Confidential

TAX AND REGULATORY APPENDIX TO

Offering Memorandum For

GREEN D VENTURES

EACH GREEN D VENTURES FUND
(COLLECTIVELY, THE "GREEN D VENTURES FUNDS" OR "FUND FAMILY")
IS A SERIES OF

ALUMNI VENTURES GROUP FUNDS, LLC

This appendix (the **"Tax and Regulatory Appendix"** or this **"Appendix"**) is incorporated by reference and made part of the offering memorandum (the **"Memorandum"**) of the series in which an investment is being considered (the **"Fund"**), which must be read together with this Appendix. All defined terms not defined in this Appendix are as defined in the Memorandum, and references in this Appendix to "this Memorandum" are to the Memorandum and this Appendix together.

Each Fund in the Fund Family has materially different portfolio holdings, risk-reward profiles, investors, investment performance, and, in some cases, terms from each other Fund in the Fund Family. An investor should not expect that the investment performance of one Fund will be similar to that of another.

FOR USE WITH SERIES OFFERED AFTER JANUARY 1, 2021

CERTAIN REGULATORY CONSIDERATIONS

The Investment Company Act. The Fund intends to limit the number of beneficial owners of Units and, if applicable, the number of aggregate Capital Contributions and uncalled committed capital, or intends to permit only "qualified purchasers" to acquire Units, so that it will not be subject to the registration requirements of the Investment Company Act pursuant to Investment Company Act Section 3(c)(1) or 3(c)(7). Any prospective Member that acquires 10% or more of the Fund's total Units, or that is formed for the purpose of investing in the Fund, will be required to furnish supplemental information to the Manager to enable the Fund's counsel to review compliance by the Fund with the Investment Company Act.

The Investment Advisers Act. The Manager is not registered as an investment adviser under the Advisers Act as it is eligible for an exemption as the investment adviser solely to Venture Capital Funds and investors in the Fund will generally not be entitled to the benefits of the Advisers Act. The Manager may, but does not currently undertake to, register in the future. The Manager is accountable to the Fund as fiduciary under the Advisers Act and, consequently, is required to exercise good faith and integrity in all their dealings with respect to Fund affairs. In addition, the Manager has a fiduciary responsibility for the safekeeping and use of all funds and assets of the Fund.

Exempt Investment Adviser. The Manager is not registered as an investment adviser under the Massachusetts Uniform Securities Act in reliance on 950 CMR 12.205(2)(c), "Registration Exemption for Certain Private Fund Advisers," as an adviser solely of venture capital funds. Similarly, the Manager is not registered as an investment adviser under the New Hampshire Uniform Securities Act in reliance upon applicable New Hampshire Bureau of Securities Regulation Interpretive Order dated May 12, 2017 as an adviser solely to venture capital funds.

The Securities Act. The Units are being offered without registration under the Securities Act by reason of the exemption from the registration requirements set forth in Rule 506(c) of Regulation D and Section 4(a)(2) of the Securities Act. The Manager will generally solicit and advertise the Units by means of its website, social media, and advertising channels. The Fund and the Manager have controls in place that are designed to ensure that in so offering the Fund, the specific conditions of Rule 506(c) are fully complied with. Specifically, the Units will only be sold to investors that the Manager and/or the Fund verify are accredited investors. The Units will be "restricted securities" under Rule 144 of the Securities Act, and as such the Units cannot be resold in the United States except as permitted under the Securities Act, pursuant to registration thereunder, or exemption therefrom. Certain restrictions set forth in the Operating Agreement preclude the Members from reselling Units without the Manager's consent.

Anti-Money Laundering Controls. The Manager may require a detailed verification of a prospective investor's identity, any beneficial owner thereof, and the source of the capital contributed to the Fund. The Manager reserves the right to request such information as is necessary to verify the identity of a prospective investor in the Fund and any beneficial owner thereof. In the event of delay or failure by a prospective investor to produce any information required for verification purposes, the Manager may refuse to accept a subscription. The Manager, by written notice to any Member, may suspend the right of a Member to receive distributions from the Fund if the Manager reasonably deems it necessary to do so to comply with anti-money laundering

regulations applicable to the Fund, the Manager, or any member or affiliate thereof. Each prospective investor and Member is required to make such representations to the Fund as it and the Manager require in connection with such anti-money laundering programs.

