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Offeree _____ No. _____

PRIVATE PLACEMENT MEMORANDUM

XYZ Capital Management LLC

123 Easy Street

Anywhere, Washington 98346

First Round: Development Capital

EQUITY CAPITALIZATION

PARTICIPATING & CONVERTIBLE

PREFERRED UNITS

12% Stated Cumulative Dividend

20% Participation of Net Income

Convertible 1 for 2 into 20% Common Equity

Callable: 12/31/2012 at 110% of Par

Number of Units	Price per Unit	Discounts & Commissions per Unit	Aggregate Discounts & Commissions	Net Proceeds to Issuer
10,000	100.00	0.00	0.00	\$1,000,000.00

The Securities offered by this Memorandum are offered only to accredited investors who meet Accreditation Requirements, as set forth under the Securities Act of 1933 Sub-Section 4(2), Regulation D, Rule 506, and 4(6) the “Accredited Investor Exemption” as denoted within the “Subscription Agreement” contained herein. Only such person(s) or entities are authorized to receive this Private Placement Memorandum and participate in the offering. The Securities offered hereby have not been approved or disapproved by the Securities Exchange Commission, or any State’s Securities Bureau, nor have the forgoing authorities passed on the accuracy or adequacy of the Memorandum. Any representation to the contrary is a criminal offense. These securities may not be sold, transferred, or otherwise disposed of by an investor in the absence of an effective registration statement or an opinion of legal counsel that registration is not required. The securities are to be considered illiquid. No public market exists for these securities. The Management cannot guarantee, warrant, or further assure that any type of liquid market will develop. The securities offered herein are to be considered high risk in nature.

Private Placement Memorandum Dated 09/01/2007. Offering expires 11/30/07.

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INTRODUCTORY STATEMENT

XYZ Capital Management, LLC, (“XYZ”, “XYZ Capital,” Company”, or “The Firm”) is offering equity participations in the form of “Participating Preferred Units” or “Shares”¹ only to a limited number of investors who meet certain qualifications necessary for the offer and sale of the Units to be exempt from registration under state and federal securities laws.

Only those who meet the Accreditation Requirements, as set forth under the Securities Act of 1933 Sub-Section 4(2), Regulation D, 506, and 4(6) the “Accredited Investor Exemption” as denoted within the “Subscription Agreement” contained herein, are authorized to receive this Private Placement Memorandum and participate in the offering.

The \$1,000,000 in this 1st Round of Financing as sought through this securities offering is to be used as initial and general working capital as necessary to execute the business plans contained herein. A complete “Sources and Uses Statement” is contained in Exhibit A.

Ten Thousand (10,000) Participating Preferred Units are hereby made available to the prospective investor(s) so named on this page as offeree at a per Unit price of \$100.00 per unit.

The purchaser of a Unit will become a Preferred Unit-holder in the Company with only those rights, duties, and obligations accorded a Preferred Unit-holder pursuant to the Company’s Articles of Organization and Operating Agreements, and otherwise in full accordance with the laws of the State of Washington.

This Private Placement Memorandum (the “Memorandum” or “PPM”) is submitted on a confidential basis for use solely in connection with this Offering of the Participating Preferred Units (the “Shares”) of XYZ Capital Management LLC, This offering is a private placement intended to be exempt from the registration requirements of the Securities Act of 1933, as amended (the “1933 Act”). The Units are being offered to prospective investors by the Company’s Management only. The use of the Memorandum for any other purpose is not authorized.

By accepting this Memorandum, the recipient (and his, her or its officers, directors, employees, agents, associates or affiliates) agrees that such person(s) will:

1. Not divulge to any other party any information contained herein or in any notes, summaries or analysis derived from this Memorandum, and
2. Not reproduce or redistribute the Memorandum in whole or in part.

This Memorandum does not purport to contain all of the information that a prospective

¹ Hereafter, the term “share(s)” may be used interchangeably with the term “units” with reference to a unit participation in the terms of this offering.

investor may desire in investigating the Company. Each investor must conduct and rely upon his/her or its own evaluation of the Company and of the terms of the offering, including the merits and risks, involved in making an investment decision. The Company hereby offers to the investor the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which the Company possesses or can acquire without unreasonable effort or expense, that is necessary to verify the accuracy of the information furnished to the investor.

This Memorandum is not intended to be, nor shall it be construed as, a complete description of the facts, risks or consequences regarding an investment in the offering or as legal, accounting, tax, business, investment or other expert advice. All potential investors should perform their own independent investigations of the offering, the market potential, the Management, the securities, and similar industries. All potential investors should consult their own qualified advisors concerning the investment and the suitability relating to an individual or an institutional investor's ability to sustain a total financial loss of an investment in the Company.

This Memorandum speaks as of the date shown on the cover. Neither the delivery of this Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company after the date hereof.

No person has been authorized to give any information other than that contained in this Memorandum, or to make any representations in connection with the Offering made hereby, except information given to you by a manager of the Company on letterhead. If given or made, such other information or representations must not be relied upon as having been authorized by the Company.

Investors will be required to represent that: (1) they are sophisticated in business and financial matters or have been properly advised by someone who is; (2) they are familiar with and understand the terms of the Offering; (3) they are accredited investors as further defined within the subscription agreement; and (4) they, either individually or together with their purchaser-representative/advisor, have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the investment.

Other information contained herein has been obtained by Management and from sources deemed reliable. Such information necessarily incorporates significant assumptions, as well as, factual matters. Therefore, Management cannot guarantee the accuracy of the information contained herein.

These securities are subject to restrictions on transferability and resale, and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws, pursuant to registration thereunder or exemption therefrom. Investors should be aware that they might be required to bear the financial risks of the investment

for an indefinite period of time. Potential investors should be aware that a legend reciting the restrictions on transferability will be placed upon the security and that they will be asked to sign a written agreement that the securities will not be resold without registration under applicable securities laws or exemptions thereof.

The purchase of Units involves risk. See “Risks and Other Important Factors”. Each prospective investor is urged to read this entire Memorandum, including the Exhibits Section, and make a thorough investigation of the Company in light of the risk factors.

THE RECIPIENT ACCEPTING DELIVERY OF THIS MEMORANDUM AGREES TO ABSOLUTE CONFIDENTIALITY AND TO RETURN THIS MEMORANDUM AND ALL FURNISHED DOCUMENTS HEREWITH TO THE COMPANY OR ITS AFFILIATED COMPANIES UPON REQUEST, IF THE RECIPIENT DOES NOT PURCHASE ANY OF THE UNITS OFFERED HEREIN.

All potential investors are invited to ask questions and obtain additional information from the Management concerning the terms and conditions of the offering, the Management and any affiliations thereof, and any other relevant matters, including, but not limited to, additional information to verify the accuracy of the information set forth in this Memorandum. Questions concerning the Company and any requests for additional information should be directed to:

Paul J. Jones, CEO & General Manager
XYZ Capital, LLC
123 Easy Street
PO Box 430
Anywhere, Washington 98346
Tel: (123) 456-7890. Cell: (123) 456-7891.

This Memorandum contains certain “forward-looking statements” within the meaning of section 27a of the Securities Act and section 21e of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this Memorandum, including without limitation certain statements under the headings “Summary of the Offering,” “The Company” and other similar headings, may constitute forward-looking statements. Forward-looking statements can often (but not always) be identified by terminology such as “may,” “will,” “could,” “anticipate,” “believe,” “estimate,” “intend,” “expect,” and “continue,” or variations thereof, and similar expressions.

Although Management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company’s expectations (“cautionary statements”) are disclosed in this Memorandum, including without limitation in conjunction with the forward-looking statements included in this Memorandum and in the section of this Memorandum entitled “Risks and Other Important Factors,” and under the description of the Company and its business.

All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth herein. The Company disclaims any intention or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to sell these securities to anyone other than fully-accredited investors with the requirements set forth in the subscription agreement, or to any person to whom it is unlawful to make such an offer or solicitation and does not constitute an offer to sell or solicitation to any member of the general public. This Memorandum constitutes an offer or a solicitation of an offer only to the person named as offeree and to whom this Memorandum is delivered by Management of the Company or through a representative NASD Member firm(s), if any.

The Units are being offered by the Company hereunder subject to prior sale, withdrawal, cancellation, or modification of the offer without notice, and, when modified by notice, as and if delivered to and accepted by the purchasers thereof. No sale of any of the Units offered hereunder shall be complete unless accepted in writing by the Company. The Company may decline any subscription for any of the participating preferred Units at its sole discretion and for any reason or for no reason.

The Company's General Manager and other principals may, from time-to-time, be engaged in related or un-related activities. Such individuals may serve as managers and principals of other organizations, which are not in direct competition with the Company, its financial goals, and objectives.

No dealer, salesperson, finder or any other person has been authorized to give any information or to make any representations or promises other than those contained in this Memorandum, and any such other information, representations, or promises, if given or made, must not be relied upon as having been so authorized. The delivery of this Memorandum or any sale hereunder at any time does not imply that the information herein is correct as of any time subsequent to the date hereof. Securities are sold by this Private Placement Memorandum only.

This Memorandum contains all of the representations made by the Company concerning this offering and no person shall make different or broader statements than those contained herein. Investors are cautioned not to rely upon any information not expressly set forth in this Memorandum.

This Memorandum includes summaries and/or descriptions of various documents. Such summaries do not purport to be complete and are qualified in their entirety by reference to the original documents, which are attached, either as exhibits to this Memorandum or will be made available to any prospective investor upon written request to the Company.

The Company will provide all purchasers of participating preferred Units with a detailed written statement of the application of the proceeds of the offering within two (2) months after the completion of the offering and with annual current balance sheets and income statements thereafter.

The Company will make available to any Unit-holder or their designated representative the right to inspect the books and records of the Company at any reasonable time for proper purposes, upon written request to the Company.

The Company agrees to maintain at its offices a list of the names and addresses of all Shareholders, which shall be available to any Unit-holder or their designated representative.

This investment involves a high degree of risk. The Company is in the early stages of development and expansion with a limited history of proven record of business operations in the applications as described throughout this Memorandum. An investor could lose his/her or its entire investment in the Units offered hereby.

Among the risks and other factors to be considered carefully by potential investors are those set forth below under the heading "Risks and Other Important Factors."

This Memorandum has been prepared solely for informational purposes and is for distribution to a limited number of investors. The Company anticipates that this offering may continue through 11/30/07 unless the Company, in its sole discretion, sooner terminates or extends the offering. Management shall use the proceeds from this offering as received.

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EXECUTIVE SUMMARY

XYZ Capital Management, LLC, a limited liability company formed in July, 2007, has been created to manage multiple real estate investment trusts (REITs) by selling unit shares. Each fund will represent a different form of real estate development.

