ABC Opportunity Fund II, L.P.

Financial Report
December 31, 20XX

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Independent Auditor's Report

To the General Partner
ABC Opportunity Fund II, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of ABC Opportunity Fund II, L.P., which comprise the statement of assets, liabilities and partners' capital, including the schedule of investments, as of December 31, 20XX; the related statements of operations, changes in partners' capital, and cash flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Opportunity Fund II, L.P. as of December 31, 20XX, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Irvine, California
March 31, 20XX

ABC Opportunity Fund II, L.P.

Statement of Assets, Liabilities and Partners' Capital
December 31, 20XX

		20XX
Assets		
Investments, at fair value (cost $23,519,434)	$	30,254,118
Cash		1,155,496
Due from affiliates		114,600
Other assets		7,892
Total assets	$	31,532,106
Partners' Capital		
Due to affiliates	$	3,759
Partners' capital		31,528,347
Total partners' capital	$	31,532,106

See notes to the financial statements.

ABC Opportunity Fund II, L.P.

Schedule of Investments
December 31, 20XX

Investments	Location	Fair Value as a % of Partners' Capital		Cost		Fair Value
ABC Philadelphia, LLC	Philadelphia, PA	3.66%	$	1,057,894	$	1,152,763
ABC Los Angeles, LLC	Los Angeles, CA	7.87%		1,204,085		2,480,193
ABC Temecula Holdings, LLC	Temecula, CA	20.88%		5,467,319		6,583,740
ABC Austin, LLC	Austin, TX	27.52%		6,047,319		8,677,485
ABC New York Holdings I, LLC	New York, NY	36.03%		9,742,817		11,359,937
Investments		95.96%	$	23,519,434	$	30,254,118

See notes to the financial statements.

ABC Opportunity Fund II, L.P.

Statement of Operations
Year Ended December 31, 20XX

		20XX
Investment income:		
Interest income	$	11,087
Expenses:		
Management fees		954,638
Other expenses		35,027
Professional fees		33,176
Total expenses		1,022,841
Less management fees waived		(245,072)
Net expenses		777,769
Net investment loss		(766,682)
Realized and unrealized gains on investments:		
Net realized gain on investments		4,182,667
Net change in unrealized depreciation on investments		(1,584,122)
		2,598,545
Increase in net assets resulting from operations	$	1,831,863

See notes to the financial statements.

ABC Opportunity Fund II, L.P.

Statement of Changes in Partners' Capital
Year Ended December 31, 20XX

	General Partner	Limited Partners	Total
Balance, December 31, 20XX	$ 4,561,282	$ 37,091,101	$ 41,652,383
Capital contributions	(1,520,121)	(10,435,778)	(11,955,899)
Increase in net assets resulting from operations	59,646	1,772,217	1,831,863
Incentive allocation to General Partner (carried interest)	794,133	(794,133)	-
Balance, December 31, 20XX	$ 3,894,940	$ 27,633,407	$ 31,528,347

See notes to the financial statements.

ABC Opportunity Fund II, L.P.

Statement of Cash Flows
Year Ended December 31, 20XX

		20XX
Cash flows from operating activities:		
Increase in net assets resulting from operations	$	1,831,863
Adjustments to reconcile increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized gain on investments		(4,182,667)
Net change in unrealized depreciation on investments		1,584,122
Purchase of investments		(4,361,908)
Proceeds from sales of investments		14,168,273
Changes in:		
Due from affiliates		(88,763)
Other assets		(7,806)
Accrued expenses		(1,797)
Due to affiliates		(125,326)
Net cash provided by operating activities		8,815,991
Cash flows from financing activities:		
Distributions to partners		(11,955,899)
Net cash used in financing activities		(11,955,899)
Net decrease in cash		(3,139,908)
Cash:		
Beginning of year		4,295,404
End of year	$	1,155,496

See notes to the financial statements.

ABC Opportunity Fund II, L.P.

Notes to the Financial Statements
December 31, 20XX

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

ABC Opportunity Fund II, L.P. (the Fund), a Delaware Limited Partnership, was formed pursuant to and in accordance with the Delaware Revised Uniform Limited Partnership Act. The Fund was organized for the principal purposes of (a) investing in real estate assets of the kind and nature described in the Fund's confidential Private Placement Memorandum, (b) managing and supervising such investments, and (c) engaging in such other activities incidental or ancillary thereto as the General Partner deems necessary or advisable. The Fund's General Partner is ABC Realty Ventures II, LLC (the General Partner).