ERISA and IRA Considerations. The Manager may conduct the operations of the Fund so that the assets of the Fund will, or will not, be considered "plan assets" of Members that are Benefit Plan Investors. "Benefit Plan Investors" refers to employee benefit plans that are subject to the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**), plans that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (**"Code"**) (including individual retirement accounts ("**IRAs**")) and entities that hold "plan assets" of any of the foregoing. If the Fund is deemed to hold "plan assets" then (i) for Members that are Benefit Plan Investors subject to ERISA, ERISA's fiduciary standards would apply to the Fund and might adversely affect the Fund's operations and (ii) certain transactions with the Fund could be deemed a transaction with each Benefit Plan Investor and may cause those transactions to constitute prohibited transactions under ERISA or Section 4975 of the Code. The Manager may restrict the acquisition and transfers of Units in the Fund to ensure that the ownership interest of Benefit Plan Investors does not become "significant." These restrictions could delay or preclude a Member's ability to transfer its Units, and Units held by Benefit Plan Investors may be subject to mandatory withdrawal. See *"ERISA and Tax-Exempt Investors"* below.

Liability; Indemnification. As described in the Operating Agreement, neither the Manager, nor its affiliates or the members of the Investment Committee will have any liability to the Fund, and will be held harmless by the Fund for losses suffered or incurred by the Fund in connection with any act or omission by the Manager or its affiliates or the Investment Committee, provided the act or omission does not involve gross negligence or willful violation of law. Notwithstanding any of the foregoing to the contrary, this discussion shall not be construed so as to relieve (or attempt to relieve) any party of any liability to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law.

As is further described in the Operating Agreement, to the extent permitted by law, the Fund will indemnify the Manager and its affiliates and members of the Investment Committee against liability and related expenses (including attorneys' fees) incurred in connection with the Fund, provided that the conduct of the Manager, its affiliates or the Investment Committee member is consistent with the standard previously described. A successful claim for such indemnification would deplete Fund assets by the amount paid.

TO THE EXTENT INDEMNIFICATION PROVISIONS PURPORT TO INCLUDE INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT, IT IS THE POSITION OF THE SEC THAT SUCH INDEMNIFICATION IS AGAINST PUBLIC POLICY AND UNENFORCEABLE. Accordingly, the Manager and its affiliates will not be indemnified against liabilities arising out of violations of federal or state securities laws associated with the offer and sale of the Units. However, indemnification may be allowed for settlements and related expenses of lawsuits alleging violations of securities laws and for attorneys' fees and costs regarding the successful defense of any such action, provided a court approves such settlement and finds that indemnification of the settlement and related costs should be made, or approves indemnification of litigation costs if a successful defense is made, in each case after

being apprised of the positions of applicable state securities administrators and the SEC with respect to indemnification for securities laws violations.

As described in the Operating Agreement, the Manager and its affiliates shall at all times be free to engage generally in strategies similar to the Fund's investment strategy for other entities or for their own account, without any obligation to include the Fund or any investor in such activity. These activities may be in direct competition with the Fund.

THIS MEMORANDUM DOES NOT ADDRESS ALL OF THE INCOME TAX AND ERISA CONSEQUENCES OF AN INVESTMENT IN THE FUND AND DOES NOT CONSTITUTE (AND SHOULD NOT BE CONSTRUED AS) LEGAL ADVICE OR A LEGAL OPINION. PROSPECTIVE INVESTORS WHO ARE SUBJECT TO ERISA OR WHO ARE TAX-EXEMPT ARE URGED TO CONSULT WITH THEIR OWN LEGAL AND TAX COUNSEL WITH RESPECT TO ANY INVESTMENT IN THE FUND.

FEDERAL INCOME TAX CONSIDERATIONS

General

In this section of the Memorandum, some of the more important federal income tax considerations of acquiring and holding Units in the Fund are described. No information regarding state and local taxes is provided. The following discussion is only a summary and is limited to those areas of federal income tax law that are considered to be most important to individual investors holding Units. Although the Fund will furnish prospective investors with such information regarding the Fund as is required for income tax reporting purposes, each Member will be responsible for preparing and filing its own tax returns.

The following summary of the tax aspects is based on the Code, on existing Treasury Department regulations (**"Regulations"**), and on administrative rulings and judicial decisions interpreting the Code. The summary generally assumes that the investor is an individual and is a United States citizen or resident.

No rulings have been requested from the IRS with respect to the matters discussed in this section, and the Fund does not intend to obtain any such rulings.

THE DISCUSSION BELOW CANNOT BE RELIED UPON TO AVOID ANY PENALTIES THAT MAY BE PROPOSED BY THE IRS. THERE IS NO ASSURANCE THAT THE IRS MAY NOT SUCCESSFULLY CHALLENGE THE ANTICIPATED FEDERAL INCOME TAX TREATMENT OF SOME OR ALL ITEMS AS DISCUSSED HEREIN.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THEIR INDIVIDUAL CIRCUMSTANCES (ESPECIALLY IF THE PROSPECTIVE INVESTOR IS NOT AN INDIVIDUAL) AND THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES ARISING OUT OF THEIR PARTICIPATION AS A UNIT HOLDER IN THE FUND. IN EVALUATING THE INVESTMENT, A PROSPECTIVE INVESTOR SHOULD TAKE INTO ACCOUNT THE COST OF OBTAINING SUCH ADVICE.