XYZ is located at 123 Easy St. Anywhere, Washington. The company is currently seeking to raise \$1,000,000 through a Private Placement Offering Memorandum (PPM) for start-up costs, as well as to create its first REIT, Renewal Urban Solutions Real Estate Investment Trust Fund, LLC (Renewal Urban). Renewal Urban will focus on urban renewal and urban infill development by creating a wide variety of projects, including residential, commercial and mixed-use design.

XYZ's goal is to increase investor profits through portfolio growth investments and high returns on the sale of quality real estate projects. It seeks growing investor confidence in investments, and desires to be an example to others of responsible, sustainable and environmentally-friendly developmental practices.

Summary of the Offering.

The securities offered are hereby made available to the prospective investor(s) named on the cover page of this Private Placement Memorandum.

Management has formulated this offering to provide investors with the key elements of a quality investment vehicle, hence the creation and issuance of Convertible Participating Preferred Units with a Call protection date of 12/31/2012. The key elements are as follows:

- 1.) First lien security on 100% of the company's assets;
- 2.) A 12% stated cumulative dividend;
- 3.) A 20% aggregate participation of net income;
- 4.) A "call" protection date of 12/31/2012; and
- 5.) One (Class B) for two units (Class A) conversion privilege into an aggregate of Twenty percent (20%) of the common class A Member Units (fully diluted) until the call protection date, after which the conversion option expires.

The \$1,000,000 in this round of financing of Participating Preferred Units (or, "Shares"), sought through this securities offering, is to be used as development and general working capital necessary to execute the business plans contained herein. (See "Sources and Uses Statement" included in the "Pro Forma Financial Projections" in Exhibit A).

Ten Thousand (10,000) Participating Preferred Units are hereby made available to the prospective investor(s) named on the cover page of this private placement memorandum. The securities are offered at a per Unit price of \$100.00. The minimum purchase amount is 100 Units for an aggregate dollar amount of \$10,000 and thereafter in increments of 50 Units (\$5,000).

The Pro Forma Financial Projections in Exhibit A illustrate selling 10,000 Units of Participating Preferred Units at a per Unit price of \$100.00. The Units offered herein are offered on a first come first served basis.

Exit Strategy

Management has planned an exit strategy for the Preferred Unit-holders in the Company in the form of a Call price of \$110.00 per Unit at or after the Call date of 12/31/2012. Aggregate conversion into Twenty Percent (20%) of the company’s Class A Voting Membership interests is available, as well.

Estimated Internal Rate of Return (IRR) per Preferred Unit.

No Properties Sold – No Profit Sharing Illustration

SERIES -A- PARTICIPATING PREFERRED UNITS	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012	
Stated Dividends per Preferred Unit	\$ -	12.00	12.00	12.00	12.00	
Estimated Participation Dividends per Preferred Unit	\$ -	2.66	13.54	63.10	66.20	
Estimated Principal Payment per Preferred Unit	\$ -	-	-	-	\$ 110.00	
Estimated Total Cash Distr. per Preferred Unit by Year	\$ -	\$ 14.66	\$ 25.54	\$ 75.10	\$ 78.20	IRR
Estimated Total Cash plus Unit Value Return					\$ 303.50	41.93%

All Properties Sold – Profit Sharing Illustration

SERIES -A- PARTICIPATING PREFERRED UNITS	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012	
Stated Dividends per Preferred Unit	\$ -	12.00	12.00	12.00	12.00	
Estimated Participation Dividends per Preferred Unit	\$ -	7.15	34.14	43.07	48.42	
Estimated Principal Payment per Preferred Unit	\$ -	-	-	-	\$ 110.00	
Estimated Total Cash Distr. per Preferred Unit by Year	\$ -	\$ 19.15	\$ 46.14	\$ 55.07	\$ 60.42	IRR
Estimated Total Cash plus Unit Value Return					\$ 290.79	42.94%

Management formulated the Estimated Internal Rate of Return for the Participating Preferred Units by comparing the Participating Preferred Unit original Par value per Unit against the accumulated stated dividends per Unit, plus the participating cash distributions per Unit, plus the Par value of the Unit, in anticipation of a call or retirement at the end of a 5-year period. The Standard Internal Rate of Return formula was used to calculate the percentage.

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THE COMPANY

XYZ Capital Management LLC, a Washington-based real estate trust management company, aspires to manage the financing and operations of multiple real estate investments trusts, each with a unique market focus; all with unified concern for the environment.

XYZ's ambition drives it to create successful trusts that can support quality development and design, thus creating positive and healthy environments for living, working and playing. It endeavors to gain high financial and positive social returns for its investors through the sale of its projects, and through opportunities to make a difference in their own communities.

Management believes the goals in XYZ's Mission Statement can best be achieved through a Limited Liability Company (LLC) business structure. In contrast to the corporate structure, management believes the LLC structure places fewer demands and will offer the Company greater flexibility to concentrate on the type of growth management seeks at this stage of its development. In addition, management believes this structure will avoid corporate level double taxation, thereby furthering XYZ's growth objectives and consequently the potential for increased shareholder return.

Organizational Structure

Decisions on behalf of the Company will be made by a management committee (the Committee). The Committee (which management intends should function very much like a corporation's board of directors) will be made up of managing members to include managing director Paul Jones, who will act as Chairman, Robert Smith as Chief Financial Officer (CFO), and others to be named later. (See Exhibit C – Operating Agreement.)

Business Description

Management has designed XYZ is to serve as a management company for one or more Real Estate Investment Trusts (REITs). XYZ's immediate responsibility is to raise and manage finances for seven current real estate projects. On behalf of its REITs, it will conduct research into real estate market trends, developmental solutions to environmental impact, and seek potential land acquisitions for future development.

XYZ will contract with a related real estate development company Renewal Properties LLC (Renewal Properties) to assume project development management responsibilities of its seven projects. So that XYZ may focus solely on financing, investor relations and project research, Mr. Jones has created West River, LLC (West River) to take over development management of these projects and future REIT projects

As developer, West River will contract with related architectural firm Jones Architects Inc., or outside architects for design and permitting services. Jones Architects will contract with outside consultants for engineering, site studies, interior design, surveying, project reports, and other needed services that cannot be provided in house.

To establish initial working capital and to fund future REITs, XYZ is offering these shares to accredited investors and intends to claim an exemption from registration under Regulation D, Rule 506. XYZ's goal is to raise \$1,000,000.00 by the end of 2007. Upon reaching twenty-five percent of its goal, or \$250,000, XYZ plans to set up the first of what it envisions to be several REITs. Renewal Urban Solutions Real Estate Investment Trust (Renewal Urban.) being the first of several. XYZ plans to engage a securities offering for the first REIT, which will involve a private placement followed by an exchange listed registration which should thereby making the shares in the REIT eligible for public trading. XYZ, as the management company, plans to raise funds on behalf of the REIT for land acquisitions and pre-construction financing of urban renewal and urban infill real estate projects. Thereafter, Renewal Urban will reimburse XYZ's loan for set-up costs at 8.5 percent interest in installments or a lump sum with no pre-payment penalty. XYZ will charge an annual fee, paid monthly, of 1.9 percent of total assets under management, and shall receive twenty percent (20%) of net profits for its management services to its REITs.

XYZ then intends to register a public offering with the SEC and selected states under regulation SB-2 on Renewal Urban's behalf the, 1st REIT, and begin selling the shares for cash, real estate and real property in an effort to raise thirty million dollars (\$30,000,000) through 2007 and 2008.

Selling shares to the public should create further opportunities for shareholders. Management intends that Renewal Urban pay off land mortgages and purchase all seven projects from Renewal Properties LLC, gaining a potential profit from these projects as illustrated in Exhibit A. Twenty percent (20%) of the profits shall be paid out to XYZ and the balance of those proceeds retained by the REIT to go toward the purchase of additional land and future project pre-development costs.

Just as XYZ plans to create Renewal Urban to focus on urban real estate opportunities for its investments, it also endeavors to create other REITs, each with its own unique objective relating to the development, construction, and operation of real estate. All will employ double bottom-line investment strategies that XYZ hopes will result in substantial financial benefits. Some of these will specifically focus on Leadership in Energy and Environmental Design (LEED) certification for added emphasis on environmentally- friendly construction.

The goal to invest in increasingly larger and more complex projects over wider geographical areas drives XYZ's desire to research real estate development opportunities in Three RiversCounty, and throughout Western Washington.

Value and Marketability of Service

Real estate development can be an excellent way to increase land values over a short period of time. XYZ does not limit itself to one design premise, but rather embraces a wide market of high-demand development to include single and multi-family housing, condominiums, commercial, and mixed-use, with a focus on the niche market of urban infill, adding new "urbanist" traditional community design and construction to existing neighborhoods.

New Urbanism, a nationwide vision to reform all aspects of real estate development and urban planning, is strongly supported in The State of Washington by the Growth Management Act (GMA). The GMA was adopted in 1990 by the Washington State Legislature after it found that uncoordinated and unplanned growth posed a threat to the environment, sustainable economic development, and the quality of life in Washington. Its purpose is to reduce suburban sprawl and rural development by requiring cities and counties to encourage new growth in existing urban areas. Governmental agencies are providing assistance in the push for urban infill, and this creates a strong opportunity for XYZ in its drive to create Renewal Urban.

Mixed-use development is one of the best ways to satisfy the needs of urban infill. It condenses diverse housing and commercial space needs into single buildings, and conserves land space with an up-rather-than-out design style. Far from a new concept, the idea was brought from Europe and used in the construction of city neighborhoods where buildings housed family businesses at ground level, and the families above in upper-level residential units. At the time cars were either non-existent or too expensive, so urban design in this manner was a necessity for those who lived and worked in these neighborhoods.

Recently, it's become apparent that mixed-use is necessary not only for urban infill, but for several other reasons: industry and governmental reports suggest that well designed urban neighborhoods are in high demand across the country due to swiftly changing modern circumstances. Increased transportation costs have helped create the need for work spaces closer to home. An evident decrease in household size over the last few decades has created a demand for smaller homes, and, as housing prices go up, more and more first-time homebuyers may look to purchase condominiums as a way to get a foothold in the market. As our lives become busier and more complicated, convenience becomes a priority, and living amidst work spaces and businesses frequented holds many benefits for individuals as well as for society as a whole. Less time spent work commuting means more time for those things of higher importance and meaning in our lives.

Commitment to the environment is a high priority to XYZ management as it works to fund development and meet the needs of a growing population. In the case of urban renewal, land already cleared for development can be "recycled" for current and future needs. XYZ is proud to be associated with development that employs green architectural design into most of its projects - and decreasing carbon emissions into the air - by limiting the need to drive.

To the potential buyer of XYZ's real estate projects, the same values apply. In addition, the diversification of their purpose makes them a somewhat safer investment than single-use real estate. Several different sources of revenue in one building significantly decrease the impact on the overall economy of the building in the case of a downturn in one market sector. A slump in office rental space, for instance, will have less of an impact on a mixed-use project than on a building with office space alone.

Services.

