

IC Ground Lease Fund

a portfolio of ground lease assets

Intersection Capital

GROUND LEASE FUND

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This summary, which contains brief, selected information pertaining to the anticipated business and affairs of the Fund, has been prepared by Intersection Capital Fund Manager, LLC to provide general information about the Fund. This is not an offer to sell, or a solicitation of an offer to buy securities, as such an offer or solicitation can only come through the offering's PPM. This material cannot, and does not, replace the PPM, and the PPM supersedes this material in all respects. This investment involves various degrees of risk, including the speculative market and financing risks associated with fluctuations in the real estate market including tax status, liquidity, and fees, expenses, and other risk factors. Please refer to the "Risk Factors" section of the PPM.

FUND SUMMARY

KEY INVESTMENT METRICS

PROJECTED YIELD OVER THE HOLD	9.6%
FUND SIZE	\$300M - 1,000M
MINIMUM INV. SIZE	\$10M
MANAGEMENT FEES	1% annual
ASSET CLASS	GROUND LEASE
TARGET INVESTMENT SIZE	\$3M -20M
PREFERRED RETURN	8%
TERM	5 YEARS

First close of the Fund is projected in 2011 Q2. The projected yield over the hold period is based on specific assumptions in the Private Placement Memorandum of the Fund (the "PPM") including the projected exit scenarios.

- The Manager, Intersection Capital Fund Manager, LLC, will manage the Fund portfolio on behalf of Investors during the hold period.
- Distributions from available cash flow will be made quarterly to the investors pursuant to terms of the PPM and the Limited Liability Company Agreement (the "LLC Agreement") of the Fund.



THE OPPORTUNITY

in 134 WORDS

A \$300M Fund of real estate ground leases with steady cash flow from high-quality tenants, providing security and income growth.

As investors peer into 2011, financial markets seem to be improving—but *they aren't doing so on their own*. Policy makers are using strong capital controls to push markets higher, manufacturing a second year of recovery from the financial crises.

At some point, likely soon, the government will likely stop stimulus in the market segments they think are healthy. As stimuli stop (and sometimes start again) **there may be unpredictable movement and volatility in the broader market.**

For investors seeking to avoid such volatility trades, the real estate ground lease is can be a relatively secure position in the real estate market.

Unlike equities, commodities or other real estate assets, the ground lease can provide tremendous security for investors—and a long term, stable source of revenue.

This summary explains how the Manager, Intersection Capital Ground Lease Fund, LLC, anticipates underwriting, acquiring and managing the assets of the Fund.

THE PROBLEM IN 2011: RISK AND VOLATILITY

After dragging the U.S. economy into a severe recession, property markets across the country now are relying on an economic recovery. They'll need the government to help with that because the housing sector is weighed down by a glut of unsold homes. And without job growth—there will continue to be a flow of delinquent loans and foreclosures.

For commercial real-estate investors, lackluster hiring means fewer new jobs to fill empty office space and less consumer confidence to drive activity in stores and distribution warehouses.

Many economists and money managers say they expect modest growth in the economy for 2011. They point to stocks which are at a two year high, commodities are rising and bond yields are still very low—all bolstering optimism.

But last year, analysts were similarly optimistic, only to be side-swiped by the European debt crisis, the flash crash

in the US stock market and a stalled economy. Some analysts fear that corporate and personal debt remains too high and there is the chance of further economic slow-down. So which is it? Slow down or modest growth?

INTERSECTION CAPITAL ground lease

A ground lease is an opportunity to acquire an asset with stable cash flow and tremendous downside protection.

And yet a third camp of money managers believes, at the same time, the Fed could overstimulate the economy. This could drive up prices

that are already rising. Bond yields could surge, driving up financing costs for companies and home buyers. And commodity prices could rise fast too (oil rose 15% in 2010, copper rose 33%)

Eventually there will be a cost to the \$600B stimulus effort. As the Fed takes the foot off the gas, it won't be smooth. Some markets will surge, and others will fall back.

Intersection Capital sees this volatility as an opportunity to acquire secure ground lease assets.

"We're bouncing along a bottom," said Ivy Zelman, chief executive of housing research firm Zelman & Associates. (source: *Wall Street Journal*)

The Federal Reserve is currently pumping money into the economy and is in a second round of so-called quantitative easing. (source: *Wall Street Journal*)

SOLUTION: SECURITY AND CASH FLOW

**The Fund will acquire only fee interest real estate on an all cash basis.
Each ground lease is structured to have considerable
collateral value above the ground**

In 2011, with markets mixed, a ground lease is an opportunity to acquire cash flow – along with downside protection. When structured in the way described in this document and the PPM, the ground lease can create a long-term, income producing investment vehicle which carries minimal downside risk for the investor.

