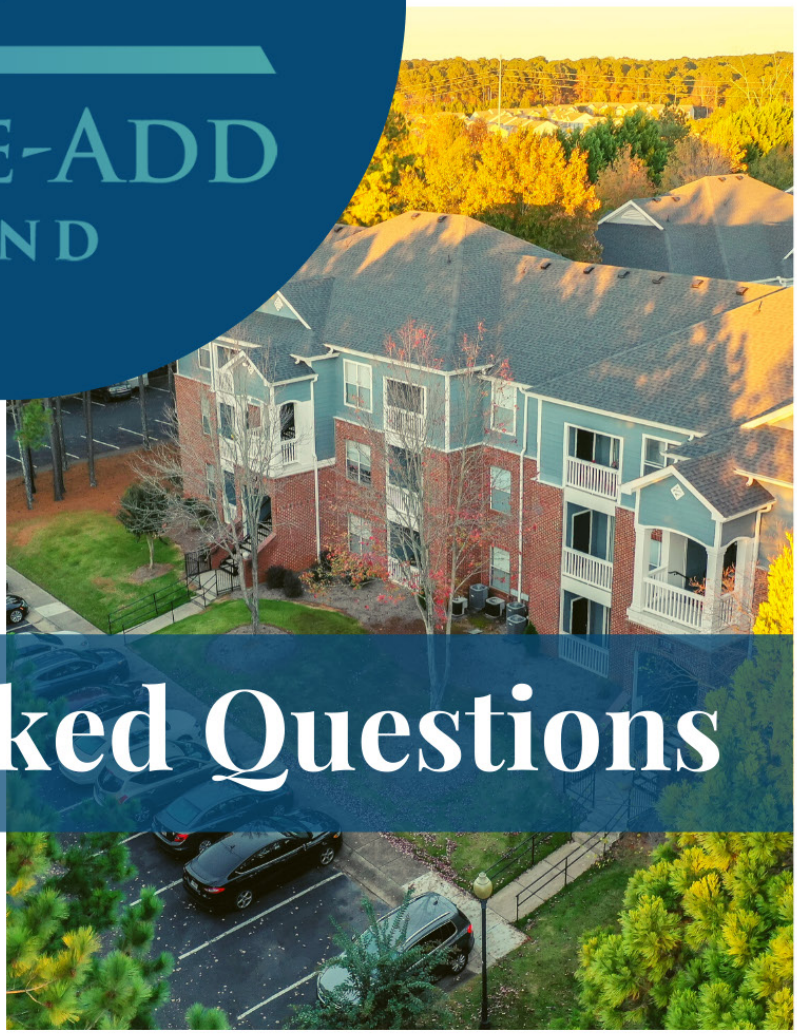
ASHCROFT CAPITAL


VALUE-ADD FUND



# Frequently Asked Questions

# VALUE-ADD FUND

Thank you for your interest in the Ashcroft Value-Add Fund. We have prepared this document to help address commonly asked questions we have been receiving regarding the launch of the Ashcroft Value-Add Fund. We are always available for further questions, should you have any.

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Click here to access the Ashcroft Value-Add Fund website

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# WHAT'S CHANGING/STAYING THE SAME

## Changing:

- Investment is in the Ashcroft Value-Add Fund (the "Fund"), which holds multiple value-add assets, versus exposure to a single asset investment.
- Additional markets: Atlanta, Raleigh/Durham, Charlotte
  - We are continuing to pursue acquisitions in the Dallas/Ft. Worth, Tampa, Jacksonville and Orlando markets, as well.

## Staying the Same:

- Business Plan: Large scale, value-add multifamily assets, and capital preservation.
- Tax Benefits: Depreciation allocations, cost segregation, and potential for deferral of gains through like-kind exchanges.
- Communications: Monthly updates, quarterly financials.
- Distributions: Monthly, starting second month after acquiring first asset.
- Class A and B shares available, with equivalent return structures.
- Financing: still seeking agency and private lenders.