Series Tax Treatment

Based upon proposed regulations issued by the Internal Revenue Service, for federal income tax purposes, the Manager intends to treat the Fund as a separate entity from the other series of AVG Funds. IRS Proposed Regulation Section 301.7701(a)(5) provides that a State statute creating a "series" where the assets are segregated from other "series" of the same LLC will be treated as a separate legal entity for federal income tax purposes. The exceptions to this general rule do not apply to the Fund.

Classification of the Fund

An entity classified as a "partnership" for federal income tax purposes generally incurs no federal income tax liability. Instead, each partner of the partnership is required to take into account an allocable share of the entity's net income or loss and an allocable share of certain specially characterized items (*e.g.,* capital gains and losses) in computing the partner's income tax liability. Distributions by a partnership to a partner generally are not taxable unless the distributions exceed the partner's adjusted basis in his partnership interest.

Per the Regulations, a domestic unincorporated organization, such as a limited liability company, with two or more equity owners, will be treated as a partnership for federal income tax purposes absent an affirmative election to be taxed as a corporation. The Fund will not make any election to the contrary and expects to be classified as a partnership under the Regulations. The Fund will not request a ruling from the IRS regarding its status for federal income tax purposes and there is no assurance that the IRS will not challenge such classification.

If the Fund were to be classified as a corporation for federal income tax purposes, Members would be treated as shareholders of a corporation, with the result, among other things, that: (i) items of income, gain, loss, deduction and credit of the Fund would not flow through to Members for reporting on their individual federal income tax returns; (ii) cash distributions, if any, would be treated as distributions from a corporation and possibly as taxable dividends; and (iii) the taxable income of the Fund would be subject to the federal income tax on corporations (thereby reducing cash available for distributions).

The discussion that follows is based on the assumption that the Fund will be classified as a partnership for federal income tax purposes.

Taxation of Limited Liability Company Membership

General. No federal income tax is generally paid by a limited liability company classified as a partnership. Instead, each member is required to report on his income tax return his distributive share of a limited liability company's income, gain, loss, deduction or credit (and items of tax preference), regardless of whether any actual distribution is made to that partner during his taxable year. Consequently, a partner's share of a limited liability company's taxable income may exceed the cash, if any, actually distributed to that partner. Conversely, actual (or constructive) distributions of money from a limited liability company will be taxable only to the extent that such distributions exceed the adjusted basis of the partner's interest in the limited liability company, regardless of whether the Fund has current income. The characterization of an item of income or loss generally will be the same for the members as it is for the limited liability company.

Allocations of Income and Losses. Member's distributive share of items of income, gain, loss, deduction or credit will be determined in accordance with the allocations set forth in the Operating Agreement as long as such allocations are respected for federal income tax purposes. The IRS will respect the allocation provisions in the Operating Agreement only if they are considered to have "substantial economic effect" or are in accordance with the members' "interest in the partnership." There is no assurance that the IRS will agree with the allocation provisions set forth in the Operating Agreement. However, the Manager does not expect that any reasonable adjustments which may be required by the IRS would substantially increase the income allocable to the Members.

Cash Distributions. Under Code section 731, cash distributions by the Fund to a Member will not result in taxable gain to that holder unless the distributions exceed the holder's adjusted basis for his Units, in which case the holder will recognize gain in the amount of such excess. Gain, if any, resulting from cash distributions will be treated as a gain from the sale or exchange of his interest in the Fund. *See* "Federal Income Tax Considerations – Sale or Other Disposition of Units" below.

Distributions of Securities. Code section 731(c) generally treats marketable securities as money (in an amount equal to their fair market value) for purposes of determining the amount of gain recognized on distribution of Securities from the Fund to the Members. Accordingly, unless the distribution is one that falls within one of the exceptions to the general rule, a Member will recognize gain to the extent the Member receives marketable securities, the fair value of which, together with the amount of any money distributed, exceeds the basis of the Member's interest in the Fund immediately before the distribution.