Through the sale of the securities offered herein, XYZ shall fund its operation and set up REITs. The REITs, with investments from sales of subsequent privately or publicly placed securities offerings, are intended to purchase land for real estate development projects, fund pre-construction design and permitting, and sell projects for company and investor profit. XYZ intends to generate long-term gain for its investors through market research, careful handling of investments, and through its affiliates, unique in-house expertise that covers most phases of real estate development.

In addition to seeking and creating valuable real estate development projects, XYZ management shall strive to create value for local communities. Highly-regulated industries such as architecture, real estate development, and building construction require specialized knowledge to create viable, attractive, and functional buildings at a reasonable cost. Management feels XYZ's abilities not only to offer architectural design, marketing, and research but also expertise in areas such as the navigation of complex development rules and regulations are necessary services to the community and to the real estate market. These abilities should enhance XYZ's potential profitability.

XYZ's in-house range of specialized real estate and design service expertise is generally provided only by national companies working on larger projects. XYZ is one of only a few small development companies in the Seattle area focusing on urban infill projects of moderate size. XYZ is able to provide investors with a local connection to their investments, taking projects from inception to sales.

The life of a single project will typically start with a proposal to the Committee by the managing director for a project idea. This is followed by a presentation given to the Committee on behalf of staff members from XYZ, West River, and Jones Architects. The Committee will then either approve or decline the proposal. If approved, XYZ will decide to which of its REITs the project should be assigned and it will be handed off to developer West River, with funds supplied by its respective REIT. West River will contract with Jones Architects or other architectural firm to provide architecture and design consultation. West River will seek construction loans, and provide marketing for lease-up and pre-sales upon the sale of a project. West River will hire a general contractor, and Jones Architects will review construction progress. West River will direct sales income to XYZ, and XYZ will disperse funds to its investors, as well as those of Renewal Urban. All participants in the process are related and controlled contractually by XYZ.

Marketing Strategy.

Projects may be on the market for sale while in design if it is of benefit to the company. In general, projects will be taken from design through construction and sales, but some may be pre-sold prior to construction. Unique buildings such as medical dental offices will be marketed to their specific community.

Operations Plan.

Management intends that XYZ be managed by a competent staff of Executives, Financial Mangers and support staff. Early staff projections are one CEO, one CFO and one bookkeeper but, as the project quantity and complexity grows, additional staff will likely be added.

A real estate developer company, West River LLC, has been contracted to provide project management. West River was created in June 2007 specifically to support the operations of XYZ. West River will be run by a staff of executives and Project Managers, lead by Managing Member, Paul J. Jones.

The business functions of funding and project management are separated for reasons of insurance and efficiency. XYZ will focus on financial support of the projects and West River will focus on developer services.

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THE INDUSTRY

Real estate investment has been a growing trend for the past twenty years with the creation of Real Estate Investment Trusts (REITs). REITs allow small investments of capital to be pooled and thus invested in much larger projects than are often available to individual investors. Management expects to grow substantially in the near future as the investing public becomes increasingly aware of the quality projects we are funding. Assuming a rate of return in line with the REIT industry average, Management expects to have adequate access to capital as it is needed.

According to the 2006 Three Rivers County Trends report, the housing market was “red hot in 2005.” Although sales retreated in 2006, the market remains very active by the standards of the previous decade. Many people take an interest in real estate pricing trends due to the ever-increasing value in real estate, and its worth as an investment. National Data has suggested that somewhere in the neighborhood of forty percent (40%) of homes sold in 2005 were investment or second-home purchases, creating a twenty-three percent (23%) rise in real estate investments from 2004.

Competition

The Company’s principal competition is considered limited in the Three Rivers County area because the Company’s focus is on moderately sized urban infill projects, and this focus is shared only by a few development companies in the area, including Seattle. High barriers to entry should also limit competition, although future competition may surface if others follow XYZ’s business model.

Operations may eventually be expanded into the Seattle area. At that time, Management expects increased competition from other developers.

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MANAGEMENT

XYZ's executive staff consists of Managing Director Paul Jones and CFO Robert Smith. Mr. Jones will be in charge of project selection and design through his affiliated company, Jones Architects Inc. Mr. Jones will also be in charge of project development through his affiliated company West River LLC. Mr. Smith will direct unit sales and provide accounting, financial management and financial oversight of investor funds invested into the various real estate development projects.

CEO & General Manager: Paul J. Jones.

Mr. Jones has been a licensed architect with the state of Washington since 1996. He has worked for several renowned architectural firms including Mithun in Seattle, and Johnston Associates, Inc. on Bainbridge Island. His design experience includes multifamily, single family, mixed use, and commercial, and his projects can be found throughout the Puget Sound area. For the past 15 years, he has extensively studied urban neighborhoods and urban infill. Since 2000, he has owned and operated the architectural firm Jones Architects, created Renewal Properties LLC and Milestone Beneficial LLC, and established the seven real estate development projects that Renewal Urban intends to purchase. His design and real estate knowledge are key factors to XYZ's long-term success.

CFO: Robert D. Smith.

Mr. Smith is a former Licensed Securities Broker (series 7) and a former Certified Public Accountant. He has experience in public and private offerings as well as securities trading on major stock exchanges. He has been an owner of, or held management level positions in auto sales, a golf reservation business, RV park development, factory built housing, and the oil service industry. His accounting background includes ownership of an accounting firm for 12 years, Controller for a fast food company, store's accountant for a paint manufacturer, and internal audit for a chemical company.

Management Committee.

A Management Committee has been formed and will have 7 members. Two members will be the CEO and CFO. The other members of the committee will be named soon with unfilled seats anticipated to be filled potentially with future investor members. The Committee's business will be conducted in a similar manner to a corporate board of directors. The committee members will be advisors to the CEO for reviewing the general operations of the company, and reviewing proposals for new projects to be acquired by one or more REITs. They will also be responsible for selecting a replacement CEO if necessary.

Management operations.

When, as expected, business increases, in-house and potentially outside bookkeepers will be hired to track daily financial activities and investor accounts. Outside consultants will be retained for XYZ and its REITs as necessary to provide services not available in house, such as CPAs, attorneys, and securities document providers.

XYZ's in-house accounting system uses QuickBooks and Excel. It also employs an outside accountant, Whitney Houston, P.S. Certified Public Accountants of Countdown, CA.

XYZ will acquire business liability, operations, and director's insurance as necessary. Management also intends that Renewal Urban have property liability insurance, and West River have developer's insurance.

Careful security of all records is a major priority for XYZ. Password protection for websites, computer servers, locked file cabinets and financial offices as well as the office itself is mandatory.

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TERMS OF THE OFFERING

General.

Management intends that the \$1,000,000 in this round of financing of Participating Preferred Units be used as general working capital as necessary to execute the business plans contained herein. (See “Sources and Uses Statement” included in the “Pro Forma Financial Projections” in Exhibit A).

Ten Thousand (10,000) Participating Preferred Units are hereby made available to the prospective investor(s) who are named on the cover page of this private placement memorandum. The securities are offered at a per Unit price of \$100.00. The minimum purchase amount is 100 Units for an aggregate dollar amount of \$10,000 with increment of 50 Units for an aggregate dollar amount of \$5,000 thereafter.

The Units offered herein are offered on a first come first served basis.

Description of the Participating Preferred Units.

The Company’s Articles of Organization were filed in July 2007 with the State of Washington. The Operating Agreement provides authorization for the issuance of Class B Non-voting Participating Preferred Units.

Holders of the Company’s Participating Preferred Units are entitled to receive stated dividends at a rate of Twelve Percent (12%) per annum if declared at the discretion of the Managing Member out of funds legally available. Dividends will depend upon, among other things, the operating results and financial condition of the Company, its present and future capital requirements and general business conditions.

The aggregate holders of Participating Preferred Units have the right to receive distributions from net income at a rate of Twenty Percent (20%) of the net after tax income as illustrated in Exhibit A. Individual Participation of Net Income is 2/10th of 1% per Unit.

The Participating Preferred Unit is callable at 110% par value at the end of the fifth year, 2012 Management may “Call” the Participating Preferred Unit any time after the Call protection date of 12/31/2012. Due to the call provision, Participating Preferred Units do not represent permanent equity capital in the Company.

Holders of Participating Preferred Units have the right to convert into the Class A Voting Member Units at a pro rated ratio commensurate with the participation rate any time until the Call date of 12/31/2012. The aggregate of the 10,000 Units may be converted, in whole or in part, into Twenty Percent (20%) on the total ownership of the company, on a fully diluted and on a pro rata ownership basis. Class A Voting Member Units represent permanent equity in the company.

Participating Preferred Unit-holders have the right to receive distributions from liquidation of the Company's assets, ahead of Class A Members, if business failure were to occur.

Participating Preferred Unit Dividends are cumulative and shall be paid in arrears before any Class A Members receiving any dividends.

An indenture will be present on the Participating Preferred Unit certificates with a legend stating that the **Units are non-transferable** and that the securities have not been registered under the various acts. This Private Placement Memorandum dated 09/01/2007 serves as the disclosure document for this securities offering.

Investor Representations.

The securities will be offered only to "accredited investors" who will be required to represent (i) that they meet certain financial requirements, and (ii) that they have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the prospective investment and otherwise as defined under Regulation D subsection 230.501. (See: Exhibit B - Subscription Agreement).

Representations, Warranties and Covenants of the Company.

The Company represents, warrants, and covenants for the benefit of purchasers of the securities that:

(a) There are no options, rights, other warrants or other agreements by the Company entitling any person to purchase or otherwise acquire, outstanding securities convertible or exchangeable into any capital stock or other securities of the Company, aside from those described herein. However, this fact in no way shall preclude the Company from issuing any of the aforementioned securities or other similar securities, including debt instruments, to capitalize the Company as Management sees fit. All company actions required to be taken by the Company prior to the issuance and sale of the securities to subscribers have been taken. The securities, when sold, issued and delivered in accordance with the terms of the Subscription Agreement, for the consideration expressed in that Agreement, will be duly authorized, validly issued, fully paid and non-assessable. None of the securities are subject to preemptive rights of any Unit-holder of the Company. When the securities offered are issued, the expenditures of the Company will be as set forth in this Memorandum under the "Sources and Uses Statement" contained in Exhibit A.

(b) The Company is duly organized, validly existing and in good standing as a Domestic Limited Liability Company in accordance with related Laws, acts, regulations and other rules governing business in the state of Washington.

(c) The Company is not in violation of any terms or provisions of any of its charter documents including its Articles of Organization and Operating Agreement; of any material term or provision of any indenture, mortgage, deed of trust, note agreement, lease or other agreement or instrument to which it is a party or by which it is or may be

bound or to which any of its assets, property or business is or may be subject; of any material term of any indebtedness; or of any statute or any judgment, decree, order, rule or regulation of any court, regulatory body or administrative agency or other federal, state or other government body, domestic or foreign, having jurisdiction over its assets, property or business, which violation or violations, either in any case or in the aggregate, might result in any material adverse change, financial or otherwise, in its assets, properties, condition, business, earnings, or prospects; and the delivery of this Memorandum, the consummation by the Company of the transactions contemplated in it and compliance by the Company with the terms of the subscription documents, will not result in any of these violations.

