Fusion Opportunistic, LP

An Opportunistic Equity Fund

Focused in Washington, DC / Maryland / Virginia

Offering $250,000,000 Limited Partnership Interests

Bob Bergin

Johns Hopkins University
Executive Summary

Taft Hartley multi employer pension plans sit on large amounts of capital looking for investments that will meet their future obligations to retirees. During a time of financial uncertainty across investment markets, these plans are looking for products that will produce solid, stable returns. A Taft Hartley pension fund typically allocates 10% of assets in core real estate. In a failing economy, consultants are advising pension funds to look at non-core, opportunistic real estate investments. However, the drastic fall in equities of about 30% to 40% in the past two months has created an imbalance in portfolios. Real estate is a lagging market and as a result allocations have exceeded their 10% targets and funds are pulling money out of real estate to cover benefits.

Opportunistic real estate investments focus on development or turnaround properties focused in regional areas with a high risk/high return profile. Opportunistic investment vehicles are frequently set up as partnerships with a general partner, made up of the principals investing capital, and a limited partner, typically a commingled trust of pension fund capital. These funds aim to return capital and a 15% to 20% return over eight years. Strong principals with a proven track record, marketers with strong ties to union investors, and a solid investment strategy all play huge roles in making a partnership work.

With high returns comes greater risk. The denominator effect, geographic concentration, reliance on principals, and the ability to raise capital are challenges that face general and limited partners.

This paper describes the research that went into building an offering memorandum and marketing strategy for a $250 million opportunistic real estate
partnership geographically concentrated in the Washington, DC, Maryland, and Virginia area utilizing 100% union labor. Given the research and interviews with consultants, pension fund trustees, and professionals raising money for similar funds, this paper believes that while there are challenges and risks to the partnership, if executed correctly can be a tremendous success for investors and union members.

Taft Hartley Multiemployer Pension Plans

Multiemployer pension plans cover multiple employers contrasting a traditional individual company pension plan. Multiemployer pension plans have a “specific definition under the Labor Management Relations Act of 1947, known as the Taft-Hartley Act (Weinstein, 1999, p. 19).” Under Taft-Hartley, a multiemployer pension plan is established by creating a trust fund and negotiating employer contributions through a labor-management agreement. Labor unions bargain with employers to have workers covered by these plans. Employer contributions, determined by collective bargaining between employers and employee representatives, fund the multiemployer pension plans. A Taft-Hartley multiemployer pension plan “is characterized by provisions allowing individual employees to gain credits toward pension benefits from work with multiple employers, as long as each employer has a collective bargaining agreement requiring plan contributions (Weinstein, 1999, p. 19).” With employer contributions multiemployer plans invest in stocks, bonds, and real estate in order to fund future obligations to retirees.

Taft Hartley Pension Plan Investment Strategy

According to Jack Marco, Chairman, Founder, and Consultant of the Marco Consulting Group, the leading largest consulting group to multiemployer pension plans in
the United States, a pension fund’s portfolio is typically made up of equities, fixed income, and real estate (personal communication, October 6, 2008). Equity investment refers to buying and selling stocks. Fixed income refers to an investment that yields a fixed or regular return, usually a bond investment. Real estate investment makes up 10% of a pension fund’s investments. Given current economic conditions Mr. Marco recommends continued real estate investment in core and opportunistic products (personal communication, October 6, 2008). Core investments are usually in major property types that provide a steady cash flow: office, industrial, retail and multifamily. Core investments provide stable returns closely tied to the NCREIF index. Non-core or opportunistic investments are riskier real estate investments that look to add value to properties with significant capital expenditures. When qualifying real estate funds for potential allocations Marco Consulting looks at the people running the fund, their process, and their track record. In addition, any real estate fund must utilize 100% union labor (personal communication, October 6, 2008).