The Fund currently holds interests in limited liability companies that primarily invest in real estate in the western United States.

The Fund executed its Agreement of Limited Partnership (the Agreement) as of May 1, 20XX. Under the Agreement, the Fund shall continue until the fifth anniversary of the final closing date, or such earlier time as determined by the General Partner. The General Partner may also extend the term of the Fund for up to three additional one-year periods. During the year ended December 31, 20XX, the General Partner extended the life of the Fund to May 1, 20XX.

A summary of the Fund's significant accounting policies is as follows:

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). As provided by Accounting Standards Codification (ASC) 946, *Financial Services—Investment Companies*, the Fund has determined that it meets the definition of an investment company and therefore follows specialized accounting and reporting guidance for investment companies.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Fund maintains its cash balances in financial institutions located in the United States. These balances are insured by the Federal Deposit Insurance Corporation up to the federally insured limits. At December 31, 20XX, the Fund had amounts on deposit that exceeded the federally insured limits. The Fund has not experienced any losses with these balances and monitors the creditworthiness of the financial institutions in which it conducts business. The Fund believes it is not exposed to any significant credit risk on its cash balances.

Valuation of Investments

The Fund's investments represent ownership interests in pass-through investment vehicles that own real estate. The acquisition of real estate by a pass-through investment vehicle is typically financed by both contributions received from the Fund and bank financing made directly to the pass-through investment vehicle.

The reported fair value of these investments represents the estimated net asset value (NAV) of the Fund's equity ownership of the pass-through investment vehicle. The NAV at December 31, 20XX, is based on the estimated fair value of the real estate after the repayment of any liabilities, including bank financing, net of cash on hand at the pass-through investment vehicle. The inputs used to value the real estate are further described in Note 2.

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Investment Transactions
Purchases and sales of investments, and their related income and expenses, are recorded on a trade-date basis. Realized gains and losses from the sale of investments are calculated based upon the difference between the total sales proceeds and the cost basis. Changes in the fair value of investments, as determined by the General Partner through the application of the Fund's valuation policy, are included as an increase or decrease in unrealized appreciation or depreciation on investments in the statement of operations.

Syndication and Organization Costs
Syndication costs of $331,193 have been incurred in raising the Fund's capital and have been deducted from contributed capital. Costs incurred in organizing the Fund were expensed as incurred. No syndication costs were incurred during the year ended December 31, 20XX.

Income Distributions From Investments
Distributions received or receivable from pass-through investment vehicles are evaluated by the General Partner to determine if the distribution is income or a return of capital. Generally, income is not recorded unless the managing members or general partners of the investment vehicles have declared the distribution, there is cash available to make the distribution, and there are accumulated earnings in excess of the amount recorded as income. Distributions classified as a return of capital are a reduction in the cost basis of the investment.

Income Taxes
The Fund is generally not subject to federal income tax but may be subject to certain state taxes. Each partner is individually liable for taxes on their share of the Fund's income or loss. The Fund files U.S. federal and various state income tax returns. In the course of preparing the Fund's tax returns, the General Partner has reviewed the Fund's tax positions for the open tax years (current and prior three tax years) to determine if additional taxes would be due if such positions were examined and has concluded that there are no material uncertain income tax positions for which an expense and liability should be recorded.

On December 22, 2017, the president of the United States signed into law the Tax Cuts and Jobs Act (TCJA) tax reform legislation. This legislation makes significant changes to U.S. tax law, including numerous changes to individual tax rules, a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. Since the Fund is a pass-through entity, the passing of the TCJA will not impact the Fund.

Recently Adopted Accounting Pronouncement
For the year ended December 31, 20XX, the Fund adopted Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820)—Disclosure for Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)*. ASU 2015-07 removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV as a practical expedient.

Subsequent Events
The Fund has evaluated subsequent events for potential recognition and/or disclosure through March 31, 20XX, the date on which the financial statements were available to be issued.

2. Fair Value Measurements

As described in Note 1, the Fund records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the investment. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for investments categorized in Level 3. All of the Fund's investments are measured using NAV as a practical expedient. In accordance with ASC Subtopic 820-10, the Fund's investments are not included in the hierarchy above.

The estimated fair value of real estate-related assets is determined through market-based valuation techniques. These estimated fair values may vary significantly from the prices at which the real estate investments would actually sell, since market prices of real estate can only be determined via negotiation between a willing buyer and seller. Although the estimated fair values represent subjective estimates, management believes that these estimated fair values are reasonable approximations of market prices, and that the aggregate estimated values of investments in real estate are fairly presented as of December 31, 20XX.