(d) The financial requirements and projections of the Company set forth in this Memorandum under Exhibit A are based on Management's best estimates regarding the Company and its business plans.

(e) The Company has filed all federal, state, local and foreign tax returns which are required to be filed or has requested extensions and has paid all taxes due.

(f) There are no facts presently existing or events which have occurred which constitute a material financial liability of the Company, not disclosed herein or in the exhibits hereto.

The Class A Member Interest Units are owned as of September 1, 2007.

Class A Unit-holders:	Number of Class A Units	Ownership %
Paul J. Jones	70,000	70.00%
Reserved for Class B Conversion	20,000	20.00%
Reserved for ESOP	10,000	10.00%
Total Authorized	100,000	100.00%

Capitalization Plan.

Management believes that the \$1,000,000 in equity development capital sought through this offering will be sufficient to allow Management to grow the Company's business and attract further capital necessary for the future of the company.

Management plans to keep the Company a closely and privately-held Company for a period of five years. Management may execute an Initial Public Offering after that period of time or before, if the need arises and there is a favorable market environment. However, there is no liquid or public market for the Participating Preferred Units herein and there can be no assurance that a liquid market for the Units will develop.

Minimum Purchase Requirement.

Each qualified investor will be subject to a minimum purchase requirement of 100 Units of the Participating Preferred Units for \$10,000, with 50 Unit increments or \$5,000 thereafter. There is no maximum amount of the securities that can be purchased by any qualified investor, up to the maximum amount of the offering. Management may waive the minimum purchase requirement at its sole discretion.

The Offering Period.

The offering extends from the offering date of September 01, 2007 to the close of business on November 30, 2007 (or earlier if the total amount of Units offered are sold) unless the offering is extended at the sole discretion of the Company. The Company may terminate the offering at any time for any reason or for no reason.

Availability of Information.

Prospective investors and their investment advisors are invited to communicate with Paul J. Jones, CEO & General Manager by phone at ((123) 456-7890) or by email at Paul@XYZCap.com or in person by appointment at 123 Easy Street, PO Box 430 Anywhere, WA 98346. Prospective investors and their purchaser representatives are also invited to request any material information reasonably available from the Company relating to its formation, managers, business activities, or anything else set forth in this Memorandum, which is not competitively confidential.

Escrow Agent.

There is no minimum aggregate offering amount and therefore no need to establish an Escrow Account or Escrow Agent relationship. Management will use the proceeds from this offering, when received and as needed and in relative concert with the “Sources and Uses Statement” contained in Exhibit A, to further the Company’s financial goals and objectives.

Registrar & Transfer Agent.

As with most private placement offerings, the Company shall act as the registrar and transfer agent to save on costs associated with those services. However, the Company may appoint one or more transfer agents and registrars to act in its place where numerous securities may be presented for registration of transfer or exchange

The Company and any registrar or transfer agent may deem and treat the person in whose name any of the securities shall be registered upon the books of the Company as the absolute owner for the purpose of receiving notices of any nature and payment of or on account of the dividends or other distributions and for all other purposes; and neither the Company nor the paying agent nor any registrar or transfer agent shall be affected by any notice to the contrary. All such payments and notices so made to any registered holder or upon his/her or its order shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for notices owed or moneys paid upon any such distribution.

Preferred Unit-holder Right of Inspection of Books and Records.

In compliance with applicable federal and state law, any Preferred Member Shareholder, Membership Interest Shareholder, holder of voting trust certificate, or their agent, may inspect and copy the Operating Agreement, the minutes, of the proceedings of Membership Interest Shareholders, the annual statement of affairs, and any voting trust agreements on file at the Company’s principal office during normal business hours. In addition, any Unit-holder or holder of voting trust certificate, or their agent, may present to any manager or resident agent of the Company a written request for a statement

showing all Units and securities issued by the Company during a specified period of not more than 12 months preceding the date of the request. The Company must respond to the request within 30 days of the date in which it was made.

Plan of Distribution.

The participating preferred Units will be allocated to purchasers of the securities in certificate form. Such certificates shall be cut, signed, and mailed within 10 days after receipt of funds.

Size of Offering.

<u>Amount of Units Offered</u>	<u>Price Per Unit</u>	<u>Commissions</u>	<u>Net Proceeds to Firm</u>
10,000	\$100.00	\$0.00	\$1,000,000

NOTE: Proceeds to the Company are computed before deducting expenses of this offering, including legal fees, consulting fees, promotional and marketing expenses associated with this offering, and other offering expenses, which will be paid by the Company out of the proceeds of this offering. (See: “Estimated Use of Proceeds Statement”).

Estimated Use of Proceeds Statement

For the balance of 2007, the proceeds are to be used to initiate the Company’s development and growth. More specifically:

1. \$250,000 loan to the REIT to for exchange registration purposes, to launch the Initial Public Offering.*
2. \$250,000 loan to the REIT for marketing the shares of the REIT to the general public.*
3. \$250,000 for general and administrative expenses for the first 12 months.
4. \$40,000 short-term initial loan to be paid back to Paul J. [REDACTED].
5. \$210,000 to serve as a contingency reserve to further assure that the REIT is funded.

*NOTE: The loans to the REIT are to be paid back to XYZ, once ample capital is raised for the REIT to support its own securities marketing efforts.

The balance and loan re-payment proceeds of up to \$1,000,000 in cash shall be allocated in conjunction with anticipated revenues as illustrated in Exhibit A for year 2008. The funds shall be used in relative concert with the pro forma financial projections so denoted in Exhibit A. Management plans on using such proceeds to further the company’s financial and operating plans contained herein. If the full amount of capital is not raised, Management shall make the necessary adjustments in its sole discretion, to further the company’s financial and operating plans. Please refer to Exhibit A “Sources and Uses Statement” and the Notes to Pro Forma Financial Projections contained therein for a detailed analysis of the use of proceeds.

Prior Offerings.

There has been no other prior execution of a securities offering for this Company.

Documents Incorporated by Reference.

All of the information contained in this Memorandum and the enclosed Exhibits are hereby incorporated herein by reference. This Memorandum contains summaries of certain documents believed to be accurate but reference must be made to the actual documents for complete information concerning the rights and obligations of the parties thereto. Copies of such documents are made available at the main office of the Company. All such summaries are qualified in their entirety by reference to the actual and complete documents. Specific documents relating to this investment shall be made available to the prospective investors and their advisors or purchaser representatives upon written request received by the Company's Management.

Voting Rights.

The Participating Preferred Unit-holders have no right to vote on any matter concerning the company. However, Participating Preferred Unit-holders have the right to vote on any change in the terms of the Participating Preferred Units issued hereby. Any proposed change must receive a unanimous vote to be effective.

Voting Control.

The Participating Preferred Unit-holders have no right to vote on any matter concerning the company and therefore shall not have any voting control. The Class A Members hold the exclusive right to elect the Managing Member who, in turn, appoints any Managing Directors or Advisory Board Members. The Operating Agreement may govern such matters as Unit distributions, voting, Management indemnification, and dissolution. A percentage greater than 50% of the Class A Membership vote shall control 100% of the Company.

Preemptive Rights.

The Participating Preferred Unit-holders have no Preemptive right to purchase additional Units. Management, out of general courtesy to its existing Unit-holder base, shall offer subsequent securities offerings to existing Class A Members/Unit holders of its securities on a first come first served basis for a period of 30 days after notification of the intent to sell additional securities. Such an offering shall be to allow investors to maintain their percentage of permanent ownership and voting control in the Company. After the 30 day period, the Company is under no obligation to sell securities to exiting Class A Unit-holders and may issue and deliver un-issued Participating Preferred or Class A Units or acquired and reissued treasury Shares, options, warrants, rights, or debt instruments or other securities having conversion or option rights, to other prospective investors as Management deems appropriate.

Company's First Right of Refusal.

The Company reserves the right as a "first right of refusal" to purchase any of the Company's securities which may be noticed for sale by the Company's investors.

To Purchase Participating Preferred Units.

To purchase the Participating Preferred Units offered herein, the Subscription Agreement furnished with this Memorandum must be completed and received by the Company after the official Offering Date of September 01, 2007 and prior to the Termination Date, of November 30, 2007, with full payment for the purchase of the Units offered herein, a copy of the Subscription Agreement is contained at the end of this Memorandum. (See Exhibit B). Management retains the right to reject any subscription for securities in whole or in part, withdrawal, or cancellation of the offer without notice.

All potential investors consent to reasonable inquiries made by the Company and its representatives to assist in verifying that they meet the suitability requirements applicable to this offering. The Company will promptly notify each subscriber of its acceptance or rejection of a subscription hereunder and will promptly return the full purchase price for any portion of a subscription that is rejected.

The Company will not accept a Subscription Agreement unless forty-eight (48) hours have elapsed after delivery of this Memorandum to the subscriber.

All potential investors consent to reasonable inquiries made by the Company and its representatives to assist in verifying that they meet the suitability requirements applicable to this offering. The Company will promptly notify each subscriber of its acceptance or rejection of a subscription hereunder and will promptly return the full purchase price for any portion of a subscription that is rejected.

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RISKS AND OTHER IMPORTANT FACTORS

Any person contemplating an investment in the securities offered herein should be aware of the risk factors relevant to the offering and should consider, among other things, those factors set forth below.

Best Efforts Offering.

This offering is being conducted on a “best efforts” basis by the Company’s Managers only. No other individual may solicit or sell the securities offered herein. No guarantee can be given that all or any of the securities will be sold, or that sufficient proceeds will be available to conduct successful operations without the need for further financing if only a portion of the securities are sold.

Limited or No Substantial Operating History.

The Company is a development stage company recently formed, July of 2007 for the purpose of carrying out the business plans contained herein. Although Management has many years experience in the business sector, the Company as an entity, is relatively new and as such has little substantial operating history

No Guarantee of Profitability.

The Company anticipates that revenues will be sufficient to create net profits for the Company. However, there can be no assurance that revenues will be sufficient for such purpose. Although Management believes in the Company’s economic viability, there can be no guarantee that the business will be profitable to the extent anticipated. Success of the venture is primarily dependent upon the extent that the Company is able to operate the venture in accordance with expectations and assumptions as set forth in the financial projections. (See Exhibit A “Pro Forma Financial Projections”).

No Guaranteed Return of Investor’s Capital Contributions.

The Participating Preferred Units offered hereby are speculative and involve a high degree of risk. There can be no guarantee that an investor will realize a substantial return on the investment, or any return at all, or that the investor will not lose the entire investment. For this reason, each prospective investor should read this offering Memorandum and all Exhibits carefully and should consult with his/her or its own legal counsel, accountant(s), or business advisor(s) prior to making any investment decision.