Employee trustees on some of the funds Marco consults share the same views. In a telephone interview on October 7, 2008 with Donald Braun, organizer and trustee for the Steamfitters Local Union 602, he emphasized that real estate investment is the most stable asset class and that creating jobs for his members is of the highest priority through utilizing 100% union labor for construction. Bill Halbert, a trustee with the Mid Atlantic Regional Council of Carpenters, prefers a 20% allocation towards real estate for each of their four pension funds and two annuity funds (personal communication, October 15, 2008). With Mr. Halbert’s four pension funds totaling over $800 billion, this is a sizeable investment at around $160 billion.
Mr. Marco, Mr. Braun, and Mr. Halbert all feel that there is room for a new real estate product. However, it would have to produce returns that push 15% in order to receive allocations. Mr. Marco feels that now is a good time for an opportunistic real estate equity fund specializing in distressed properties. Mr. Marco emphasized that the problem is that equities have dropped 30% to 40% in the past two months creating an imbalance in a fund’s portfolio. Real estate is a lagging industry and allocations are now exceeding their 10% targets. As a result pension funds are taking money out of real estate to cover benefits (personal communication, November 5, 2008).

Opportunistic Real Estate

Opportunistic real estate equity funds emerged as an investment option in the early 1990’s and have been “one of the fastest growing segments of the real estate investment industry over the past decade with equity commitments growing from less than $5 billion in 1993 to over $100 billion today (Hahn, 2005, p. 1).” These funds focus on development or turnaround properties with a high risk/high return profile in regional areas. Return targets consistently met 20% in the 90’s, but today fall in the 15% to 20% range (Hahn, 2005, p. 1).

With pressure to achieve high targeted returns, investment managers look for assets where they can increase value in a short time and then resell the asset. For this reason these funds are close ended with an eight year period according to Michael Pistner of Ullico’s J for Jobs (personal communication, October 23, 2008). Ullico is currently raising equity from Taft Hartley pension funds for a 50/50 core/opportunistic real estate equity fund focused in the southeast region of the United States. In just six months they’ve been able to raise $150 million in this turbulent economic environment. Mr.
Pistner believes the key to raising the equity for the fund is Ullico’s Chief Real Estate Investment Officer Herb Kolben and the diversification into the south for a pension fund’s portfolio. Historically it has been very difficult to do 100% union labor projects in the south (personal communication, October 23, 2008).

In addition to being closed end funds, the majority of return from opportunistic equity investments “comes from appreciation over a short period of time, rather than the income-based return of ‘core’ real estate. Because of the focus on high returns, managers tend to be traders and value-enhancers as opposed to operators (Hahn, 2005, p. 1).”

**The Partnership**

*Principals*

The offering for partnership interests created by this project was based on several interviews with Jack Marco, Donald Braun, Bill Halbert, Michael Pistner, and Jon Feinberg of Intercontinental Real Estate. The biggest key to success for a new real estate equity fund in the Taft Hartley market hinges on the track record and strength of its principals. David Sislen and Shawn Krantz were chosen as the principals for this reason. These gentlemen have extensive experience in troubled markets in the Washington, DC area and have taught or continue to teach at Johns Hopkins University.

In addition Carl and Mike Buch of Buch Construction were chosen for their relationships and history of working with unions. Buch Construction is a leading construction firm in the Washington, DC region utilizing 100% union labor. As Bill Halbert, Jon Feinberg, and Michael Pistner explained, long standing relationships and history working with unions is a huge benefit when raising money for a new fund. As one of the few 100% union labor general contractors in the region, Buch Construction has
strong relationships with the AFL-CIO Building Construction Trades, which the Partnership will target as its largest investors.

*Geographic Concentration*

Intercontinental Real Estate has successfully raised a combined $640 million of equity for four closed end partnerships with a geographic concentration in the Northeast. Jon Feinberg of Intercontinental believes that for a locally or regionally focused real estate fund to work, the area must be economically diverse. As an example, Mr. Feinberg mentioned that you would not want to create a fund in Detroit due to its reliance on the auto industry. Mr. Feinberg went on to explain that the best local funds are centered around the top tier real estate cities in the U.S. including New York, Washington, DC, Chicago, Boston, San Francisco, and Los Angeles (personal communication, October 24, 2008).

Washington, DC is considered one of the most stable real estate markets in the United States, whose economy is extremely diverse. Along with the location of the headquarters for the majority of unions, it makes it a great selling point when investors can relate to the market and see investments taking place in their backyard.