And while ground lease structures tend to be simple—with few moving pieces – the long term nature of the trade means we have to carefully analyze and anticipate the basic ground lease issues. We have extensive experience doing this.

We have previously underwritten, acquired and sold more than \$115 million of ground lease assets, resulting in significant returns for our investment partners.

GROUND LEASE PRIMER

A long term ground lease with a high quality tenant is considered one of the most secure forms of real estate investment. This structure provides the ground lease owner a source of highly secure and long term cash flow.

A ground lease effectively splits a fee simple asset into two ownership interests: leased fee and leasehold. The “leased fee” interest maintains ownership in the land and then enters into a long-term lease with the tenant (typically 50–99 years with multiple extension options.) This structure is intended to enable the tenant to develop an income-producing asset, which is called “the Improvements,” on the site.

After the lease expires—or in the case of a default—ownership of the improvements, buildings and other structures revert to the land owner.

In the case of the Intersection Capital Ground Lease Fund, we will be in the position of the land owner, where we will benefit from the ground lease structure: in the event of a default by the tenant, we may recover an asset that is worth several times as much as we paid for it.

Although we enjoy the ownership of the ground, the tenant may also realize extraordinary benefits from ground lease.

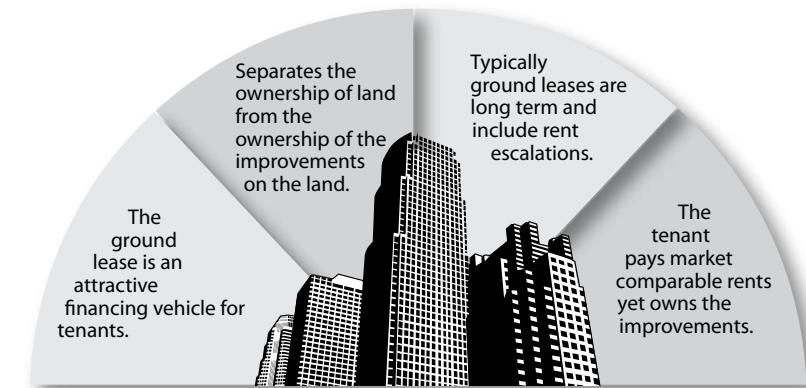
For example, the tenant may desire to use cash for business expansion rather than land ownership. In other cases, the investor of the tenant may obtain a higher investment yield with the ground lease structure.

A ground lease will usually involve the tenant constructing or maintaining buildings on the land, and these improvements are what give the land owner additional collateral in the case of a default.

In addition to this downside protection, the ground owner may benefit from the anticipated appreciation in the land after construction of the improvements. A ground lease arrangement with a sophisticated tenant can result in development of the land in such a way as to maximize its value. Additionally, a ground lease can provide its owner with a long term stream of rental income.

KEY ELEMENTS:

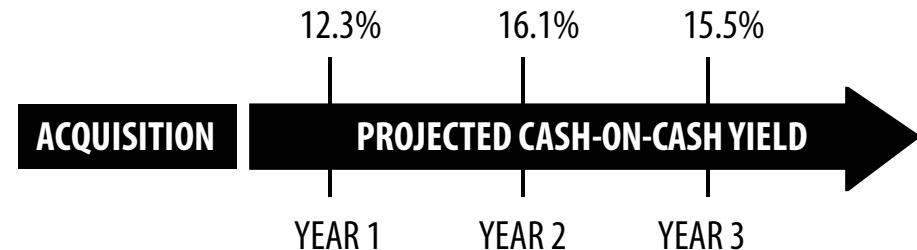
- ➔ Downside protection against tenant default
- ➔ Long term cash flow
- ➔ Upside potential as land value appreciates



GROUND LEASE BASICS AND INVESTMENT RATIONALE

Once developers move beyond the notion of ownership as an investment goal, and recognize the difficulty of securing traditional financing, alternatives such as ground leases become attractive financing vehicles. In its most basic form, a ground lease, or “land lease,” separates the ownership of land from the ownership of the improvements on the land. The landowner leases the land to the developer of the improvements, who pays rent for use of the land. Typically ground leases are long term and include rent escalations. The ground lease rental rate usually is a few percentage points above long-term permanent loan rates applied to the land value.