# GETTING STARTED

## How do I get started?

If you are a current investor with Ashcroft, simply **login to our Investor Portal and submit your commitment.**

If you are a new investor with Ashcroft, you'll first **set up your portal account here**. You will then receive a confirmation email to log in to the portal and begin.

Upon submitting your commitment, you will then receive a confirmation email outlining the steps required to formalize your commitment. These are:

1. Submit verification letter of accredited status;
2. Execute legal documents electronically; and
3. Fund commitment to title company.

*Funding must be completed within 3 business days from commitment placed.*

## What is the minimum investment?

$25,000

## Can I invest with my retirement account? Self-directed IRA, Solo 401k, etc.?

Yes. As long as your retirement funds are in an account that allows for your investment discretion, i.e. Self-directed IRA, we can accept these investments.

## Will there be capital calls?

We do not anticipate making capital calls. When you are ready to commit to the fund, we will ask that your entire commitment be funded at that time.

However, should additional capital be needed, we retain the rights to do so in the subscription agreement. Please refer to these legal documents for more details.

## Can I increase my commitment throughout the fund?

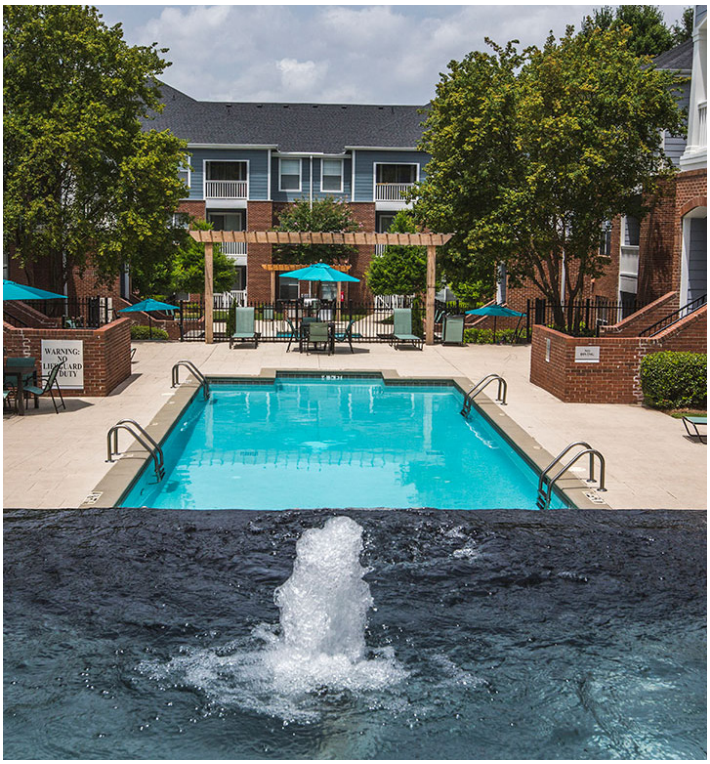
Yes, with a minimum increase of $25,000. You will simply sign another subscription agreement, provide an update verification letter if needed, and fund the increased amount. Your increase will become effective on the 1st of the following month upon completion of all requirements.

## Am I able to commit a larger amount now, but fund as needed?

No. However, you are able to increase your commitment at any time throughout the capital raise period of the Fund. While there is currently no specified closing date for the capital raise period, we reserve the right to close the capital raise period at any time. Therefore, we recommend that you commit to and fund an investment amount that you're comfortable with now instead of anticipating the fund being open later.

## Do I have to invest more each time you send out a new deal?

No. You can make your single investment and continue to receive the benefits of exposure to every asset in the fund. However, you are always welcome to increase your investment at any time throughout the capital raise period.



# DISTRIBUTIONS/RETURNS

## Will you continue to offer both Class A and B share options?

Yes.

Class A will continue to offer a 10% coupon with limited upside.

Class B will continue to offer 7% coupon with more upside potential. Please refer to the Subscription Agreement for details on the promote structure.