*Investment Strategy*

The Partnership’s investment strategy is based on the need for non-core investments in a time of economic adversity. Jack Marco believes there is a need for non-core investing with more and more distressed properties coming to the market (personal communication, October 6, 2008). Michael Pistner feels that there is going to be a sway over the next few years into more locally focused, opportunistic funds and away from larger nationally focused core investments. Mr. Pistner emphasizes that these
large core funds are maxed out on investments and are solely relying on appreciation. With a souring market, he believes these funds are going to take a big hit as their returns succumb to gravity. With a non-core investment, there is opportunity to achieve returns in the 15% to 20% range (personal communication, October 23, 2008).

The Partnership will look to take advantage of the current economy and take an opportunistic approach to investing focusing on value add, bridge financing, subordinated debt, and participating debt in distressed properties or properties that cannot obtain financing.

Marketing Strategy

Bill Halbert, Michael Pistner, and Jon Feinberg believe the easiest and quickest way to raise equity in the Taft Hartley market is through strong relationships and connections. In order to raise $250 million for the Partnership, the principals of Fusion Opportunistic, LP will have to utilize their existing relationships. Carl and Mike Buch will have the task of working the Washington, DC building trades and utilizing their reputation as the leading 100% union labor general contractor in the DC market. Bob Bergin will be assigned the task of utilizing his contacts to create a list of potential investors and to make the rounds establishing relationships for the Partnership and for any future offerings the Partnership may have. Mr. Bergin will first contact Jack Marco in order to set up a strategy.

The Partnership will rely on these relationships to get jump started. Mr. Pistner believes that confidence in a fund is built once it receives its first allocation. Shortly thereafter others will invest (personal communication, October 23, 2008).
Risks

*Denominator Effect*

As mentioned above, pension fund investors tend to allocate 10% towards real estate investments. Over the past decade real estate values rose dramatically and investors became fully invested in the industry reaching their targeted allocations (Troianovski, 2008, p. 1). In the past two months equities have dropped 30% to 40% creating an imbalance in portfolios as real estate allocations have exceeded their preferred allocations. According to Bob Bergin, Executive Director of the Bakery and Confectionery Trust Funds, pension funds are pulling out of real estate to maintain their 10% allocations and cover their members’ pensions (personal communication, November 15, 2008). Anton Trianovski of The Wall Street Journal calls this the “Denominator Effect (Troianovski, 2008, p. 1.” Unless equities bounce back to where they were, it will be challenging to raise real estate equity among pension funds.

*Geographic Concentration*

While the professionals interviewed like the idea of a regionally focused fund, they were quick to point out that it comes with many risks. Jack Marco acknowledged that the building trades like local funds because they create jobs for their members, while he likes investing in national funds for geographic diversification. When his clients invest in national real estate funds, he urges the funds to try to do projects in their investors’ backyards to the best of their ability (personal communication, October 6, 2008).

Bill Halbert echoed Mr. Marco’s sentiment that while he believes there is definitely a place for local funds, the Mid Atlantic Regional Council of Carpenters
prefers to invest in national funds with a strong Washington, DC presence. He went on to mention that his funds could never invest heavily in locally concentrated funds (personal communication, October 15, 2008).

The biggest challenge Mike Pistner sees in locally invested funds is that they severely limit their investment bases. Local funds essentially rule out receiving allocations from pension funds outside of the geographic concentration (personal communication, October 23, 2008).

Jon Feinberg of Intercontinental Real Estate feels that a locally focused real estate fund is tethered to the area in too many ways. Having a focus in Washington, DC, Mr. Feinberg pointed out that a terrorist attack could completely crush a fund. Mr. Feinberg emphasized that local regulatory risks also affect local funds. In an established market like Washington, DC, Mr. Feinberg believes that it could be very difficult to obtain zoning and permitting which could delay the timing of the Partnership. In addition, local funds may have product type diversification issues especially if certain product types are not faring well in a given market. As an example, Mr. Feinberg pointed out residential condominiums in Miami (personal communication, October 24, 2008).