Capital Requirements.

Management believes that the capital raised from this offering will be sufficient to cover costs to launch the further development of the Company as described herein however, there can be no guarantee that the Company may not require additional funds, either through additional equity offerings or debt placement, to continue operating and to seek profitability. Such additional capital may result in dilution to the Company’s Shareholders, or result in increased expenses and decreased returns to the Company’s Shareholders. The Company’s ability to meet short term and long-term financial commitments may depend on the future cash flows generated from subsequent securities offerings and operations. There can be no assurance that future profits or subsequent

securities offerings will generate enough funds to meet the Company's financial commitments.

Arbitrary Determination of Offering Price.

Management believes it has priced the securities offered herein to provide for an exceptional rate of return on investment for the relative risk involved in owning the securities, if the pro forma financial projections prove to be correct or exceeded. The offering price of the Units being offered herein was arbitrarily determined and bears no relationship to assets, book value, earnings, or other established criteria of value. In determining the offering price such factors as the limited financial resources of the Company, the nature of the Company's assets, estimates of the business potential of the Company, the amount of equity and voting control desired to be retained by the Company's existing Shareholders, the amount of dilution to investors, and the general conditions of the securities market, were considered.

Competition.

Management believes that its competition is limited in the Three Rivers County area. Our focus is on moderately sized urban infill projects, and this focus is shared only by a few development companies in the area, including Seattle. High barriers to entry into will limit competition, although future competition may surface if others follow XYZ's business model.

Operations will eventually be expanded into the Seattle area. At that time, we can expect increased competition from other developers. That said, Management cannot guarantee that its approach will not be imitated in whole or in part at any time.

Reliance upon Management.

The success of the Company depends to a large degree upon the efforts of the Company's Management. Management shall have the exclusive control of all aspects of the business of the Company and in this regard, Management will make all decisions relating to operations such as the selection of personnel and the amount of proceeds to apply to daily operations and capital raising efforts. Management believes that its accumulated industry knowledge will allow the Company successfully to pursue sound Management and financial strategies to continue as an ongoing concern. No person should purchase any of the securities offered hereby unless an investor is willing to entrust all aspects of the Company's operations to its Management. Management has budgeted for Key Person life insurance to replace a member of the Management team, in case of incapacity or death of a Management team member.

Reliance on Market Research.

A substantial portion of the market research conducted for this project is based upon management's prior business experience as well as personal discussions with industry leaders. While the initial response has been positive, such information is highly subjective, with no independent statistics to rely upon. While the Company considers these indicators to be very favorable for the development of its business, there is no definitive proof of the size of the potential market or that the business plan contained

herein can achieve all its stated goals.

Governmental Regulation.

The real estate development industry, in which XYZ will become an active participant, is highly-regulated at both State and Federal Levels. XYZ will continue to comply with all applicable regulations affecting the markets in which it operates however, such regulation may become overly burdensome and therefore may have a negative affect on the Company's ability to perform as illustrated.

Financial Projections.

The Management of the Company, based on information and assumptions Management believes to be reasonable, prepared the financial projections enclosed with this Memorandum. Such projections, therefore, reflect only the Management's current expectation of likely results. There ordinarily will be differences between projected results and actual results because events and circumstances frequently do not occur as expected, and differences can be material. Thus, projected benefits to investors may also vary and there can be no guarantee that the results shown in the enclosed projections will be realized in whole or in part. Neither the Company nor its affiliates or professional advisors guarantee or warrant the projected results. It should also be noted that projections are based on the assumption that all of the securities will be sold for this offering as well as for offerings related to raising the necessary capital. Projected results may vary substantially if less than the entire amount of capital sought is received.

The financial projections provided herein depend on various assumptions, which may prove to be incorrect. There is no assurance that the actual events will correspond with such assumptions. Future results and investment returns are impossible to predict with any real accuracy and no representation or warranty of any kind is made by the firm, its Management or its representatives respecting the current or future accuracy or completeness of, and no representation is to be inferred from, such projections.

Restrictions on Transfer.

The securities have restrictions and limited transferability. There is currently no public trading market for the securities and no guarantee can be given that one will develop. The securities have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or under any state securities laws. The securities are being offered and sold pursuant to exemptions from applicable federal and state registration requirements, allowing for transactions, which do not involve a "public offering". The Company is under no obligation to provide for registration of the securities in the future. Any subsequent sales of the securities by investors may only be permissible if an exemption from the applicable federal and state registration provisions is available at the time of the proposed sale. The Company cannot guarantee to any investor that such an exemption will be available. The Company is not presently subject to the periodic reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934 and may or may not choose to make available to the public, in the foreseeable future, information with respect to the Company's affairs sufficient to permit the use of Rule 144 under the 1933 Act as a means of disposing of an investment in the Company. Consequently,

holders of the securities may not be able to liquidate their investment in the event of an emergency.

Private Offering Exemption.

These securities are being offered in reliance upon the non-public offering exemption as provided in the 1933 Act, 4(6) The Accredited Investor Exemption and or Regulation D Rule 506 promulgated thereunder, and applicable state securities registration exemptions. Although Management shall exercise due care in the offering of these and other securities related to raising capital for the Company, there can be no guarantee that this offering successfully complies with the requirements of the 1933 Act, 4(6) The Accredited Investor Exemption and/or Regulation D Rule 506 and other applicable state securities laws. If the Company should fail to comply with the requirements of the 1933 Act, 4(6) The Accredited Investor Exemption and or Regulation D Rule 506, or applicable state securities laws, and is not sufficiently profitable to remain attractive to the purchasers of its securities, investors might assert that they have the right to rescind their investment. Because compliance with the securities statutes is highly technical and difficult, an investor seeking rescission potentially could succeed. If a number of investors successfully sought rescission, the Company could face severe financial demands, which could adversely affect the Company and therefore the non-rescinding investors.

No Litigation.

Management is aware of no actions, investigations, lawsuits or other proceedings against the Company or any of its managers of any nature in effect, pending, or threatened which individually or in the aggregate might result in any material adverse change, financial or otherwise, in the assets, properties, condition, business, earnings or prospects of the Company, or which question the validity of the capital stock of the Company, the subscription documents or any action taken or to be taken by the Company in connection with this offering.

Dilution.

Due to the nature of the Class B Non-voting Preferred Units offered herein, as a forward lien security on assets in the case of business liquidation, there will be no dilution of Preferred Members interests in relation to ownership or an investment in the Preferred Units and the Company. The Estimated Rate of Return projections contained in the Executive Summary and the notes to pro forma financial projections contained in Exhibit A take into account a fully diluted basis of the total authorized 10,000 Preferred Units to be outstanding in arriving at the Estimated Rate of Return figures.

Ministerial Errors and Omissions.

Any clerical mistakes or errors in the Memorandum should be considered ministerial in nature and not a factual misrepresentation or a material omission of fact.

Investor Suitability Standards.

See Subscription Agreement.

Tax Structure.

XYZ Capital Management LLC should not be treated as a corporation for tax purposes. The federal and state tax obligations created by the profits and losses of the Company shall “pass through” on a pro rata basis, to each individual Unit-holder. Cash distributions should be treated as such for tax purposes, however one should seek advice of their own tax advisors in regards to these matters.

Tax Matters.

The following summarizes certain U.S. tax considerations relating to an investment in the Company. This summary is based upon the law, regulation and practice as of the date of this Memorandum, which are subject to change and to differing interpretation. Members should note that the following is only of a general nature and does not address all possible tax consequences relating to an investment in the Company.

This summary does not address the tax consequences applicable to all categories of investors. In particular, this description does not purport to address the potential tax considerations that may be material to a U.S. Member (as defined below) based on its particular situation and does not address the tax considerations applicable to U.S. Members that may be subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers in securities or currencies or U.S. Persons (as defined below) that have a functional currency other than the U.S. dollar. Moreover, this discussion does not address the state, local or alternative minimum tax consequences of the acquisition, ownership or disposition of Units in the Company. Members should consult their own tax advisors on the specific tax implications of acquiring, holding, receiving distributions in respect of, and disposing of, the Units because the specific tax treatment applicable to a Member may differ from the following summary.

Income or gains of the Company may be subject to withholding, income or other tax in the jurisdictions where investments are located or where the Company is engaged in business. Prospective investors should note that this summary does not address the interaction of the U.S. federal tax laws and any income or estate tax treaties between the U.S. and any other jurisdiction. This summary also does not address possible tax consequences to the Company or to Partners under non-United States tax laws.

The Company’s net income may be subject to the Washington state tax, at the rate as determined by state law, of net income per year or tax rates in other jurisdictions as they pertain.

Prospective investors should consult their own tax advisors with respect to the specific tax consequences of an investment in the Company, including the application and effect of any U.S. federal, state, estate, local, foreign and other tax laws, and including the effect of recently passed U.S. tax legislation.

U.S. tax-exempt investors should read the section addressed to them below, and should consult their own tax advisors concerning the consequences to them, in their particular situations, of investing through such separate investment vehicles.

For purposes of this discussion, a “U. S. Person” or a “U. S. Member” is an individual who is a citizen or resident of the United States, as determined for U.S. federal income tax purposes, a corporation or an entity treated as a corporation for such purposes that is created or organized in or under the laws of the United States or any political subdivision thereof, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) it is subject to the primary supervision of a court within the United States and one or more U.S. Persons have the authority to control all substantial decisions of the trust, or (ii) it has a valid election under applicable U.S. Treasury regulations to be treated as a U.S. Person. If a Limited Liability Company is an investor, the tax treatment of a partner in such Limited Liability Company will generally depend upon the status of the partner and the activities of such Limited Liability Company.

Limited Liability Company Status

Subject to the rules applicable to “publicly traded Limited Liability Company/Partnership,” a domestic Limited Liability Company or Limited Liability Company, (such as the Company), will generally be classified as a Limited Liability Company for U.S. federal income tax purposes unless it elects to be treated as a corporation. The Company will not elect to be treated as a corporation for U.S. federal income tax purposes. However, an entity that would otherwise be classified as a Limited Liability Company for such purposes may nonetheless be classified as an association taxable as a corporation if it is treated as a “publicly traded Limited Liability Company/Partnership”. Management intends to obtain and rely on representations and undertakings from each investor and conduct the activities of the Company to ensure that the Company is not treated as a publicly traded Limited Liability Company/Partnership. The discussion herein assumes that the Company will be treated as a Limited Liability Company/Partnership for U.S. federal income tax purposes. The classification of an entity as a Limited Liability Company/Partnership for such purposes may not be respected for certain state, local or non-U. S. Tax purposes.