Code section 731(c) is inapplicable if (1) the distributed Securities were not actively traded on the date acquired by the Fund and the entity to which the Securities relate had no outstanding actively traded securities on that date, (2) the Securities were held by the Fund for at least six months before they became actively traded, and (3) the Securities were distributed within five years of the date upon which they became actively traded. In addition, Code section 731(c) will be inapplicable to a distribution of marketable securities from an investment partnership to an eligible partner. Code section 731(c)(3)(A)(iii) defines an eligible partner as one who contributed only investment assets to the partnership. An investment partnership is a partnership that has never been engaged in a trade or business and substantially all of whose assets consists of specified investment type assets.

Tax Basis of Units

A Member's basis for its interest initially will be equal to the amount of cash contributions to the Fund. Subsequently, a Member must adjust its basis to reflect certain Fund transactions. Member's basis will be increased by: (a) any additional capital actually paid to the Fund by that holder; (b) that holder's distributive share of the Fund's income; and (c) that holder's share of any Fund nonrecourse debt, but such increase will be limited to the fair market value of the property securing such indebtedness. Member's basis will be decreased, but not below zero, by: (a) the amount of that holder's distributive share of items of Fund loss and deduction; (b) the amount of any money distributed, or constructively distributed (e.g., a reduction in the amount of nonrecourse

debt allocated to a Member due to payment of all or a portion of such nonrecourse debt), to that holder; and (c) the adjusted basis of property other than money distributed to that holder.

Taxation of Transactions in Securities

Sale of Fund Investments. The treatment of any gain or loss on the sale, exchange or other disposition of the Fund's Securities will be dependent upon all of the facts and circumstances existing at the time of disposition, although such gain or loss generally should result in capital gain or loss to the Fund. Capital losses of individuals in excess of $3,000 are deductible only against capital gains, although the excess capital losses may be carried forward indefinitely.

Original Issue Discount. The Fund may acquire investments that are debt instruments issued with original issue discount (**"OID"**) for federal income tax purposes. Generally, OID equals the difference between the principal amount of an instrument (or, in case of an instrument in which fixed interest payments are not periodically made, the aggregate amount of all payments regardless of how denominated) and its issue price. Holders of an instrument issued with OID must include OID in gross income for federal income tax purposes as it accrues, in accordance with a constant interest method based upon a compounding of interest, which may result in the recognition of income in advance of the receipt of the payments attributable thereto. Consequently, a Member in the Fund may have to report taxable income without receiving any associated distributions of cash.

Holding of Securities. While not anticipated, in the event any Portfolio Company that is a corporation pays dividends with respect to Securities held by the Fund, the dividends will be subject to taxation at the then current rate of taxation of such dividends. For Portfolio Companies that are pass-through entities, such as limited partnerships or limited liability companies, the Fund will receive a distributive share of such Portfolio Company's income and losses, which is anticipated to be primarily ordinary income or losses. Any losses allocated to the Fund and re-allocated to Members may be subject to limitations on deductibility by a Member under the passive activity loss limitation rules. Any income allocated to the Fund and re-allocated to Members may be "unrelated business taxable income" with respect to Members that are tax-exempt entities.

Limitation on Deductibility of Management Fee

The Management Fee paid to the Manager under the Operating Agreement is generally not deductible by individuals through 2025.

Deductibility of Organization and Syndication Costs

Expenses of organizing the Fund and of promoting the sale of Units must be capitalized by the Fund. The Fund, however, may elect to deduct a limited amount of certain organizational expenses (but not syndication expenses such as sales commissions, professional fees for preparing a placement memorandum and printing costs) and amortize the remaining organizational expenses over a period of 180 or more months.

Under Code section 709(a), expenses paid in connection with the syndication of a partnership must be capitalized without the benefit of amortization. Per Regulations under section 709(a), included within the definition of syndication expenses are legal fees of the issuer for

securities law advice and for tax advice pertaining to the adequacy of tax disclosures in the placement memorandum and accounting fees for the preparation of representations to be included in the offering materials.

Sale or Other Disposition of Units

Sale of a Unit. Gain from the sale of a Unit generally should be treated as capital gain and taxed at the applicable capital gains rates that vary depending on whether the Unit has been held for more than 12 months prior to sale. Any loss realized by a holder on the sale of a Unit should generally be treated as a capital loss. However, gain or loss will be separately computed and taxed as ordinary income or loss to the extent the gain or loss is attributable to "Section 751 Assets." Section 751 Assets include unrealized receivables, which presumably would include dividend income earned but not received by the Fund at the time of the sale of a Unit. Accordingly, it is likely that some of the gain attributable to the sale of a Unit could be characterized as ordinary. The amount of gain realized on the sale of a Unit will be the sales price received by the holder, plus that holder's allocable share of Fund nonrecourse debt relieved, if any, less the adjusted basis of the Unit in the holder's hands.