Reliance on Principals

As noted earlier the strength and track record of the principals looms largest in order to get any fund off the ground. Investors therefore realize the obvious risk that they are completely relying on the principals to execute their investment strategy and achieve targeted returns. A poor decision by the principals can severely hurt a close end fund.
Ability to Raise Equity

The ability to raise equity is a huge risk for the general partner. The effort, time, and dollars spent to set up the fund with the uncertainty of raising the targeted amount are very stressful. While Carl and Mike Buch and Bob Bergin have relationships and knowledge of the Taft Hartley market, they are not professional marketers. Therefore, they are relying on their strong relationships to raise the equity.
Reference List


FUSION OPPORTUNISTIC, LP

An Opportunistic Equity Fund

Focused in Washington, DC / Maryland / Virginia

Offering $250,000,000 Limited Partnership Interests

“Socially Responsible Investing”

ACCREDITED INVESTORS ONLY
Executive Summary

Fusion Opportunistic, LP (the “Partnership) is being organized by FuseOp I, LLC (the “General Partner”. The General Partner is a joint venture between Fusion Investments, a Bethesda based real estate investment and advisory firm, and Buch Construction, a leading mid-Atlantic based construction firm utilizing 100% union labor.

The Partnership is looking to raise $250 million of capital commitments. The objective of the Partnership is to realize returns on invested capital in excess of 15%, compounded annually, net of all fees and expenses, over its projected eight year life. Members of the General Partner together will invest $2 million of their own capital in the Partnership.

The Partnership’s investment strategy is to make debt and opportunistic equity investments throughout the Mid-Atlantic region with a core focus on Washington, DC, Maryland, and Virginia. Properties that cannot obtain conventional financing and have been undermanaged will be prime targets for the Partnership. The Partnership will add value to investments through refinancing, improved management, renovation, leasing, and ground-up development. All construction and service trades will employ 100% union labor.

Due to the current credit crunch and worsening economic conditions, the Partnership intends to achieve targeted returns through refinancing and acquiring distressed properties at attractive prices.

Fusion Investments is a joint venture between Bristol Capital Corporation, Brownstone Capital, and B-Squared Investments. Bristol Capital is a real estate investment and advisory firm focusing primarily in the Washington, DC area. Brownstone Capital is a self-managed commercial real estate investment and advisory firm that specializes in opportunistically acquiring, redeveloping, managing, and disposing of commercial real estate assets. B-Squared Investments is a real estate advisory firm to Taft-Hartley pension plans.

Buch Construction is a leading construction firm in the Washington, DC region utilizing 100% union labor. Buch brings a wealth of experience on the construction side and relationships with local union leaders.

With the strength of the investment team and the wealth of opportunities available due to a worsening economy, Fusion Opportunistic, LP is an excellent non-core real estate investment.
Market Overview

The Washington, D.C. metropolitan region is considered one of the most stable real estate regions in the world due to the presence of the federal government, which will likely expand under the administration of President-elect Barack Obama. Because of this many real estate investors believe that the Washington market is less likely to be vulnerable to the current economic crisis than other parts of the country.

According to the Washington Post, the unemployment rate for the Washington region is 4 percent, well under the national rate of 6.5 percent. Office building vacancies are lower in Washington than in the rest of the country, with 11.5 percent vacancy here compared to 13.8 percent nationwide. Vacancy rates for all classes of apartment in the Washington area have increased, to 3.6 percent in the second quarter from 2.9 percent a year earlier. Even so, the rate remains among the lowest in the country.

Many believe that lucrative deals will surface because the credit crisis has squeezed certain building owners. Investors believe the result could be forced sales prices not seen in two decades.
Investment Strategy

The Partnership’s strategy will be to provide and acquire interests in equity, bridge financing, subordinated debt, and participating debt for opportunistic investment in distressed properties throughout the Washington, DC, Maryland, and Virginia region. The Partnership will add value to investments through refinancing, improved management, renovation, leasing, and ground-up development. The Partnership looks to take advantage of the diverse Washington, DC metropolitan economy and surrounding areas.

With the tightening of capital markets, the Partnership believes it will be well positioned to capitalize on acquiring distressed properties that are unable to meet their debt maturities at prices below replacement cost.

The Partnership also intends to joint venture with developers and inject equity or provide bridge financing into construction projects with stalled exit strategies. The Partnership will help finish projects under construction using 100% union labor and patiently wait for the optimal time to dispose of assets.