U.S. Members

General. Each U.S. Member will be required to take into account its distributive Unit of items of income, gain, loss, deduction and credit of the Company for each taxable year of the Company ending with or within the Member’s taxable year. Each item generally will have the same character and source (either U.S. or foreign) to a U.S. Member as though the U.S. Member realized the item directly. U.S. Members must report those items without regard to whether any distribution has been or will be received from the Company.

The Company may invest in certain securities, such as original issue discount obligations, preferred stock with redemption or repayment premiums, hedging and derivative investments or in certain entities, and consequently the U. S. Members, to recognize

taxable income without receiving a corresponding amount of cash. Moreover, the Company may reinvest, repay debt with, or otherwise not distribute various amounts of its taxable receipts. In addition, the Company intends to make most of its investments through subsidiary entities treated as flow-through entities for U.S. tax purposes. Thus, taxable income allocated to a U.S. Member may exceed cash distributions, if any, made to such U. S. Member, in which case such Member may have to satisfy tax liabilities arising from an investment in the Company from such Member's own funds.

Allocations. For U.S. federal income tax purposes, a U. S. Member's allocable Unit of items of income, gain, loss, deduction or credit of the Company will be determined in accordance with the allocation provisions of the Limited Liability Company Operating Agreement if such allocations have "substantial economic effect" or are determined to be in accordance with such U. S. Member's interest in the Company. If the U.S. Internal Revenue Service (the "IRS") were to successfully challenge allocations contained in the Limited Liability Company Agreement, the resulting allocations could be less favorable to a U.S. Member than the allocations contained in the Limited Liability Company Agreement.

Basis. Each U.S. Member will (subject to certain limits discussed below) be entitled to deduct its allocable Unit of the Company's losses to the extent of its tax basis in its Units in the Company at the end of the tax year of the Company in which such losses are recognized. A U. S. Member's tax basis in its Units is, in general, equal to the amount of cash the U.S. Member has contributed to the Company, increased by the U. S. Member's Unit of income and liabilities of the Company, and decreased by the U. S. Member's proportionate Unit of distributions, losses and reductions in such liabilities.

If cash (including in certain circumstances distributions of certain marketable securities treated as cash distributions) distributed to a U.S. Member in any year, including for this purpose any reduction in that U. S. Member's Unit of the liabilities of the Company, exceeds that U. S. Member's Unit of the taxable income of the Company for that year, the excess will reduce the tax basis of that U. S. Member's interest and any distribution in excess of such basis will result in taxable gain. In general, distributions of property other than cash (as described above) will reduce the basis (but not below zero) of a U. S. Member's Units by the amount of the Company's basis in such property immediately before its distribution but will not result in the recognition of taxable income to the U. S. Member.

Limits on Deductions for Losses and Expenses. Various Company deductions allocable to certain U.S. Members may be subject to limitations for U.S. federal income tax purposes. Although the Company is not intended to be a tax shelter, it is possible that losses would exceed income in a given year. Any such losses may be passive losses, which may subject individuals, closely held corporations and other U.S. Members to limitations on deductions for such losses. Loss deductions for such Members may also be subject to the at-risk limitations. Deductions for Company expenses and fees may be treated as miscellaneous itemized deductions, which may be subject to additional limitations on deductions for individuals, estates and trusts, including the threshold for

deductibility that the deductions must exceed two percent of the taxpayer's adjusted gross income, if such items of deduction are attributable to investment activities of the Company as opposed to activities that represent a trade or business for U.S. federal income tax purposes. If the Company were to borrow money to distribute the proceeds to its investors, an individual U. S. Member's Unit of the interest incurred by the Company on such loan could, under certain circumstances, constitute non-deductible personal interest. Corporate U.S. Members may be subject to other limits on losses including, for example, limits under the dual consolidated loss rules.

The deductibility of capital losses is subject to limitations. In the case of a U.S. Member that is a corporation, capital losses may only offset capital gains and unused capital losses can generally be carried back three years and carried forward five years. In the case of a U.S. Member that is an individual, capital losses offset capital gains and a limited amount of capital losses can be used to offset ordinary income (currently \$3,000) in a year in which capital losses exceed capital gains. Any unused portion of such excess capital losses can be carried forward (but not back) to future years.

In general, subject to a limited allowance for deduction of organizational expenses in the first year, neither the Company nor any U.S. Member may currently deduct organizational or syndication expenses. All remaining organizational expenses are amortized over a 15-year period. U.S. Members may claim ordinary deductions for fees paid to Management, but the IRS may take the view that such amounts must be capitalized and treated as part of the cost of an investment made by the Company. U.S. Members should consult their own tax advisors regarding limitations on losses and deductions resulting from an investment in the Company.

Taxation of the Company's Operations. In light of the operations of the Company, gains from the sale of properties allocable to the Members will primarily be taxed as ordinary income from passive activities. Any losses allocable to the Members will be considered passive and only be offset by the Members against other passive income. Passive losses may be fully allowable upon the complete disposition of the interest in the properties. In addition, the Company may realize Section 1231 gains or losses as property used in a trade or business.

Sale or Other Disposition of Units. A U.S. Member that sells or otherwise disposes of Units in a taxable transaction generally will recognize gain or loss equal to the difference, if any, between the adjusted basis of the Units and the amount realized from the sale or disposition. The amount realized will include the U. S. Member's Unit of the Company's liabilities outstanding at the time of the sale or disposition. If the Member holds the Units as a capital asset, such gain or loss will be capital gain or loss except to the extent of proceeds attributable to "unrealized receivables" (including, among other items, depreciation recapture and stock in certain foreign corporations) and "inventory items." The capital gain or loss generally will be long-term capital gain or loss if the Units were held for more than one year on the date of such sale or disposition; provided, however, that a capital contribution by the U.S. Member within the one-year period ending on the date of such sale or disposition will cause part of such gain or loss to be short-term.

Long-term capital gain of individuals is generally taxed at a rate of 15%, but long-term capital gain could be taxed at a rate of 50% to the extent that any of such gain is attributable to depreciation deductions that are not recaptured as ordinary income. As discussed above, the deductibility of capital losses is subject to limitations. If any additional amounts paid on the capital contribution of a new Member admitted to the Company subsequent to the Company's Initial Closing are distributed to the existing Limited Partners, Management intends to treat such amounts as guaranteed payments for the use of capital, which will be includible by the existing Members as ordinary income.

In the event of a sale or other transfer of Units at any time other than the end of the Company's taxable year, the Unit of income and losses of the Company for the year of transfer attributable to the Units transferred will be allocated for U.S. federal income tax purposes between the transferor and the transferee on either an interim closing-of-the-books basis or a pro rata basis reflecting the respective periods during such year that each of the transferor and the transferee owned the Units.

U.S. State and Local Taxes. In addition to U.S. federal income tax consequences, prospective investors should consider potential U.S. state and local tax consequences of an investment in the Company in the state or locality in which they are a resident for tax purposes.

U.S. Tax-Exempt Investors. Qualified pension plans and certain other U.S. tax-exempt entities are generally subject to U.S. federal income tax on their unrelated business taxable income ("UBTI"). Subject to certain exceptions, UBTI is gross income derived by such a tax-exempt entity from an unrelated trade or business (including a trade or business conducted by a Limited Liability Company of which the tax-exempt entity is a partner), less the deductions directly connected with that trade or business. UBTI generally does not include dividends and interest. In light of the investment strategy of the Company in which gain or loss will be derived from the sale of the property, UBTI will be generated consequently such income will be subject to the applicable tax(es).

In addition, if a U.S. tax-exempt entity's acquisition of an interest in a Limited Liability Company is debt-financed, or the Company incurs "acquisition indebtedness" that is allocated to the acquisition of an investment by such Limited Liability Company, then UBTI would include a percentage of gross income (less the same percentage of deductions) derived from such investment regardless of whether such income would otherwise be excluded as dividends, interest, rents, gain or loss from the sale of eligible property or similar income.

The Company and its subsidiaries that are treated as flow-through entities for U.S. federal income tax purposes may earn operating income that would be UBTI if earned by a U.S. tax-exempt Member directly. In addition, the Company expects to incur debt either directly or through flow-through entities in which it invests.

ERISA Considerations.

A fiduciary of a pension, profit sharing, or other Benefit Plan Investor subject to ERISA should consider fiduciary standards under ERISA in the context of the plan's particular circumstances before authorizing an investment of a portion of such plan's assets in the Company. Accordingly, among other factors, such fiduciary should consider (i) whether the investment satisfies the prudence requirements of Section 404 (a) (1) (B) of ERISA, (ii) whether the investment satisfies the diversification requirements of section 404 (a) (1) (C) of ERISA, and (ii) whether the investment is in accordance with the documents and instruments governing the plan as required by Section 404 (a) (1) (D) of ERISA.

Section 406 of ERISA and Section 4975 of the Internal Revenue code (the "Code") prohibit an employee benefit plan from engaging in certain transactions involving "plan assets" with parties, which are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan. Consequently, a fiduciary of a plan subject to ERISA or the Code should consider whether an investment in the Company constitutes or gives rise to a prohibited transaction under ERISA or the Code.

If the assets of the Company were deemed to be assets of a plan which invested in Units of the Company, such investment might be deemed to constitute a delegation under ERISA of the duty to manage plan assets by the fiduciaries deciding to invest in the Company, and certain transactions involved in the operation of the Company might be deemed to constitute prohibited transactions under ERISA and the Code. ERISA and the Code do not define "plan assets." Pursuant to regulations issued by the Department of Labor, the assets of the Company will not be considered to be assets of plans which purchase Units if less than 50% of the value of each class of equity interests in the Company is held by Benefit Plan Investors (e.g., employee benefit plans subject to ERISA, individual retirement accounts, and other employee benefit plans not subject to ERISA, such as governmental plans).

The Department of Labor regulations further require that the Limited Liability Company interests held by Management and any of its affiliates must be disregarded in determining whether Benefit Plan Investors own less than 50% of the value of the aggregate Limited Liability Company interests in the Company.

While employee benefit plans, which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Sections 3(33) of ERISA) are not subject to ERISA requirements, they are included solely for purposes of the 50% limitation.

If properties are acquired by the Company on a leveraged basis, it is possible that a portion of the income or gain attributable to such properties may be taxable income to benefit plans and other normally tax-exempt entities under rules pertaining to unrelated income.

Due to the complexity of these rules and the penalties imposed upon persons involved in prohibited transactions, it is particularly important that potential plan purchasers consult

with their respective counsel regarding the consequences under ERISA of their acquisition and ownership of Units.

U. S. Securities Laws and Foreign Investors.

The offer and sale of the Units will not be registered under the Securities Act pursuant to an exemption from the registration requirements of the Securities Act of 1933, and the securities laws of certain states. Each investor must furnish certain information to the Company and represent, among other customary private placement representations, that it is acquiring its Units for investment purposes and not with a view towards resale or distribution. The acquisition of Units by each investor also must be lawful under applicable state securities laws or the laws of the applicable foreign jurisdiction if the investor is a non-U. S. person.