DISCUSSION OF GROUND LEASE CASH FLOW



For the year ending December 31, 2011

Based on the assumptions detailed in the PPM, the proforma estimates that the Fund will generate a first year yield to the investors of just over 6%. The anticipated net cash flow to the investors will be the gross rents received under the ground leases, less the total costs of the Fund. It is anticipated that the Fund will need to absorb the fund formation and offering costs in the first year. The Fund will be responsible for paying the annual Management Fee to the Manager totaling 1% of the value of the assets, as more fully described in the PPM.

As the Fund will be investing in absolute net ground leases, it is anticipated that the Fund will distribute all available cash flow to the investors quarterly. Amounts estimated to

be sufficient to Fund any unforeseen property management items will be reserved at the time of each acquisition. These funds will be used to provide any funds necessary for unforeseen costs of the Fund such as rent collection or re-letting in the case of vacancy.

It is further anticipated that the rents due under the ground leases will increase at a rate that exceeds the increases in the Management Fee. As a result, returns are estimated to increase each year through the hold period of the Fund. Based on the assumptions detailed in the PPM, the year 2 average yield is anticipated to be 6.09%, increasing to 6.21% in year 3, 6.34% in year 4, 6.46% in year 5, 6.59% in year 6 and 6.73% in year 7.

The estimated performance returns described in this memorandum are provided for illustrative purposes only. Actual performance returns in connection with the Fund may vary greatly from the estimated returns set forth herein.

FUND STRUCTURE

The Fund is expected to be a 5-7 year fund. The Target IRR is 6% in the first year of operation, after costs and fees and it is anticipated the Fund will pay an 8% cumulative non-compounded preferred return.



FUND STRATEGY

SECTOR	REAL ESTATE
ASSET CLASS	GROUND LEASE
MINIMUM FUND SIZE	300M
GEOGRAPHIC FOCUS	UNITED STATES
TARGET NUMBER OF INVESTMENTS	20-40
INVESTMENT FOCUS	STABILITY
TARGET EXIT STRATEGY	5-7 YEARS

The Fund size is projected to be approximately \$300M with a projected first close of \$60M in 2011.

Intersection Capital GROUND LEASE FUND, a Delaware LLC, provides investors ownership of membership interests in the Fund. When the Fund acquires a property, it will create a new LLC (or other appropriate entity) to take title to the real estate; the Fund will be the sole member of the title holder. The manager, Intersection Capital Fund Manager, LLC, is assigned asset management responsibilities under the LLC Agreement of the Fund and is responsible for quarterly distributions, quarterly reporting and managing the assets held by the Fund for the duration of the hold period.



FUND ECONOMICS

AVG. CASH ON CASH YIELD

PROJECTED YEARS 1-7

6.35%

Based on the assumptions detailed in the PPM, the proforma estimates that the Fund will generate a first year yield to the investors of just over 6%. It is anticipated that the only operating cost to the Fund will be the annual Management Fee to the Manager totaling 1% of the value of the assets, although the fund will incur costs associated with each acquisition, as further described in the PPM. However, the Manager will reserve the right to retain additional reserves upon acquisition or from cash flow as described in the PPM.

CASHFLOW PROJECTIONS

For the Year Ending	Year 1 Mar-12	Year 2 Mar-13	Year 3 Mar-14	Year 4 Mar-15	Year 5 Mar-16	Year 6 Mar-17	Year 7 Mar-18	Year 8 Mar-19
Acquisitions During Current Year	231,600,000	57,900,000	-	-	-	-	-	-
Total Acquisition Value	231,600,000	289,500,000	289,500,000	289,500,000	289,500,000	289,500,000	289,500,000	289,500,000
Total Value of Assets Under Management	231,600,000	294,132,000	298,242,900	304,207,758	310,291,913	316,497,751	322,827,706	329,284,261
Proforma NNN Lease Income	10,494,375	21,198,638	21,622,610	22,055,062	22,496,164	22,946,087	23,405,009	23,873,109
Management Fees - Advisor	1,447,500	2,923,950	2,982,429	3,042,078	3,102,919	3,164,978	3,228,277	3,292,843
Cash Flow Before Debt Service	9,046,875	18,274,688	18,640,181	19,012,985	19,393,245	19,781,109	20,176,732	20,580,266
Debt Service	-	-	-	-	-	-	-	-
Net Cash Flow to Owners	9,046,875	18,274,688	18,640,181	19,012,985	19,393,245	19,781,109	20,176,732	20,580,266
Annualized Cash on Cash as a % of total investment	6.03%	6.09%	6.21%	6.34%	6.46%	6.59%	6.73%	6.86%