In addition, the Partnership will look to benefit from rising cap rates and acquire poorly managed properties below replacement cost.

The diversity, strength, and track record of the General Partner will utilize its broad network to source, analyze, negotiate, and close on ventures expeditiously.

The Partnership will invest no less than $10 million and no more than $40 million in any one project. Each investment will have a thoroughly analyzed exit strategy, typically through disposition or refinancing of portfolio assets.
Principals

Fusion Investments

Fusion Investments is a newly formed joint venture between Bristol Capital Corporation, Brownstone Capital, and B-Squared Investments. Fusion’s principals have a long and successful track record in the Washington, DC area real estate industry. The principals of Fusion Investments and the General Partner are:

David Sislen
Dave Sislen has been actively involved in the real estate industry since 1978 and has been the President of Bristol Capital Corporation since its inception in 1986. Bristol Capital owns, manages, and/or asset manages a portfolio of industrial and flex assets that includes more than 800,000 square feet of commercial space located primarily in the Washington, DC area. Bristol Capital also provides advisory services having advised borrowers on the resolution of more than $500 million of defaulted debt related to commercial real estate assets and supervised the resolution of a $700 million portfolio of commercial real estate assets owned by a life insurance company operating in receivership.

Prior to founding Bristol Capital, Mr. Sislen was a senior vice president of CRI Inc., where his responsibilities included the development, acquisition, and syndication of more than $650 million of commercial real estate assets including more than 4,100 hotel rooms and 1,350,000 square feet of office space.

Mr. Sislen is a member of the Board of Directors of Landmark Land Company, a publicly traded developer of master planned communities. In addition, he is a Trustee Emeritus of The Edmund Burke School in Washington, DC, a member of The President’s Council at Tulane University, and a faculty member of Johns Hopkins University’s Carey School of Business where he teaches real estate finance.

Mr. Sislen earned an MBA (with honors) in Finance and Accounting from the University of Chicago's Graduate School of Business and a B.A. in Economics (magna cum laude) from Tulane University.

Shawn Krantz
Shawn Krantz has been involved in the commercial real estate industry for 20 years following his completion of a two-year credit training program with a national financial institution. Prior to co-founding Brownstone Capital in late 2000, Mr. Krantz worked for 14 years with Bank of America. In 1994, he was part of the start-up team within the bank originating and securitizing Commercial Mortgage-Backed Securities (CMBS). He managed the CMBS origination team for the Mid-Atlantic. During his conduit days, his team was consistently one of the top originators of securitized debt. He has structured well over $500 million in CMBS loans. During the early '90s, Mr. Krantz managed a team of debt workout specialists within the bank. His team successfully resolved $450 million of troubled debt. During the late 1980s, Mr. Krantz was manager of a group
originating, underwriting, closing and syndicating real estate acquisition and construction loans for both commercial and residential properties.

At Johns Hopkins University's Real Estate Institute, Mr. Krantz has been an associate faculty member since 1994 in the Master of Science in Real Estate Program. He teaches Real Estate Finance and Real Estate Investment classes within the graduate school. Mr. Krantz has a B.A. in Economics and Political Science from Hamline University and a M.B.A. from Loyola University.

**Bob Bergin**

Bob Bergin is founder of B-Squared Investments, a privately held real estate advisory firm to Taft Hartley pension plans. Mr. Bergin advises the Bakery & Confectionery Trust Funds and has joint ventured with Marco Consulting, the leading largest consulting group to multiemployer pension plans in the United States. Prior to founding B-Squared, Mr. Bergin worked for the Bakery & Confectionery Trust Funds and the LongView ULTRA I Construction Loan Investment Fund originating, underwriting, and administering construction loans utilizing 100% union labor.

Mr. Bergin has a Bachelor of Science in Business Administration from the University of Mary Washington and is a candidate for a Master’s of Science in Real Estate Development from Johns Hopkins University.

**Buch Construction**

Named one of the 50 fastest growing companies in Greater Washington by the Washington Business Journal, Buch Construction is one of the region’s leading construction firms. The company was founded in 1984 by James R. Buch, Jr., a union carpenter with two decades of experience building complex construction projects in the Washington, D.C. region. Since then, the firm has been guided by its core principles and an evolving vision of success.