While it is not anticipated, it is possible that the taxable income resulting from the sale of a Unit could exceed the cash received from this sale. If the taxable income is significant, the income taxes resulting from such income could exceed the cash received on the sale.

In the event of a sale or other transfer of a Unit, the distributive share of income, gain, loss, deduction or credit for the entire year allocable to such a Unit generally will be allocated between the transferor and the transferee, based upon the period of time during the taxable year that each owned the Unit sold, notwithstanding the timing or amounts of any distributions. Gain or loss from the extraordinary sale of Fund property, however, will be only allocated to those persons that are Members on the date of sale.

Gift of a Unit. Generally, no gain or loss is recognized for income tax purposes as a result of a gift of property. If a gift of a Unit is made at a time when the holder's allocable share of the Fund's indebtedness exceeds the adjusted basis of the Unit in the holder's hands, however, that holder may realize gain for income tax purposes to the extent of such excess. Such gain generally should be treated as capital gain, except to the extent it is attributable to Section 751 Assets, which generally will be treated as ordinary income. Gifts of Units also may be subject to a gift tax.

Code Section 754 Election. A partnership is permitted to make an election under Code Section 754, which results in various items of the partnership's income, gain, loss, deduction and credit being treated differently for tax purposes than for accounting purposes. Under that election, the Code provides for adjustments to the basis of the partnership's property for measuring gain upon distributions of partnership property and transfers of any partnership interests. The general effect of such an election is that transferees of any Units are treated, for purposes of computing depreciation and gain, as though they had acquired a direct interest in the Fund assets and the Fund is treated for such purposes, upon certain distributions to partners, as though the Fund had acquired a new cost basis for such assets. Any such election, once made, cannot be revoked without the IRS's consent.

In view of the inherent tax accounting complexities and the substantial expense that would result in making a Code section 754 election, the Fund does not intend at present to make such an election, although the Operating Agreement empowers it to do so. Accordingly, no benefits may be available to the Members by reason of such adjustments.

Liquidation or Termination of the Fund

Upon liquidation of a partnership, any gain or loss recognized from a distribution to its partners generally will be considered as gain or loss from the sale or exchange of a capital asset. Gain to a partner on the distribution will be recognized to the extent that any money received, together with any reduction in such partner's share of the partnership debt, exceeds such partner's adjusted basis in his interest. A loss will not be recognized unless the partner receives no property in the distribution other than money, unrealized receivables or appreciated inventory, and then only to the extent that the money and the basis to the partner of the unrealized receivables and appreciated inventory are less than the adjusted basis of the interest in the partner's hands.

Risk of Audit and Disallowance of Deductions

Informational returns filed by the Fund are subject to audit by the IRS. An audit of the Fund's returns may lead to adjustments, in which event the Members may be required to file amended personal federal and state income tax returns. In addition, any such audit may lead to an audit of a Member's individual tax return, which may result in adjustments to income and expense items other than those relating to investment in the Fund. Under certain circumstances the "partnership representative" of the Fund can enter into settlement agreements with the IRS concerning Fund audits that would be binding upon all Members, and may make any related election with the IRS in its discretion.

The IRS may contest the treatment of items of income, expense or amortization as reported by the Fund that could result in the unexpected allocation of taxable income or disallowance of expenses, deductions or losses allocated to the Members. Such allocations of income or disallowances of deductions could result in additional taxes due, which could result in Members also being charged interest on the tax deficiency at the generally prevailing prime rate on such additional amounts from the time the additional tax was originally due until such additional tax is paid, and might result in imposition of penalties.

There is the further risk that even if some deductions are not disallowed entirely, a different tax treatment may be given various items other than as reported in the information returns of the Fund.

Changes in Federal Tax Laws

The Code is subject to further change by Congress, and interpretations of the Code may be modified or affected by judicial decisions, by the Treasury Department through changes in Regulations and by the IRS through its audit policy, announcements and published and private rulings. Significant tax law changes affecting the Fund may be enacted by Congress. Although significant changes historically have been given prospective application, no assurance can be given that any changes made in the tax law affecting an investment in the Fund would be limited to prospective effect. Accordingly, the ultimate effect on a Member's tax situation may be governed

by laws, regulations or interpretations of laws or regulations that have not yet been proposed, passed or made, as the case may be.

State and Local Taxes

Depending upon applicable state and local laws, deductions that are available to the investors for federal income tax purposes may not be available to an investor for state or local tax purposes. In addition, certain states may impose a minimum income tax on items of preference. Prospective investors are urged to consult with their own tax advisors with respect to state and local taxation.

