legal, business, and tax advice. Certain information contained in this presentation is still in draft form and the contents of this Term Sheet have not been legally verified. In particular, it should be noted that the financial information (if any) contained herein has not been audited. This Term Sheet is qualified in its entirety by the more complete information appearing in the PPM, and is subject to the detailed provisions of the Operating Agreement to be attached thereto as Exhibit A and the Subscription Agreement and Signature Page from the Subscription Booklet accompanying the PPM. This offering is subject to modification and withdrawal. Any capitalized terms not defined herein have the meanings ascribed to them in the PPM.

In considering any performance information contained herein, parties should bear in mind that past performance is not necessarily indicative of future results. Information contained herein may include information respecting prior investment performance of one or more Carolina Opportunity Funds ("COF") strategies. Information respecting prior performance, while a useful tool in evaluating an investment, is not necessarily indicative of actual results to be achieved for unrealized investments, the realization of which is dependent upon many factors, many of which are beyond the control of COF.

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