The principals of Buch Construction and the General Partner are:

**Carl Buch**

As President of Buch Construction, Carl leads the company’s strategic growth and guides the overall direction of the firm. Carl graduated from Elon University with a degree in Business Administration and is a Management Trustee with the Mid-Atlantic Regional Council of Carpenters, Chairman of the Washington DC Joint School of Carpentry, and an active member of the Mid-Atlantic Regional Council of Carpenters Local 132.

**Mike Buch**

As Construction Executive, Mike oversees all project teams, ensuring that each construction job is adequately staffed, and focuses on building positive client relationships. He is a member of the Mid-Atlantic Regional Council of Carpenters Local 132, and he is a Board Trustee member of the Laborers’ District Council Health and
Welfare Trust Fund No. 2, as well as the Laborers’ District Council Pension and Disability Trust Fund No. 2.
The Partnership

Formation: The Partnership will be formed on or before the date the Partnership begins operations. The Partnership will be a limited partnership organized under the laws of the State of Delaware.

Commencement: The Partnership may begin investing capital after receiving $75 million in commitments.

Termination and Extensions: The Partnership plans to return all capital and terminate eight years following the Commencement Date. The General Partner may terminate the Partnership earlier with the consent of two-thirds interest of the Limited Partner. Further, the General Partner may extend the term of the Partnership for up to two additional one-year periods to allow for orderly termination and liquidation of the Partnership.

Investment Objective: The objective of the Partnership is to realize returns on invested capital in excess of 15%, compounded annually, net of all fees and expenses, over its projected eight year life. The Partnership’s investment strategy is to make debt and opportunistic equity investments throughout the Mid-Atlantic region with a core focus on Washington, DC, Maryland, and Virginia. Properties that cannot obtain conventional financing and have been undermanaged will be prime targets for the Partnership. The Partnership will add value to investments through refinancing, improved management, renovation, leasing, and ground-up development. All construction and service trades will employ 100% union labor.

The Partnership hopes to be fully committed within three years of the Commencement Date, and to exit each investment within two to five years. The Partnership intends to invest no less than $10 million and no more than $40 million in any one project. In extraordinary circumstances when attractive investments exist below or above this range, the Partnership may make such investments with the consent of two-thirds interest of the Limited Partner. Each investment will have a thoroughly analyzed exit strategy, typically through disposition or refinancing of portfolio assets.

General Partner: FuseOp I, LLC will be the General Partner of the Partnership. Principals of Fusion Investments and Buch Construction will be principals and officers of the General Partner. The General Partner will be responsible for identifying investments, negotiating terms
and conditions of the investments, monitoring the investments, and making investment disposition decisions. The General Partner will be in charge of all administrative functions and reporting arrangements to the Limited Partner and Investment Committee as outlined below.

Investment Committee: The Investment Committee will be comprised of principals of Fusion Investments and Buch Construction and will make decisions on behalf of the Partnership with respect to all investments. The members of the Investment Committee will be David Sislen, Shawn Krantz, Bob Bergin, Carl Buch, and Mike Buch. Decisions will be made based on unanimous agreement of Investment Committee members.
## The Offering

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<thead>
<tr>
<th>Securities Offered:</th>
<th>Limited partnership interests</th>
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<tbody>
<tr>
<td>Offering of Interests:</td>
<td>The General Partner may accept subscriptions for interests for up to eighteen months following the opening of the Partnership. The General Partner will accept all subscriptions on the same terms that apply to subscriptions made prior to the Commencement Date.</td>
</tr>
<tr>
<td>Minimum Commitment:</td>
<td>The Partnership is seeking total commitments of $250 million. The General Partner may accept investments exceeding the targeted commitment provided that total subscriptions are received prior to the eighteen month close. Limited Partners will be required to invest no less than $5 million in the Partnership, which may be waived by the General Partner in its sole discretion.</td>
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<tr>
<td>Eligible Investors:</td>
<td>This investment is suitable only for accredited investors financially able to purchase investments as described above.</td>
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<tr>
<td>Capital Calls:</td>
<td>Capital calls will be made as needed to fund investments with a minimum notice of five business days.</td>
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## General Information