Certain Income Tax Risk Considerations

General Tax Considerations. The Fund and Members are subject to current tax laws and further changes in the tax laws that may result through future legislative action, judicial decisions, or administrative interpretations. Numerous changes in the federal tax law have increased the tax risks associated with an investment in the Fund. The Fund is not expected to generate deductions to Members that could be used to offset income from other sources.

A discussion of certain United States federal income tax consequences of holding Units is provided herein. This discussion is provided solely to describe the anticipated United States federal income tax consequences.

THE DISCUSSION OF CERTAIN TAX CONSEQUENCES IS ONLY FOR INFORMATIONAL PURPOSES AND PROVIDED IN CONNECTION WITH THE OFFERING OF UNITS AND CANNOT BE RELIED UPON TO AVOID PENALTIES THAT MAY BE PROPOSED BY THE IRS. THERE CAN BE NO ASSURANCE THAT THE INTENDED TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND WILL BE ACHIEVED. PERSONS HOLDING UNITS SHOULD SEEK INDEPENDENT TAX ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES.

No Internal Revenue Service Rulings. The Fund has not obtained and does not intend to seek a ruling from the IRS as to the Fund's status as a "partnership" for federal income tax purposes, that the method of allocation of income and expenses as specified in the Operating Agreement will be respected or as to any other tax consequences of the Fund's intended operations. Thus, positions taken by the Fund as to tax consequences could differ from positions ultimately taken by the IRS in auditing Fund tax returns or otherwise. There is no assurance that the intended tax consequences of an investment in the Fund will be achieved.

Partnership Status. Economic benefits anticipated to be derived from holding Units in the Fund depend to a significant degree on the Fund being treated as a partnership for federal income tax purposes. There can be no absolute assurance of the Fund's tax status because no ruling from the IRS with respect to such status has been requested and obtained.

If the Fund were to be classified as an association taxable as a corporation, the after-tax investment return to the Members in all likelihood would be reduced. In that event, only the Fund, and not the Members, would be entitled to deductions for expenses. The Fund would be taxed on its income, and the Members would be taxed on distributions from the Fund as dividends.

Allocations of Income and Losses. The Operating Agreement provides for allocations of items of income and losses. The allocations are intended to reflect the economic arrangement of the Members, and should be respected by the IRS under current tax law. However, no assurance can be given that the specific allocations will not be challenged by the IRS or held to be invalid by a court. If special allocations made with respect to the Fund, if any, are not respected, the income and expenses of the Fund allocated to Members will be determined in accordance with all of the Members' interests in the Fund, taking into account all facts and circumstances.

Income and Distributions. Each Member will be required to report and will be taxed on the Member's share of Fund income, regardless of whether any cash distribution is made to the Member. Income allocated and distributions made to Members may not be equal in any calendar year. The Fund may make distributions to the Managers and the Members to pay tax obligations arising from the allocation of Fund income to them; however, the Fund is not obligated to do so. Further, the Fund may not have sufficient cash available for distribution in order to make distributions for payment of tax obligations at the time such obligations arise. Accordingly, the inability of the Fund to make distributions of cash could result in the Members having taxable income, and possibly income tax obligations, in excess of the actual cash distribution for any given year. To the extent that the Fund purchases Securities that are structured as pass-through entities, the Fund may receive allocations of taxable income with respect to such Securities without receiving a corresponding distribution of cash with respect to such Securities. In such a case, the Fund will have income in excess of cash available for distribution to the Members, and the Members consequently will be subject to income tax liability payable out of their personal funds. This is known as "phantom income," meaning a tax must be paid on the allocation to each Member of income without the Member receiving any cash from the Fund to pay the tax. No person should purchase Units unless such person can afford to pay tax on any phantom income from sources other than distributions from the Fund.

ERISA and Tax-Exempt Investor Risks. Under ERISA, certain trustees and other parties in interest of ERISA plans are subject to special standards. Certain other tax-exempt investors, such as IRAs, are also subject to special rules that may affect their status and exemption from taxation. See *"ERISA and Tax-Exempt Investors"* below.

Risk of Audit and Disallowance of Deductions. Informational returns filed by the Fund are subject to audit by the IRS. An audit of the Fund's returns may lead to adjustments, in which event the Members may be required to file amended personal federal and state income tax returns. In addition, any such audit may lead to an audit of a Member's individual tax return, which may result in adjustments to income and expense items other than those relating to investment in the Fund. Under certain circumstances, a principal of the Manager, as the "partnership representative" of the Fund, can enter into settlement agreements with the IRS concerning Fund audits, which would be binding upon all Members.