Each investment held by the pass-through investment vehicles is analyzed by a Fair Value Committee made up of the General Partner's chief financial officer, vice president of finance and director of asset management to determine the most appropriate valuation. The valuation methodologies may include, but are not limited to:

- Recent third-party appraisals performed that may or may not be related to a refinancing.
- Third-party broker opinions of value (BOV). In order to be acceptable, a BOV must include an appropriate comparable sales valuation methodology and a summary of assumptions used in the valuation.
- For investments made at or near calendar year-end, investments will be held at cost unless there has been a material change in the business plan or other factors that could impact valuation.

2. Fair Value Measurements (Continued)

- Bona fide offers from willing third parties on sales initiated at or near calendar year-end.

- For investments where an appraisal or BOV is not available, the General Partner's internal underwriting group will assess value based on the original underwriting assumptions at the inception of the investment, updated for known changes in the property or the business plan and other factors such as comparable sales, cap rates, occupancy and performance to budget.

- The highest and best use of each particular investment is used to determine the ultimate fair value of each investment.

- Significant unobservable inputs used in the fair value measurements of investments in pass-through investment vehicles that own the real estate include net operating income and capitalization rates. Increases (decreases) in net operating income and/or lower (higher) capitalization rates can result in significant changes to the fair value measurement.

- For properties under construction at calendar year-end, value will be based on replacement cost, which represents the fair value of the land and the direct construction costs of the building.

Any other short-term liquid assets and liabilities of each investment vehicle (including outstanding debt) are included to determine the final fair value of each investment.

Because the Fund is under no compulsion to dispose of its investments in the investment vehicles, which are made with a view to a holding period of two years or more, the estimated values, as determined above, may not reflect amounts that could be realized upon immediate sale or amounts that ultimately may be realized. Because of the inherent uncertainty of the valuation, those estimated values may differ significantly from the values that would have been used had a ready market for those securities existed, and the differences could be material.

All of the Fund's investments in the pass-through investment vehicles are not able to be redeemed or transferred at any point by the Fund without the approval of the General Partner or managing member.

3. Partners' Capital

Committed capital is reconciled to total partners' capital at December 31, 20XX, as follows:

	General Partner	Limited Partners	Total
Committed, called and funded capital	$ 438,190	$ 44,544,718	$ 44,982,908
Deemed contributions	536,908	-	536,908
Cumulative interest earned on outstanding capital due from the General Partner	-	30,819	30,819
Syndication costs	(5,307)	(325,886)	(331,193)
Less distributions	(3,918,007)	(30,763,445)	(34,681,452)
Accumulated income	425,177	20,565,180	20,990,357
Incentive allocation to the General Partner (carried interest)	6,417,979	(6,417,979)	-
Total partners' capital	$ 3,894,940	$ 27,633,407	$ 31,528,347

3. Partners' Capital (Continued)

As of December 31, 20XX, the Limited Partners and General Partner have both funded 100 percent of their commitments called. The deemed contributions on behalf of the General Partner represent increases to the General Partner's capital account in lieu of payment of earned management fees payable to the General Partner. There were no additional deemed contributions for the year ended December 31, 20XX.

Items of the Fund's income, gain, loss, expense or deduction are allocated to the partners in such manner that the capital account of each partner is equal to the respective net amount, positive or negative, that would be distributed to such partner from the Fund if the Fund were to liquidate its assets and distribute the proceeds in liquidation under the terms of the Agreement.

After payment or provision for payment of all liabilities and obligations of the Fund, the remaining assets, if any, shall be distributed as follows:

- First, 100 percent to the partners pro rata according to their respective commitments until each partner has received distributions equal to such partner's aggregate capital contributions.

- Second, 100 percent to the partners pro rata until each partner has received distributions equal to such partner's aggregate capital contributions used to pay expenses of the Fund.

- Third, 100 percent to the partners until the cumulative amounts distributed to the partners equal the preferred return amount as defined by the Agreement.

- Fourth, 100 percent to the General Partner until the General Partner has received a percentage, depending on the level of the Limited Partners below, of all distributions paid to the Limited Partners as a Preferred Return, including all distributions paid pursuant to this section. The level of Limited Partners, including their respective General Partner percentage, is as follows:

	General Partner Percentage
Level I	30.0%
Level II	27.5%
Level III	25.0%
Major Investor	25.0%

- Thereafter, to the General Partner and Limited Partners, depending on the level of the partner, as follows:

	Limited Partners	General Partner
Level I	70.0%	30.0%
Level II	72.5%	27.5%
Level III	75.0%	25.0%
Major Investor	75.0%	25.0%

3. Partners' Capital (Continued)

As of December 31, 20XX, $6,417,979 of carried interest has been allocated to the General Partner, of which $794,133 relates to the year ended December 31, 20XX.