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<tr>
<th>Restrictions on Transfer:</th>
<th>Interests may not be transferred without the consent of the General Partner, which decision is based in its sole discretion.</th>
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<tr>
<td>Distributions:</td>
<td>The Partnership will not reinvest proceeds from the realization of its investments, but may use proceeds to satisfy any debt obligations. The Partnership will distribute any remaining proceeds to the Partners in the following manner:</td>
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<td>First:  Return of invested capital plus a compounded annual preferred rate of return of 8% to the Partners, including the General Partner.</td>
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<td></td>
<td>Second: 70% to the Partners, in proportion to their respective interests, and 30% to the General Partner, until the Partners have achieved a 15% return compounded annually on all invested capital.</td>
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<td></td>
<td>Third: 50% to the Partners, in proportion to their respective interests, and 50% to the General Partner.</td>
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<tr>
<td>Management Fee:</td>
<td>The Partnership will pay the General Partner a management fee equal to 1% of all capital subscriptions per annum.</td>
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<tr>
<td>Other Partnership Expenses:</td>
<td>Up to $350,000 from the proceeds of the offering will be used by the Partnership to pay or reimburse the General Partner for the Partnership’s organizational expenses and the expenses of this offering.</td>
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<tr>
<td>Financial Reports and Audits:</td>
<td>The Partnership will provide to the Limited Partners audited annual financial statements and unaudited quarterly summaries of the Partnership’s activities.</td>
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# Investment Risks

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<th>Category</th>
<th>Description</th>
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<tr>
<td><strong>Liquidity:</strong></td>
<td>Real estate as an asset class is highly illiquid. There currently is no market for Partnership Interests and it is unlikely that one will develop. Therefore, Limited Partners may not be able to liquidate their investment should their capital be invested.</td>
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<tr>
<td><strong>Leverage:</strong></td>
<td>Some of the Partnership’s investments may use a leveraged capital structure in which a lender is entitled to a secure cash flow. While this will enable the Partnership to achieve higher returns, it also increases risk of loss. If the Partnership were to default on its debt obligation, a lender may foreclose and the Partnership could lose its entire investment in the security for the loan. In addition, if any loans are recourse in nature, other assets of the Partnership may serve as collateral which also increases risk.</td>
</tr>
<tr>
<td><strong>Real Estate Risks:</strong></td>
<td>As part of the Partnership’s investment strategy, all investments will be made in the Washington, DC, Maryland, and Virginia region. Therefore, there is substantial risk associated with the local economic and social conditions along with any catastrophic events such as terrorist activities or natural disasters. There are regulatory risks affecting the Partnership such as changes in zoning, building, tax, environmental, and other government laws. If the Partnership were to make a small number of investments larger in dollar size, poor performance from one investment could materially have an adverse impact on total returns to investors. The 15% targeted annually compounded rate of return is one of the reasons Partners are subscribing to interests in the Partnership. The General Partner cannot guarantee that this return will be achieved.</td>
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<tr>
<td><strong>Reliance on Principals:</strong></td>
<td>The success of the Partnership is solely dependent on the ability of the General Partner to perform.</td>
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*(NOTE: This offering memorandum was created based upon interviews and information provided by Michael Pistner of Ullico and Jon Feinstein of Intercontinental Real Estate. Both gentlemen have experience with locally invested opportunistic equity funds utilizing 100% union labor.)*
Marketing Plan Outline

I. Executive Summary

Marketing to Taft Hartley pension plans is a very dynamic process. Consultants play a vital role in vetting potential investment managers before fund trustees decide on allocations. Fusion’s strategy is to utilize and establish strong relationships with consultants and trustees in order to raise equity for future funds.

The Partnership will create brand awareness, highlight the strength and track record of its principals, emphasize the need for non-core investments and the perfect timing for such investments, and fortify long term relationships. In order to execute, the Partnership will rely heavily on Bob Bergin and his relationships with the consultant community and Carl and Mike Buch and their relationships with potential investors throughout the AFL-CIO’s Washington, DC Building Trades.

Using this strategy the partnership plans to receive $75 million in commitments within five months of its offering, another $100 million in months six through ten, and the final $75 million in the remaining eight months of the subscription period.