The Units have not been, and will not be, registered under the Securities Act. Accordingly, the United States securities laws impose certain restrictions upon the ability of a Member to transfer such Units. Units may not be offered, sold, transferred or delivered, directly or indirectly, unless (i) such Units are registered under the Securities Act and any applicable state securities laws, or (ii) an exemption from registration under the Securities Act and any applicable state securities laws is available. Moreover, there will be no liquid, public market for the Shares, and none is expected to develop.

Further, Units may not be offered, sold, transferred, or delivered, directly or indirectly, to any “Unacceptable Investor”. “Unacceptable Investor” means any person who is a:

(a) person or entity who is a “designated national”, “specially designated national”, “specially designated terrorist”, “specially designated global terrorist”, “foreign terrorist organization”, or “blocked person” within the definitions set forth in the Foreign Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended;

(b) person acting on behalf of, or an entity owned or controlled by, any government against whom the United States maintains economic sanctions or embargoes under the Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended--including, but not limited to--the “Government of Sudan”, the “Government of Iran”, the “Government of Cuba”, the “Government of Syria”, and the “Government of Burma”; or

(c) person or entity subject to additional restrictions imposed by the following statutes or Regulations and Executive Orders issued thereunder: the Trading with the Enemy Act, 50 U.S.C. app. §§1 et seq., the Iraq Sanctions Act, Pub. L. 101-513, Title V, §§ 586 to 586J, 104 Stat. 2047, the National Emergencies Act, 50 U.S.C. §§ 1601 et seq., the Antiterrorism and Effective Death Penalty Act of 1996, Pub. L. 104 132, 110 Stat. 1214 1319, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the United Nations Participation Act, 22 U.S.C. § 287c, the International Security and Development Cooperation Act, 22 U.S.C. § 2349aa-9, the Nuclear Proliferation Prevention Act of 1994, Pub. L. 103 236, 108 Stat. 507, the Foreign Narcotics Kingpin

Designation Act, 21 U.S.C. §§ 1901 et seq., the Iran and Libya Sanctions Act of 1996, Pub. L. 104 172, 110 Stat. 1541, the Cuban Democracy Act, 22 U.S.C. §§ 6001 et seq., the Cuban Liberty and Democratic Solidarity Act, 22 U.S.C. §§ 6021-91, and the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1997, Pub. L. 104 208, 110 Stat. 3009 172, or any other law of similar import as to any non U.S. country, as each such Act or law has been or may be amended, adjusted, modified, or reviewed from time to time.

In the event of a registered public offering of Units in the U.S., the Company would become subject to the reporting obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Under such circumstances, investors that own more than 5% of the Company’s outstanding Units may be obligated to make certain information filings with the Commission pursuant to the Exchange Act. Each prospective investor is advised to consult with its own legal advisor regarding the securities law consequences of ownership of Units if the Units become subject to the Exchange Act.

Compliance with Anti-Money Laundering Requirements.

The Company may be subject to certain provisions of the USA PATRIOT Act of 2001 (the “Patriot Act”), including, but not limited to, Title III thereof, the International Money Laundering and Abatement and Anti-Terrorist Financing Act of 2001 (“Title III”), certain regulatory and legal requirements imposed or enforced by the Office of Foreign Assets Control (“OFAC”) and other similar laws of the United States. In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, the Company may request that investors provide additional documentation verifying, among other things, such investor’s identity and source of funds to be used to purchase Units. The Company may decline to accept a subscription if this information is not provided or on the basis of the information that is provided. Requests for documentation and additional information may be made at any time during which a Member holds Units. The Company may be required to report this information, or report the failure to comply with such requests for information, to appropriate governmental authorities, in certain circumstances without informing a Member that such information has been reported. The Company will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures, including, but not limited to, those imposed or enforced by OFAC, the Patriot Act and Title III. Governmental authorities are continuing to consider appropriate measures to implement anti-money laundering laws and at this point it is unclear what steps the Company may be required to take; however, these steps may include prohibiting a Member from making further contributions of capital to the Company, depositing distributions to which such Member would otherwise be entitled into an escrow account or causing the withdrawal of such Member from the Company.

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STATE RESTRICTIVE LEGENDS

THE INCLUSION OF RESTRICTIVE LEGENDS FOR EACH STATE IN THIS MEMORANDUM IS NOT INTENDED TO IMPLY THAT THE SECURITIES COVERED BY THIS MEMORANDUM ARE TO BE OFFERED FOR SALE IN EVERY STATE, BUT IS MERELY A PRECAUTION IN THE EVENT THIS MEMORANDUM MAY BE TRANSMITTED INTO ANY STATE OTHER THAN AS MAY BE DELIVERED BY THE COMPANY.

NOTICE TO RESIDENTS OF ALL STATES:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD SOLELY IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS. THERE IS NO PUBLIC MARKET FOR THE SECURITIES OF THE COMPANY. EVEN IF SUCH MARKET EXISTED, PURCHASERS OF SECURITIES WILL BE REQUIRED TO REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO SALE OR DISTRIBUTION, AND PURCHASERS WILL NOT BE ABLE TO RESELL THE SECURITIES UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT AND QUALIFIED UNDER THE APPLICABLE STATE STATUTES (OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE). PURCHASERS OF THE SECURITIES SHOULD BE PREPARED TO BEAR THE ECONOMIC RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSION OR ANY OTHER STATE OR FEDERAL REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING, NOR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. SEE "INVESTOR SUITABILITY STANDARDS," "RISK AND OTHER IMPORTANT FACTORS".

THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN ANY PARTICULAR STATE. THIS MEMORANDUM MAY BE SUPPLEMENTED BY ADDITIONAL STATE LEGENDS.

THE SECURITIES REPRESENTED HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES COMMISSION PURSUANT TO SECTION 5 OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") IN RELIANCE ON EXEMPTIONS FROM REGISTRATION INCLUDING SECTION 3(B), SECTION 4(2), REGULATION D, RULE 504, 505 OR 506 AND SECTION 4(6) THE "ACCREDITED INVESTOR EXEMPTION" THEREUNDER FOR LIMITED OFFERINGS, FOR PRIVATE OFFERINGS AND RELEASE 33-4708 ISSUED BY THE SECURITIES COMMISSION ON JULY 9, 1964, FOR OFFERINGS TO FOREIGNERS.

NOTICE TO ALABAMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO ALASKA RESIDENTS

THE SECURITIES OFFERED HAVE NOT BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA PROVISIONS OF 3 AAC 08.500—3 THROUGH AAC 08.506. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A

CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF THE REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS, RECOMMENDED, OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF A.S. 45.55.170.

THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

NOTICE TO ARIZONA RESIDENTS

THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF THE STATE OF ARIZONA (THE "ARIZONA ACT"), AND THEY THEREFORE HAVE THE STATUS OF SECURITIES ACQUIRED IN AN EXEMPT TRANSACTION UNDER ARS SECTION 44-1844 OF THE ARIZONA ACT. THE UNITS CANNOT BE RESOLD WITHOUT REGISTRATION UNDER THE ARIZONA ACT OR UNLESS AN EXEMPTION THEREFROM IS AVAILABLE.

NOTICE TO ARKANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 14(B) (14) OF THE ARKANSAS SECURITIES ACT AND SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAVE PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO CALIFORNIA RESIDENTS

IT IS UNLAWFUL TO CONSUMMATE A SALE, TRANSFER OF THESE SECURITIES OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFROM WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES. THE SALE OF THE SECURITIES DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR THE RECEIPT OF CONSIDERATION THEREFORE PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE THEREOF IS EXEMPT UNDER APPLICABLE LAW. THE COMPANY IS RELYING ON THE EXEMPTION FROM SUCH QUALIFICATION PROVIDED BY SECTION 10102(f) OF THE CALIFORNIA CORPORATIONS CODE.

NOTICE TO COLORADO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTION THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO CONNECTICUT RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT GENERAL STATUTES, THE UNIFORM SECURITIES ACT, AS AMENDED (THE "CONNECTICUT ACT"), AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT ACT OR UNLESS AN

EXEMPTION FROM REGISTRATION PURSUANT TO SECTION 36-490(B) (9) OF THE CONNECTICUT UNIFORM SECURITIES ACT OR ANY OTHER SECTION OF THE CONNECTICUT ACT IS AVAILABLE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO DELAWARE RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE DELAWARE SECURITIES ACT (THE "DELAWARE ACT"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE ACT.

NOTICE TO FLORIDA RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT (THE "FLORIDA ACT") AND ARE BEING SOLD IN RELIANCE UPON AN EXEMPTION PROVISION CONTAINED THEREIN. PURSUANT TO SECTION 517.061(11) (a) (5) OF THE FLORIDA STATUTES, IF SECURITIES ARE SOLD TO FIVE OR MORE FLORIDA RESIDENTS, FLORIDA INVESTORS WILL HAVE A THREE (3) DAY RIGHT OF RESCISSION. INVESTORS WHO HAVE EXECUTED A SUBSCRIPTION AGREEMENT MAY ELECT, WITHIN THREE (3) BUSINESS DAYS AFTER THE FIRST TENDER OF CONSIDERATION THEREFORE TO WITHDRAW THEIR SUBSCRIPTION AND RECEIVE A FULL REFUND OF ANY MONEY PAID BY THEM. SUCH WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH SUCH WITHDRAWAL, AN INVESTOR NEED ONLY SEND A LETTER OR TELEGRAM TO THE COMPANY AT THE ADDRESS SHOWN HEREIN INDICATING HIS INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM MUST BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD BUSINESS DAY. IF SENDING A LETTER, AN INVESTOR SHOULD SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND TO EVIDENCE THE TIME WHEN IT IS MAILED. ANY ORAL REQUESTS FOR RESCISSION SHOULD BE ACCOMPANIED BY A REQUEST FOR WRITTEN CONFIRMATION THAT THE ORAL REQUEST WAS RECEIVED ON A TIMELY BASIS. THE COMPANY'S ADDRESS IS SET FORTH UNDER "THE COMPANY."

NOTICE TO GEORGIA RESIDENTS

THESE SECURITIES ARE BEING OFFERED AND SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10-5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

NOTICE TO HAWAII RESIDENTS

NEITHER THIS MEMORANDUM NOR THE SECURITIES DESCRIBED HEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF HAWAII, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM.

NOTICE TO IDAHO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED, UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SECTION 5 OF THE ILLINOIS SECURITIES ACT OF 1953 (THE "ILLINOIS ACT"). THE SECURITIES MAY NOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY, UNLESS

SUBSEQUENTLY REGISTERED UNDER THE ACT OR UNLESS AN EXEMPTION FROM REGISTRATION THEREFROM IS AVAILABLE.