## When will I receive my first distribution and how frequently will they be paid out?

The fund is formally starting when we acquire the first asset (anticipated early-April 2021). Distributions are anticipated to begin in the second month following that acquisition (June 2021) and are anticipated to continue monthly thereafter for the life of the fund.

If you invest after closing of the first asset, your coupon will begin to accrue on the first day of the following month, with distributions anticipated to begin within two months of your investment and paid in arears.

## What happens if I invest "today" but your next property doesn't close for a few months?

Your coupon will begin to accrue the 1st of the following calendar month. Distributions will be paid in arears based on our projected distribution schedule, in arears. For example: If you have submitted all requirements on May 15th, your coupon will begin to accrue June 1st, and your first distribution will be paid in July for June.

## How will distributions occur as assets are sold off?

We will distribute the proceeds of sale of each asset in accordance with the waterfall outlined in the private placement memorandum. For practical purposes, investors are anticipated to receive their share of the proceeds from the sale of each asset, as they occur.

## Is the carried interest calculated at the fund or asset level?

All carried interest/waterfall distributions will be calculated based on the overall returns of the fund. General Partners will not take a promote until the Class B equity hit certain thresholds of the waterfall. Please see the private placement memorandum for a more detailed explanation.

## How are the monthly distributions calculated throughout the fund?

We anticipate year 1 distributions to be paid at 5.6% annual to the Class B investors, in monthly installments. Please refer to the Fund investment summary package for projected annualized returns thereafter.

## How are you benchmarking distributions/returns?

We will have a set of return parameters outlined for the fund and the Fund investment summary package that align with the asset type we have historically purchased and are continuing to seek for the Ashcroft Value-Add Fund.

# FUND OPERATIONS

## How many properties do you anticipate will be in the fund?

We are anticipating acquiring 5 to 7 value-add multifamily assets.

## What is the life of the fund?

We anticipate divesting of all Fund assets within the first 7 years. However, we also anticipate several capital events happening much earlier, such as individual property refinances and dispositions in year 3 and beyond. We did not underwrite this in our projections because we always want to remain conservative. However, a capital event could return significant capital back to investors early in the life of the Fund.

## What happens if you cannot sell all of the assets before the fund ends?

Just like our single-property investments, we want to make sure that we sell our properties during the best possible time of a real estate cycle. Therefore, we have not defined an end date to the Fund. Nevertheless, we understand the return of capital is important to our investors, so it is never our intent to hold on to properties for too long. We anticipate fully divesting the Fund within 7 years from the launch of the Fund.

## How much is Ashcroft investing in the fund?

The sponsor is investing $1 million initially, and adding a minimum of $200,000 per property, for each property purchased in the fund.

## What are the fees? Are these different than singe asset deals?

The Fees paid to General Partner are as follows:

- Acquisition Fee: 2.85% of purchase price of asset (no change)
- Disposition Fee: 1% of sale price of asset (no change)
- Refinance Fee: Removed (used to be 2% of principal balance)
- Asset Management Fee: 1% of equity raised (used to be 2% of revenue)
- Fund Administration Fee: 0.25% of equity raised (new fee to cover fund level management, including annual 3rd party audit of financials)

## What type of reporting will I receive?

You will receive monthly email updates by the final Thursday of each month with quarterly financial reports uploaded to your investor portal. You will receive a K-1 anticipated to be provided by March 31st of each year, also securely uploaded to your investor portal.

## How long will you be raising capital?

We do not have a defined raise period and we have the right to close the raise period at any point. Therefore, we recommend investing when you are comfortable doing so in order to not miss out.

## How long will you be placing the capital?

We anticipate allocating all of the capital within 12 months of opening the fund.