The Financial Forecast presents, to the best of the Manager's knowledge and belief, the forecasted pre-tax cash flows for Years 1-7 for the Fund and are subject to the assumptions in the PPM. The assumptions disclosed therein are those that the Manager believes are significant to the Financial Forecast. There will be differences between the forecasted and actual results because the Fund has not yet identified or acquired any property and events and circumstances frequently do not occur as forecasted. Those differences may be material.

This Memorandum is qualified in its entirety by and should be read in conjunction with the PPM. Prospective Investors should carefully review the PPM, particularly the "Risk Factors," with their own independent legal, financial, tax and other advisors.

NO ASSURANCES CAN BE GIVEN THAT ANY OF THE ASSUMPTIONS IN THE FINANCIAL FORECAST WILL BE ACCURATE, THAT THEY WILL PROVE TO BE APPLICABLE TO AN INVESTOR, OR THAT THE FORECASTED RESULTS WILL BE ACHIEVED. IT IS THE RESPONSIBILITY OF THE INVESTORS AND THEIR ADVISORS TO REVIEW THE FINANCIAL FORECAST IN LIGHT OF THE ASSUMPTIONS AND TO ASCERTAIN THEIR REASONABLENESS.

UNDERWRITING: METHOD

Despite their simplicity and many advantages, ground lease transactions require a specialized set of underwriting methods and skills. Since ground leases are often created when property values are at one extreme or the other, valuation can be difficult. This is where experience counts.

On any given day, Intersection Capital is presented with opportunities to purchase ground leases from brokers, principals and funds. Yet we will pass on most—and will make acquisitions only when certain criteria are met.

First, we will typically require the tenant to have at least three times as much cash flow as the ground lease payment. That's a high bar—but an essential one—that will give us the security we require to move forward on any acquisition.

Next, we look for rent escalations that will provide a hedge against inflation on an annual basis.

Finally, we will look beyond the cash flow from the tenant, directly to the value of the ground. If we see a strong imputed value in the location, our third basic criteria will be met, and we will prepare to enter due diligence to acquire the asset.

Critical Ground Lease Provisions

lease term / rights
rent bumps / default rights

► SOURCING

WE WILL IDENTIFY individual ground leases that have an attractive current yield and positive tenant profiles.

► SCREEN

NEXT, WE WILL UNDERWRITE each lease using both in-house and 3rd party resources.

► ACQUIRE

THE FUND will select assets that are well secured by improvements – and have rent escalations.

► DISPOSITION

BY STAYING ACTIVE in the ground lease market, we will look for selling opportunities that may return capital and provide investors an 8% preferred return.

UNDERWRITING: PROCESS

INTERSECTION CAPITAL
GROUND LEASE FUND

VERIFY VALUE

→ We will not rely on the appraisal, or any single source to determine value of a ground lease. Here's how Intersection Capital will analyze an asset prior to acquisition:

1 | FOCUS ON BASICS

In our first screen, we will look at tenant strength, term of lease and structure of the ground lease. This helps us get a baseline understanding of the market and the asset.

2 | GROUND VALUE

Next, we will find a broker, agent or analyst that understands the nuances of the market we are in. Several hours of conversation may take place between us and the local agent. In many markets we have pre-existing relationships.

3 | SITE VISIT

A member from the Intersection Capital team will make a physical inspection of the property and build the case file with a first-hand evaluation of the asset and the market. In many cases the site inspection will include the Real Estate Agent.

4 | TENANT QUALITY

We will conduct a complete underwriting review of the tenant's financial condition. If we don't have expertise in the tenant's business, we'll bring in a 3rd party expert in a supporting role.