The IRS may contest the treatment of items of income, expense, or amortization as reported by the Fund, which could result in the unexpected allocation of taxable income or disallowance of expenses, deductions, or losses allocated to the Members. The disallowance of other deductions or losses by the IRS resulting in additional taxes due could result in Members also being charged interest on the tax deficiency at the generally prevailing prime rate on such additional amounts

from the time the additional tax was originally due until such additional tax is paid, and might result in imposition of penalties.

There is the further risk that even if some deductions are not disallowed entirely, a different tax treatment may be given various items other than as reported in the information returns of the Fund.

State and Local Taxation. Depending upon applicable state and local laws, deductions that are available to the investors for federal income tax purposes may not be available to an investor for state or local tax purposes. Certain states may impose a minimum income tax on items of preference. Prospective investors are urged to consult with their own tax advisors with respect to state and local taxation.

Series Tax Treatment. Based upon proposed regulations issued by the Internal Revenue Service, for federal income tax purposes, the Manager intends to treat the Fund as a separate entity from the other series of AVG Funds. As a separate entity for federal income tax purposes, the Fund will be treated as a partnership and the Manager will not elect to treat the Fund as a corporation.

Additional Tax Issues Affecting the Fund. The income tax effects of an investment in the Fund on particular investors are unique. The Fund will not undertake to advise the individual investor of all possible income tax consequences associated with an investment in the Fund. The unique situation of a potential investor may require the investor to seek independent advice on the tax consequences of an investment in the Fund.

EACH INVESTOR SHOULD CONSULT HIS OWN PERSONAL TAX ADVISOR REGARDING THE POTENTIAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.

ERISA AND TAX-EXEMPT INVESTORS

The following is a summary of some of the material considerations that may apply under ERISA and the Code to Benefit Plan Investors. This summary does not address all of the fiduciary responsibilities or other requirements relevant to Benefit Plan Investors and does not purport to be complete. Benefit Plan Investors should consult with their own legal counsel on these matters.

General Considerations

The fiduciary provisions of ERISA, and the fiduciary and other provisions applicable to other employee benefit plans or retirement arrangements that are not subject to ERISA, such as IRAs, may impose limitations on investment in the Fund. Fiduciaries of Benefit Plan Investors, in consultation with their advisors, should carefully consider, to the extent applicable, the impact of such fiduciary and other rules and regulations on an investment in the Fund. Among other things, Benefit Plan Investor fiduciaries should take into account the composition of the Benefit Plan Investor's portfolio with respect to diversification; the cash flow needs of the Benefit Plan Investor and the effects on such needs of the illiquidity of the investment; the economic terms of the Benefit Plan Investor's investment in the Fund; the Benefit Plan Investor's funding objectives; the tax effects of the investment and the tax and other risks described in the sections of this

Memorandum discussing tax considerations and risk factors; the fact that investors are expected to consist of a diverse group of investors (including taxable and tax-exempt investors) and the fact that the management of the Fund will not take the particular objectives of any Member or class of Members into account. Benefit Plan Investor fiduciaries should also take into account the fact that the Manager will not, unless the Fund is deemed to hold plan assets of Benefit Plan Investors, have any direct ERISA fiduciary relationship with or duty to any Benefit Plan Investor, either with respect to its investment in a Unit or with respect to the management and investment of the assets of the Fund.

A fiduciary acting on behalf of a Benefit Plan Investor, in addition to the matters described above, should take into account the following considerations in connection with an investment in the Fund.

Plan Assets Regulations

Under regulations issued thereunder by the Department of Labor (**"Plan Asset Regulations"**), generally, a Benefit Plan Investor's assets would be deemed to include an undivided interest in each of the underlying assets of the Fund in which it invests unless investment in the Fund by Benefit Plan Investors is not "significant" or another exception is available.

Significant Investment by Benefit Plan Investors. Investment in the Fund by Benefit Plan Investors would not be "significant" if less than 25% of the value of each class of equity interests in the Fund (excluding the interests of the Manager and any certain other persons and their affiliates (other than a Benefit Plan Investor)) is held by Benefit Plan Investors. The Manager may limit investment in the Fund by Benefit Plan Investors so that participation in the Fund by such investors is not "significant."

Restrictions if the Fund Holds Plan Assets. If the Fund is deemed to hold plan assets of Benefit Plan Investors, (i) the prohibited transaction provisions of Section 4975 of the Code may apply to the underlying assets and activities of the Fund and (ii) if there are any Benefit Plan Investors subject to ERISA, the fiduciary standards under ERISA and the prohibited transaction provisions of ERISA may apply to the underlying assets and activities of the Fund. In that case, the activities of the Fund may be limited or adversely affected by the application of such provisions. For example, in that case, a transaction that the Fund enters into would be treated as a transaction with each such Benefit Plan Investor and any such transaction (such as acquisition, sale or financing) with certain "parties in interest" (as defined in ERISA) or "disqualified persons" (as defined in Section 4975 of the Code) with respect to a Benefit Plan Investor could be a "prohibited transaction" under ERISA or Section 4975 of the Code unless an exemption is available.