II. Strategic Goals

This marketing plan is a tactical 18 month instrument to raise $250 million of equity for an opportunistic real estate fund. However, this plan will also create a strategic direction for Fusion Opportunistic, LP (“Fusion”) to raise equity for future funds.

Fusion’s marketing strategy is centered on the investment capital of Taft Hartley Pension plans. Prospects for subscriptions in the Partnership are located in Washington, DC, Maryland, and Virginia with the largest concentration on the local unions making up the Washington, DC AFL-CIO’s Building Construction Trades and their larger international funds.

Investment consultants hold enormous influence over Taft Hartley Pension plans. These consultants propose investment policy, including the allocation of assets, and advise boards on the selection and retention of investment management firms. Even though investment consultants do not hold decision making authority, they do significantly influence the decision making process. Fewer and fewer plan trustees will aggressively promote specific investment firms for fear of legal implications. Therefore, consultants are left with significant control for which investment firms are reviewed and selected to appear before trustees for allocations. It is imperative that Fusion tailor the Partnership and prepare a sales proposition that specifically and effectively meets the consultants’ needs.

Building construction trades will be the unions most affected by the Partnership. Fusion will utilize 100% union labor for any construction work implemented in its investments. This will create jobs and increase contributions to construction trade pension funds. The
principals of Fusion will need to create product awareness throughout the DC Building Trades and the international building trade unions.

Good relationships are critical in raising money. The principals will need to place heavy emphasis on customer service to strengthen relationships and create new ones making it easier to raise money for any future funds Fusion offers.

III. Marketing Goals

In order to execute the strategic plan, Fusion will strive to accomplish the following marketing goals.

1. Create Brand Awareness – Fusion is in a unique position to separate itself among other opportunistic real estate equity funds as the only one utilizing 100% union labor. This is a niche market that is supported by large amounts of capital. Principals need to create awareness of the Partnership throughout the Taft Hartley community within three months.

2. Put Principals on Pedestal – The success of the Partnership hinges on the strength and track record of the principals. It is critical that potential investors know the principals and their solid reputation and capabilities.

3. Need for Non-Core – The majority of a pension fund’s real estate allocation is made up of core investments. Non-core is untraditional and some investors do not understand it. Fusion must establish the need for non-core in investors’ portfolios.

4. Now is the Time – There is no better time for an opportunistic fund. The economy is tumbling, credit markets are frozen, and distressed properties abound. Principals must create a sense of urgency among investors that now is the time and the window of opportunity is closing.

5. Fortify Relationships – Fusion’s strategic goal is to raise multiple funds. Fortifying relationships now and executing the Partnership successfully makes raising money in the future that much easier.

IV. Implementation

The implementation of the marketing plan is outlined below along with an established timeline.

1. Pre-Offering
   - Bob Bergin to meet with Jack Marco of Marco Consulting to discuss the Partnership and come up with a list of his clients who would be interested in Fusion.
• Mr. Bergin will utilize existing relationships with marketing representatives in the Taft Hartley community to put together a list of funds to target marketing efforts.
• Carl and Mike Buch will focus their efforts on utilizing existing relationships to create brand awareness of Fusion to DC Building Trade trustees.

2. Month 1
• Mr. Bergin will coordinate with Jack Marco to schedule meetings with trustees of targeted funds to introduce Fusion.
• Carl and Mike Buch will schedule meetings with members of the DC Building Trades to introduce Fusion.

3. Month 2
• Mr. Bergin will schedule follow up meetings with trustees to introduce investing managers of Fusion. These meetings will create credibility and a sense of comfort with the principals investing money.
• Carl and Mike Buch will also schedule follow up meetings with DC Building Trade trustees to introduce investing managers of Fusion.

4. Months 3 - 5
• Make 5 final presentations for allocations.
• Receive $75 million in commitments and commence operations of Partnership.
• Deploy capital in investment opportunities.

5. Months 6 – 10
• Use momentum of Partnership to close deals with remaining building trades who have not invested.
• Receive $100 million in commitments.
• Deploy capital in investment opportunities.

6. Months 11 – 18
• Make final presentations to board of trustees whose investment meetings were missed at beginning of offering.
• Receive $75 million in commitments and close investment window.
• Deploy capital in investment opportunities.