Pursuant to the Agreement, if the aggregate carried interest distributions made to the General Partner during the Fund's entire term exceed the excess of the aggregate allocations of profit made to the General Partner over the aggregate allocations of loss made to the General Partner during the Fund's entire term, the General Partner shall contribute cash to the Fund in an amount equal to such excess prior to the termination of the Fund and the final distribution of the Fund's assets, and such amounts shall be distributed to the Limited Partners. Notwithstanding the foregoing, the General Partner's payment obligation shall not exceed the aggregate carried interest distributions received by the General Partner. As of December 31, 20XX, the Fund had distributed $3,313,554 of carried interest to the General Partner, which is subject to clawback.

4. Management Fee and Affiliates

Management Fee

The Fund shall pay an affiliate of the General Partner an annual fee as compensation for managing the affairs of the Fund up to 2.00 percent of the aggregate contributed capital, as defined in the Agreement. The management fee is payable quarterly in advance until the final distribution of the Fund's assets.

Pursuant to the Agreement, management fees will be reduced by the sum of any excess organizational and fundraising expenses as defined in the Agreement, any directors' or officers' fees paid by a portfolio investment to the General Partner, and any deferred capital contribution on the part of the General Partner, up to 100 percent of the management fee then due and payable. Pursuant to the terms of the agreement, the manager may decide to waive, defer or adjust the management fee as to a Partner, and unilaterally amend the terms of the Agreement to reflect such change as determined by the General Partner in its sole discretion within the guidelines provided for in the Agreement. There were no excess organizational and fundraising expenses as of December 31, 20XX. The gross management fee for the year ended December 31, 20XX, was $954,638. In addition, the General Partner waived $245,072 in management fees, resulting in net management fees of $709,566 at December 31, 20XX.

Due To and From Affiliates

In the normal course of business, the Fund transacts with, or on behalf of, entities affiliated with the Fund or that have receivables or payables to affiliated entities of the General Partner. As of December 31, 20XX, amounts due from affiliated entities totaled $114,600. These amounts are generally received or paid over a short period of time. As of December 31, 20XX, amounts due to affiliates totaled $3,759.

5. Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of future obligation under these indemnifications to be remote.

6. Principal Risks

In the normal course of business, the Fund encounters economic risk, including interest rate risk, credit risk and market risk. Interest rate risk is the result of movements in the underlying variable component of mortgage financing rates. Credit risk is the risk of default on the Fund's real estate investments that result from an underlying tenant's inability or unwillingness to make contractually required rental payments. Market risk reflects changes in underlying real estate market fundamentals and the valuation of real estate investments held by the Fund.

Liquidity Risk
Through investments in investment vehicles, the Fund invests in real estate for which no liquid market exists. The market prices for such investments may be volatile and may not be readily ascertainable. As a result, amounts ultimately realized by the Fund from investments sold may differ from the fair values presented, and such differences could be material.

7. Financial Highlights

Financial highlights for the Fund for the year ended December 31, 20XX, were as follows:

Internal Rate of Return (IRR) (Limited Partners only):	
Cumulative IRR through December 31, 20XX	10.51%
Ratio to average Limited Partners' capital:	
Total expenses	2.12%
Incentive allocation to the General Partner (carried interest)	1.86%
Management fee waiver	(0.62%)
Net expenses and incentive allocation	3.36%
Net investment loss	(1.74%)

The IRR since inception was computed based on the actual dates of the cash inflows (cash contributions), outflows (cash distributions) and the ending Limited Partners' capital balance (residual value) as of each year-end, and is net of all incentives (carried interest) since inception of the Fund. These financial highlights may not be indicative of any single Limited Partner because they were calculated based on the Limited Partners' capital accounts as a whole. These financials highlights may not be indicative of the future performance of the Fund.

The total expense and net investment income ratios are computed based upon the Limited Partners' average capital balance as a whole for the year ended December 31, 20XX. The computation of such ratios was not based on the amount of income allocated or expenses assessed to an individual Partner's capital, which may vary from these ratios based upon the timing of capital transactions. The net investment loss ratio excludes the effect of any incentive allocation to the General Partner (carried interest).