Prohibited Transaction Considerations

Benefit Plan Investors should also consider whether an investment in the Fund could involve a direct or indirect prohibited transaction with a "party in interest" or "disqualified person", and if so, whether such prohibited transaction may be covered by an exemption. ERISA and the Code contain a statutory exemption that permits a Benefit Plan Investor to enter into a transaction with a person who is a "party in interest" or "disqualified person" solely by reason of being a service provider or affiliated with a service provider to the Benefit Plan Investor, provided that the

transaction is for "adequate consideration." "Parties in interest" of an ERISA plan include, among others, persons providing services to the plan and certain affiliates of such persons. Transactions between ERISA plans and parties in interest that are prohibited include, among others, any direct or indirect sale or exchange of property between the plan and a party in interest and any transfer of plan assets to, or use of plan assets by or for the benefit of, a party in interest. Section 4975 of the Code prohibits substantially similar transactions between plans, including IRAs, subject to that section and "disqualified persons" of such plans, defined to include substantially the same persons as parties in interest for ERISA purposes. There are also a number of administrative prohibited transaction exemptions that may be available. Benefit Plan Investors should also consider whether an investment in the Fund could involve a conflict of interest. In particular, a prohibited conflict of interest could arise if the fiduciary acting on behalf of the Benefit Plan Investor that invests in the Fund has any interest in or affiliation with the Fund or the Manager. Excise taxes may be imposed with respect to prohibited transactions and the transaction may have to be reversed.

Investment of IRA and Other Benefit Plan Investor Assets

The Fund's acceptance of an investment by an IRA or any other Benefit Plan Investor should not be considered to be a determination or representation by the Manager or any of its affiliates that such an investment is appropriate for an IRA or any other Benefit Plan Investor. In consultation with its advisors, each prospective Member that is an IRA or other Benefit Plan Investor should carefully consider whether an investment in the Fund is appropriate for, and permissible under the terms of its governing documents. Members that are IRAs or other Benefit Plan Investors should consider in particular that the Units will be illiquid and that it is not expected that a market will exist for the resale of the Units, as well as the other general fiduciary considerations. Although IRAs are not generally subject to ERISA, they are subject to the provisions of Section 4975 of the Code regarding prohibiting transactions with "disqualified persons" and investments and transactions involving fiduciary conflicts. A prohibited transaction or conflict of interest could arise if the fiduciary making the decision to invest has a personal interest in or affiliation with the Fund in which an invest is being made, the Manager, or any of their affiliates. In the case of an IRA, a prohibited transaction or conflict of interest that involves the IRA could result in disqualification of the IRA. A fiduciary for an IRA who has any personal interest in or affiliation with the Fund, the Manager, or any of their affiliates, should consult with the fiduciary's tax and legal advisors regarding the impact such interest or affiliation may have on an investment in Units. Investors that are IRAs also should consult with their counsel and advisors as to the prohibited transaction, conflict of interest and other provisions of the Code applicable to an investment in the Fund as well as their application if the underlying assets of the Fund are considered assets of the IRA under the Plan Asset Regulations.

UBTI

A tax-exempt Member's distributive share of the Fund's income will consist principally of dividends, interest, and gains from the Securities. However, income, if any, allocated to the Fund from a pass-through Portfolio Company will in all likelihood include ordinary operating income. Income from annuities, and from dividends, interest, and gains from the sale of Securities are excluded from "unrelated business taxable income" within the meaning of Code Section 512 (**"UBTI"**). Any operating income allocated from a pass-through Portfolio Company will, in all

likelihood, be UBTI. If any income characterized as UBTI is allocated by the Fund to a tax-exempt entity, the entity will be required to report and pay taxes on the net amount of such income.

If a tax-exempt investor borrows any amount to fund its Capital Contribution, some or all of its distributive share of income from the Fund could be UBTI, which could be taxable to the tax-exempt Unit holder (and could give rise to additional tax liability for certain limited categories of tax-exempt Unit holders). Moreover, debt incurred either by the Fund directly or by an entity the securities of which constitute a UBTI investment could give rise to UBTI to a tax-exempt Unit holder.

General

No assurance can be given that the IRS will concur with the conclusions regarding the tax consequences set forth above. No ruling has been or will be requested by the Fund from the IRS as to such matters.