RiverOak Realty Fund II, LLC

Executive Summary

Business Overview

RiverOak Realty Fund II, LLC (the Fund) is being formed by RiverOak Investment Corp., LLC (the Managing Member) to provide high net-worth individuals, corporations, small pension funds, Individual Retirement Accounts, self-directed 401-Ks, and endowments access to professionally managed real estate investments. Stephen DeNardo (Mr. DeNardo) and George Yerrall (Mr. Yerrall) (together the Operating Principals) are the Operating Principals of the Managing Member who will manage all aspects of the Fund s business. The Operating Principals have extensive experience in all phases of real estate investment sourcing, acquisition, management and financing. The Fund will focus on multi-family residential, office and retail properties located in Connecticut, New Jersey, New York and Eastern Pennsylvania (the Investment Territory). No management fees, organization fees, acquisition fees, disposition fees, placement fees or other fees will be charged to the investors by the Managing Member or its affiliates. The total remuneration for the Operating Principals will be derived from their salaries, which are subject to Advisory Board review, and their share of proceeds from the Fund s business. Any fees earned from the operation of the Fund s business will be included in the revenue of the Fund.

The Fund s strategy will be to invest in niche opportunities in the Investment Territory in:

- Distressed assets with compelling value-added opportunities;
- Unique assets with strong upside potential;
- Properties in good locations with existing cash flow; and
- Real estate related operating and service companies.

The Fund will take a balanced approach to maximizing risk-adjusted returns and long-term capital appreciation. Assets are expected to be held three to five years.

The Fund will invest primarily in (1) smaller properties (less than $15 million) and (2) complex situations requiring significant asset management experience where operating results and cash flow can be improved. The market for these assets is relatively inefficient and is hard to access for private investors. The Operating Principals, however, have extensive experience with this market.

Investment Highlights

Management Commitment. The Managing Member will invest $100,000 in the Fund.

Investor Returns. The goal of the Fund is to return all capital plus an internal rate of return (IRR) of 15% on that capital by the time the Fund is liquidated. As an added feature, Nonmanaging Members of the Fund (the Nonmanaging Members) will be entitled to a preferred return on initial capital of 8% compounded annually for the amount of time capital is

outstanding (the Preferred Return). This amount is earned by all Nonmanaging Members on each investment of the Fund before any distribution to the Managing Member with respect to that investment.

Market Knowledge and Experience. The markets of the Investment Territory are quite familiar to Messrs. DeNardo and Yerrall. The Operating Principals have acquired, managed, underwritten, developed or provided capital with respect to over 13 million square feet of real estate in the New York region.

Access for Private Investors. Private investors, due to factors such as lack of time, personal capital, experience or expertise, seldom find opportunities to invest in sizeable real estate transactions alongside professional real estate investment managers who have personal capital at risk. Unlike large institutional funds that require investment minimums of approximately $10 million and sales loads are 5-20% of capital, the Fund provides access to a professionally managed real estate investment vehicle for investors on a no-load, wholesale basis.

Differentiation. The Fund will focus on real estate investments that maximize capital appreciation. These investments are unlike Real Estate Investment Trusts (REITs), which emphasize an income approach to a capital-intensive business. REITs (i) are subject to risks of the securities markets adding an element beyond the fundamentals of basic real estate risk and (ii) bear the burden of securities registration, public reporting and the costs associated with being a publicly traded company.

The Fund is also different from an opportunity fund. Besides the lack of access for most investors, opportunity funds are high-risk ventures, in which tremendous stress is placed on transactions in the pursuit of extremely high rates of return. Time is an important factor in the calculation of the applicable IRR for these ventures. A missed estimate or a slow-down in the marketplace of just six months - extremely short in real estate terms - can have a devastating affect on the rate of return. While the Fund will respect the importance of the overall return to its Nonmanaging Members, it will remain focused on managing real estate fundamentals using a balanced approach to risk and return.

No Fees. There are no fees of any kind charged to Nonmanaging Members by the Fund or to the Fund by the Managing Member. There are no organization fees, management fees, acquisition fees or disposition fees that are common to other investment vehicles. The total remuneration for the Operating Principals is derived from their salaries, which is subject to Advisory Board review, and their share of proceeds from the Fund s business. Any fees earned from the operation of the business will be included in the revenue of the Fund. The Fund, however, will be responsible for payment of its own expenses including sales expenses paid to third parties and will reimburse the Managing Member for any expenses advanced on its behalf.

Distributions. As favorable market conditions allow for the liquidation of the Fund, assets will be sold. After paying any Fund debts and expenses and retaining amounts permitted for reinvestment, as set forth above, distributions of the proceeds from the sale of an asset (other than on the sale of more than 95% of the Fund s assets) will be made:

- first, to the Nonmanaging Members to return their capital contributions invested in that asset;
- second, to the Nonmanaging Members until they receive a compounded annual return on their capital contributions invested in that asset and not repaid pursuant to the prior clause of eight (8%) (the Preferred Return);
- third, to the extent that amounts distributed to the Nonmanaging Members with respect to assets that were previously disposed of did not fully return the Nonmanaging Members capital contributions invested in those assets plus the Preferred Return thereon, to the Nonmanaging Members until they receive the amount of that shortfall;
- fourth, to the Managing Member to return its capital contributions invested in that asset plus any shortfall in such return with respect to assets previously disposed of; and
- thereafter, 70% to the Nonmanaging Members and 30% to the Managing Member.

Wholesale Investment Opportunity . There are no sales loads or markups of any kind being paid to the Managing Member related to an investment in the Fund. In effect, this makes the Fund a no-load investment. The only costs to the Fund are the actual costs to establish and operate the Fund. These costs will be budgeted annually and are subject to the approval of the Advisory Board. All investments in real estate are made at actual cost.

Alignment of Interests. Nonmanaging Members are investing with managers whose interests are aligned with each other:

- The Managing Member invests its own capital into the Fund, such capital will be returned on a *pari-passu* basis with the other Nonmanaging Members.
- There is no separate fee revenue of any kind that flows to the Managing Member.
- Investing is done on a wholesale basis.

The Managing Member s incentives are dependent upon the return of capital plus the Preferred Return with respect to each investment before any distribution is made to the Managing Member on an incentive basis.