## Will the loans be cross-collateralized within the fund?

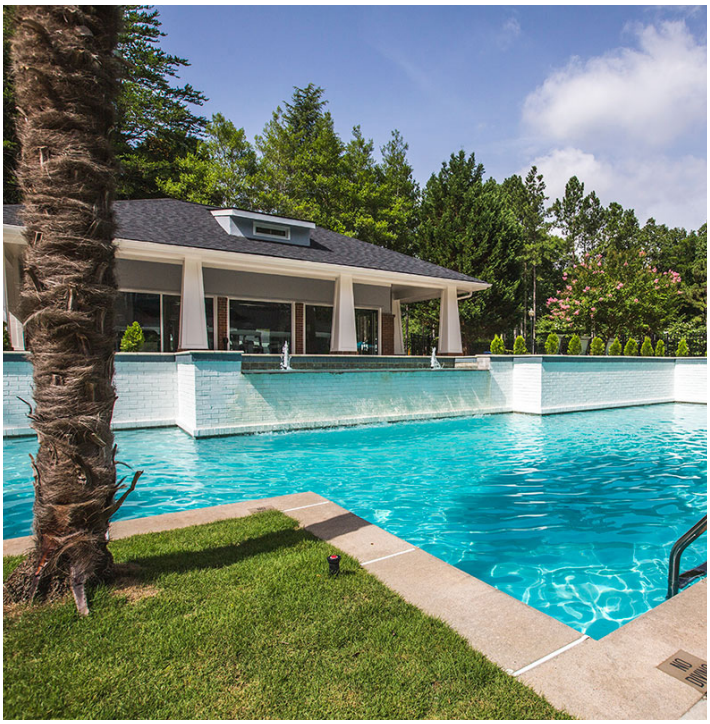
No.

## What is my liability as an investor?

Your liability will be limited to the capital you have invested in the Fund.

## Is this an evergreen fund or open-ended fund?

No, this is a closed-ended fund.



# TAX MATTERS

## How are taxes treated?

Ashcroft is not a tax advisor and we recommend you reach out to your tax advisor to understand the effects for you. You will receive a single federal K-1 and a single state K-1 for each income tax state we own assets in. We will continue to operate the assets in the most tax advantageous way possible, including the use of Cost Segregation Studies.