5 | 3RD PARTY REVIEW

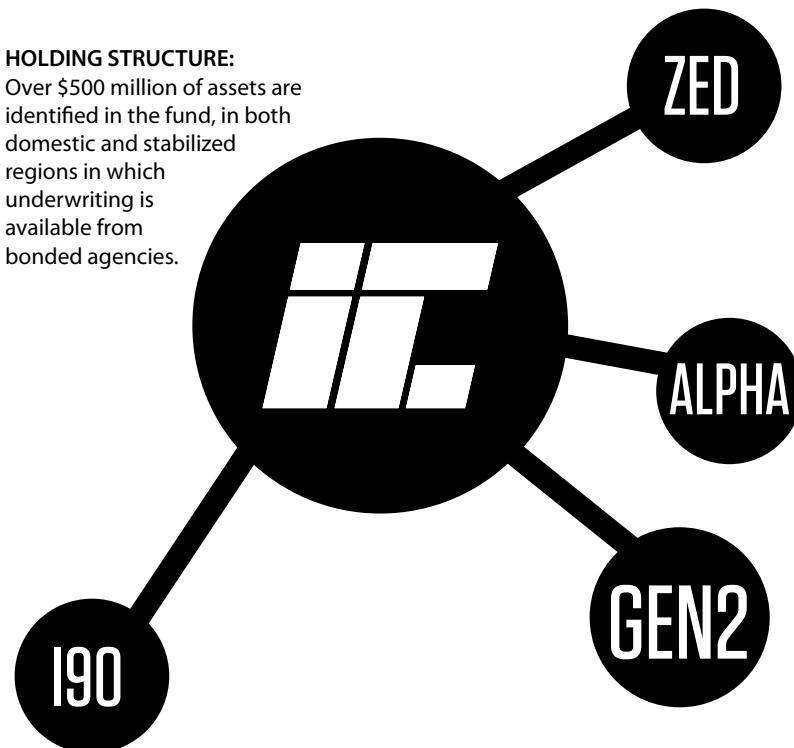
As part of due diligence, we'll order an appraisal, property condition report and phase I environmental. If we find exceptions, we continue to work with our 3rd parties until all issues are resolved.

6 | LEGAL REVIEW

We believe that the commercial terms of the deal must be negotiated by the business people. But eventually, if the acquisition is to proceed, we reach the point where legal must be consulted. We typically retain Jenner & Block, a large, nationally respected law firm with whom we have a long track record of successful transactions.

HOLDING STRUCTURE:

Over \$500 million of assets are identified in the fund, in both domestic and stabilized regions in which underwriting is available from bonded agencies.



UNDERWRITING SCREENS

We will seek to carefully acquire assets with the same basic underwriting screens: cash flow that is typically three times the ground lease payment, leases with annual rent escalations and a good location in the path of growth that is likely to experience appreciation. During the hold period, we will manage assets while at the same time seek to find the highest value exit strategy. Our focus will be on acquiring individual assets, rather than portfolios. We will guide the assets through the hold period, and we will make our return alongside the investor based on successful exits.

OUR TEAM

WE KNOW GROUND LEASES. WE'VE FORMED THEM, INVESTED IN THEM, and advised them. So we understand the difficulty of both investing for downside protection, and looking to maximize returns as well.

Oren Klaff

Director of Capital Markets

Mr. Klaff is responsible for management of the selling group for the Manager. Prior to joining Intersection Capital Holdings and the Manager, Mr. Klaff worked for over eight years in private equity. Mr. Klaff has a successful track record in closing equity investments, strategic partnerships and licensing agreements in addition to a background in financial modeling. Mr. Klaff has participated in the syndication of \$100.5 million of real estate in the tenant-in-common industry.

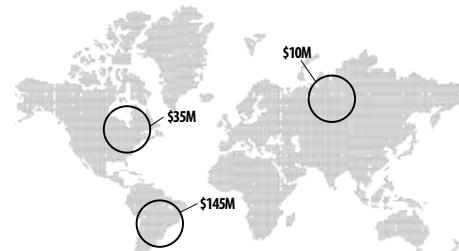
John Smyth

Director of Acquisitions

Mr. Smyth is responsible for all due diligence associated with the acquisition and disposition of the Real Estate. Prior to joining Intersection Capital Holdings and the Manager, he was the manager of contract administration for Capital Holdings helped acquire over \$800,000,000 of properties and disposed of more than \$400,000,000. He has 15 years experience in reviewing and analyzing property due diligence.

SIGNED AND EXECUTED CONTRACTS

MINIMUM GUARANTEED CONTRACT REVENUES | Cumulative Committed Contract Amounts:
2010 - 2011



Product release date: March 2011



THE FUND is achieving market penetration in areas where ground lease is a well understood vehicle for downside protection. These include Hawaii, some regions of the eastern United States, and the pacific southwest.





introducing the **Intersection Capital Lease Fund**
a portfolio of ground lease assets

2011