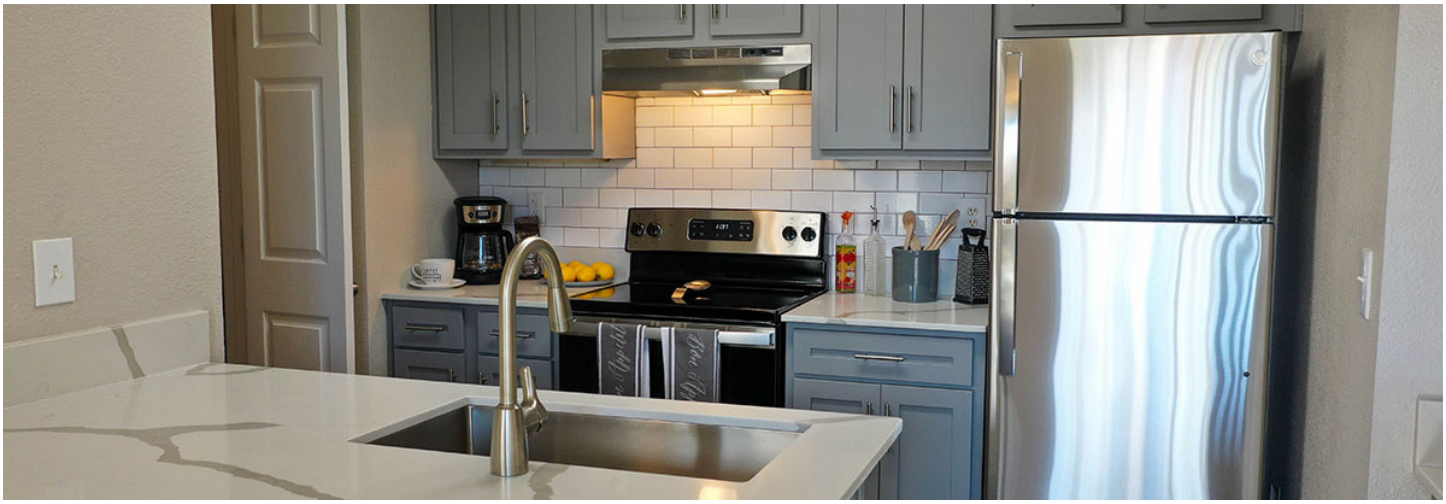
# LIQUIDITY/DISPOSITIONS

## Will I be able to get my money out before you sell all the assets?

Your investment will be considered an illiquid investment, so anticipate that your capital will be committed throughout the life of the Fund. However, we will be distributing proceeds from sales and refinances according to the waterfall, and we anticipate achieving both throughout the Fund, likely creating early capital events.

## Can I 1031 exchange my investment?

We cannot accept 1031 proceeds into the Fund. Our goal is to offer investors the opportunity to 1031 their portion of proceeds out of the Fund into another Ashcroft investment, which may defer realization of gains. If Ashcroft offers the Limited Partner's the opportunity to participate in a 1031 or similar exchange, this election will take place at the time of disposition of any single asset within the Fund.



# UPDATES/CHANGES

## Why are you changing from how you used to do things?

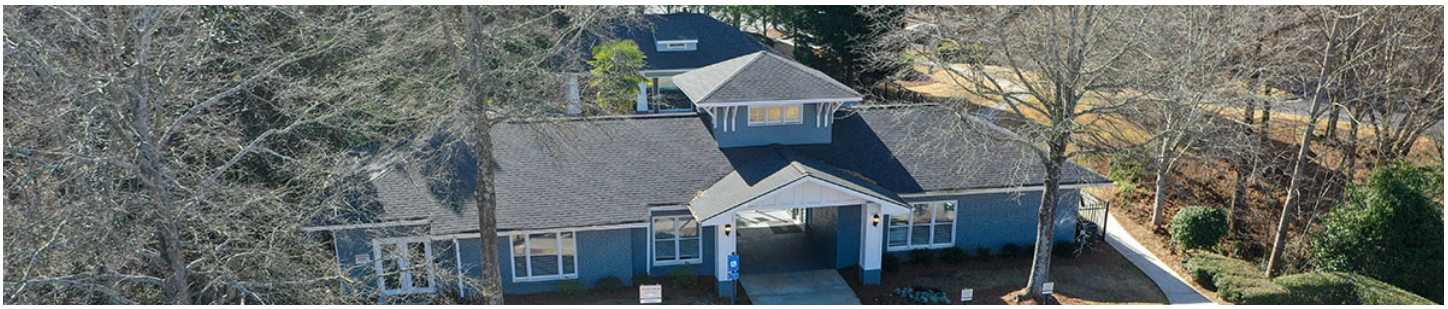
We have grown and continue to create strong returns for our investors. As always, we are focused on capital preservation and we are always striving to further mitigate risk in our investments. The Ashcroft Value-Add Fund was created with one singular purpose in mind: to reduce our investors' risk while offering a very similar return structure to our single-investment offerings. Unlike our previous offerings, our investors' returns will not be dependent on one property and or even one submarket. Rather, the fund will own roughly 5 to 7 assets in desirable markets and risk will be spread over the collective returns of each. Ashcroft will still operate each property just as diligently and carefully as before, yet the risk profile will be mitigated by the pooled returns of each asset in the fund. This significantly reduces the investor risk-to-return ratio.

## Besides moving to a fund, are there any other changes from how you operated in the past?

Operationally, we are looking for the same type of assets to execute the same business plan. In the past, we used non-affiliated property management. We now have an affiliated property management company, Birchstone Residential, that will be managing the entire portfolio of Ashcroft owned assets. Please go to www.BirchstoneResidential.com for more details on our affiliated property management company.

We have added target markets of Atlanta, Raleigh/Durham, Charlotte and Phoenix to our current markets.

Please review the private placement memorandum and subscription agreement for the full terms and conditions of the Ashcroft Value-Add Fund.



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