NOTICE TO INDIANA RESIDENTS

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATION OF, NOR RECOMMENDED, NOR GIVEN APPROVAL TO THE SECURITIES HEREBY OFFERED, NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PENDING PERFECTION OF THE EXEMPTION UNDER SECTION 23-1-2(B) (10) OF THE INDIANA BLUE SKY LAW, THE OFFERING IS PRELIMINARY AND SUBJECT TO MATERIAL CHANGE. THESE SECURITIES ARE SPECULATIVE, HAVE NOT BEEN REGISTERED UNDER SECTION 3 OF THE INDIANA SECURITIES ACT AND THEREFORE, CANNOT BE RESOLD OR TRANSFERRED, UNLESS THEY ARE SO REGISTERED, NOR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO KANSAS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF ANY JURISDICTION BY REASON OF SPECIFIC EXEMPTION THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAW, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO KENTUCKY RESIDENTS

FOR KENTUCKY RESIDENTS, THE OPERATOR IN ALL SALES TO NON-ACCREDITED INVESTORS MUST HAVE REASONABLE GROUNDS TO BELIEVE, AFTER MAKING INQUIRY THAT: (1) THE INVESTMENT IS SUITABLE FOR THE PURCHASER ON THE BASIS OF THE FACTS DISCLOSED BY THE PURCHASER AS TO HIS OR HER OTHER SECURITY HOLDINGS AND TO HIS OR HER FINANCIAL SITUATION AND NEEDS. (THERE IS A PRESUMPTION FOR THE LIMITED PURPOSE OF THIS CONDITION THAT IF THE INVESTMENT DOES NOT EXCEED 10% OF THE INVESTOR'S NET WORTH THAT IT IS SUITABLE). (2) THE INVESTOR, EITHER ALONE OR WITH REPRESENTATIVES, HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE TO EVALUATE THE MERITS AND RISKS OF THE INVESTMENT.

THE SECURITIES REPRESENTED IN THIS MEMORANDUM AND SUBSCRIPTION DOCUMENTS ARE BEING SOLD PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION OR QUALIFICATION PROVISIONS OF THE FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

NOTICE TO LOUISIANA RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, THE LOUISIANA SECURITIES LAW AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAW. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED NOR RESOLD, EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAW PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING, NOR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO MARYLAND RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY, UNLESS SUBSEQUENTLY REGISTERED UNDER THE ACT OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO MASSACHUSETTS RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MASSACHUSETTS SECURITIES ACT BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MASSACHUSETTS IS SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO MICHIGAN RESIDENTS

THE SECURITIES REFERRED TO IN THIS MEMORANDUM WILL BE SOLD TO AND ACQUIRED BY THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 4(2) (b) (9) OF THE MICHIGAN BLUE SKY LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID LAW AND MAY NOT BE RESOLD EXCEPT IN ACCORDANCE WITH SAID LAW WITHIN SIX MONTHS OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES, OR THE TERMINATION OF THE SUBSCRIPTION PERIOD AS SET FORTH IN THIS PRIVATE PLACEMENT MEMORANDUM, WHICHEVER FIRST OCCURS, THE COMPANY SHALL, IF SALES OF THE SECURITIES ARE MADE TO MICHIGAN RESIDENTS, PREPARE AND FURNISH TO INVESTORS A DETAILED WRITTEN STATEMENT OF THE APPLICATION OF PROCEEDS OF THE OFFERING, AS WELL AS ANY OTHER APPLICABLE STATEMENTS AND REPORTS REQUIRED TO BE FURNISHED UNDER APPLICABLE LAW.

NOTICE TO MINNESOTA RESIDENTS

THESE SECURITIES REPRESENTED BY THIS MEMORANDUM HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM.

NOTICE TO MISSISSIPPI RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE MISSISSIPPI SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE MISSISSIPPI SECRETARY OF STATE. THE SECRETARY OF STATE HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED OF THE OFFERING. THE SECRETARY OF STATE DOES NOT RECOMMEND THE PURCHASE OF THESE OR ANY OTHER SECURITIES. THERE IS NO ESTABLISHED MARKET FOR THESE SECURITIES AND THERE MAY NOT BE ANY MARKET FOR THESE SECURITIES IN THE FUTURE. THE SUBSCRIPTION PRICE OF THESE SECURITIES HAS BEEN ARBITRARILY DETERMINED BY THE ISSUER AND IS NOT AN INDICATION OF THE ACTUAL VALUE OF THESE SECURITIES. THE PURCHASER OF THESE SECURITIES MUST MEET CERTAIN SUITABILITY STANDARDS AND MUST BE ABLE TO BEAR AN ENTIRE LOSS OF HIS INVESTMENT. THESE SECURITIES MAY NOT BE TRANSFERRED FOR A PERIOD OF ONE YEAR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE MISSISSIPPI SECURITIES ACT OR ANY TRANSACTION IN COMPLIANCE WITH THE MISSISSIPPI SECURITIES ACT.

NOTICE TO MISSOURI RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF ANY JURISDICTION BY REASON OF SPECIFIC

EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAW, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO NEBRASKA RESIDENTS

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH DIRECTOR OF THE DEPARTMENT OF BANKING AND FINANCE OF THE STATE OF NEBRASKA, BUT HAS NOT YET BECOME EFFECTIVE, INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BE SOLD BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PRELIMINARY DOCUMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN NEBRASKA SINCE SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL PRIOR TO QUALIFICATION UNDER SECTION 8-1107 OF THE NEBRASKA SECURITIES ACT.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE UNDER THIS CHAPTER HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO NEW JERSEY RESIDENTS

THESE SECURITIES ARE OFFERED IN RELIANCE ON AN EXEMPTION FROM REGISTRATION UNDER THE NEW JERSEY UNIFORM SECURITIES LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID LAW AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFER OR RESOLD WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF SAID LAW OR AN EXEMPTION THEREFROM. THE BUREAU OF SECURITIES OF NEW JERSEY HAS NOT PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS MEMORANDUM AND DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THE SECURITIES.

NOTICE TO NEW MEXICO RESIDENTS

THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO, (THE "NEW MEXICO ACT"). ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ACCURACY OF THE INFORMATION CONTAINED WITHIN THIS PRIVATE PLACEMENT MEMORANDUM. THESE SECURITIES MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE ACT OR AN EXEMPTION THEREFROM.

NOTICE TO NEW YORK RESIDENTS

THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT KNOWINGLY CONTAIN AN UNTRUE STATEMENT OF MATERIAL FACT OR KNOWINGLY OMIT TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE, IN THE LIGHT OF THE CIRCUMSTANCES

UNDER WHICH THEY ARE MADE, NOT MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF THE DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN. ALL PROCEEDS OF THIS OFFERING WILL BE USED ONLY FOR THE PURPOSES SET FORTH UNDER THE CAPTION "USE OF PROCEEDS."

THE OFFERING OF THE SECURITIES HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK BECAUSE OF THE OFFEROR'S REPRESENTATIONS THAT THIS IS INTENDED TO BE A NON-PUBLIC OFFERING PURSUANT TO REGULATION D AND THAT IF ALL OF THE CONDITIONS AND LIMITATIONS OF REGULATION D ARE NOT COMPLIED WITH, THE OFFERING WILL BE RESUBMITTED TO THE ATTORNEY GENERAL FOR AMENDED EXEMPTION. ANY OFFERING LITERATURE USED IN CONNECTION WITH THE OFFERING HAS NOT BEEN RE-FILED WITH THE ATTORNEY GENERAL AND HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL. THE SECURITIES ARE BEING PURCHASED FOR THE INVESTOR'S OWN ACCOUNT FOR INVESTMENT AND NOT FOR DISTRIBUTION OR RESALE TO OTHERS. EACH NEW YORK INVESTOR WILL BE REQUIRED TO AGREE THAT HE OR SHE WILL NOT SELL OR OTHERWISE TRANSFER THESE UNITS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. EACH NEW YORK INVESTOR WILL BE REQUIRED TO REPRESENT THAT HE OR SHE HAS ADEQUATE MEANS OF PROVIDING FOR HIS OR HER CURRENT NEEDS AND POSSIBLE PERSONAL CONTINGENCIES, AND THAT HE OR SHE HAS NO NEED FOR LIQUIDITY OF THIS INVESTMENT. ALL NEW YORK INVESTORS WILL BE REQUIRED TO REPRESENT THAT THEY UNDERSTAND THAT THE OFFERING MAY BE MADE ONLY TO THOSE NON-ACCREDITED RESIDENTS OF NEW YORK WHO: HAVE A NET WORTH (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF THREE TIMES THE AMOUNT OF THE INVESTMENT AND AN ADJUSTED GROSS INCOME (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES) OF FIVE TIMES THE AMOUNT OF THE INVESTMENT.

ALL DOCUMENTS, RECORDS AND BOOKS PERTAINING TO THIS INVESTMENT WILL BE MADE AVAILABLE FOR INSPECTION BY EACH NEW YORK INVESTOR AND HIS OR HER ATTORNEY, ACCOUNTANT OR PURCHASER REPRESENTATIVE. THE BOOKS AND RECORDS OF THE ISSUER WILL BE AVAILABLE AT ITS PRINCIPAL PLACE OF BUSINESS UPON REASONABLE NOTICE FOR INSPECTION BY INVESTORS AT REASONABLE HOURS.

NOTICE TO OHIO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE OHIO SECURITIES ACT (THE "OHIO ACT"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE OHIO ACT, OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE OHIO ACT.

NOTICE TO OKLAHOMA RESIDENTS

THE SECURITIES OFFERED HEREIN HAVE NOT BEEN REGISTERED UNDER THE OKLAHOMA SECURITIES ACT (THE "OKLAHOMA ACT"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR IN A TRANSACTION WHICH IS EXEMPT UNDER THE OKLAHOMA ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE OKLAHOMA ACT.

NOTICE TO OREGON RESIDENTS

THE SECURITIES OFFERED HEREIN HAVE NOT BEEN REGISTERED WITH THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCE FOR THE STATE OF OREGON. THE INVESTOR MUST RELY ON THE INVESTOR'S EXAMINATION OF THE COMPANY CREATING THE SECURITIES, AND THE TERMS OF THE OFFERING, INCLUDING THE MAKING OF AN INVESTMENT DECISION ON THESE SECURITIES.

NOTICE TO PENNSYLVANIA RESIDENTS

EACH SUBSCRIBER WHO IS A PENNSYLVANIA RESIDENT HAS THE RIGHT TO CANCEL AND WITHDRAW HIS OR HER SUBSCRIPTION AND HIS OR HER PURCHASE OF SECURITIES THEREUNDER, UPON WRITTEN NOTICE TO THE COMPANY GIVEN WITHIN TWO (2) BUSINESS DAYS FOLLOWING THE RECEIPT BY THE COMPANY OF HIS OR HER EXECUTED SUBSCRIPTION AGREEMENT. ANY NOTICE OF CANCELLATION OR WITHDRAWAL SHOULD BE MADE BY TELEGRAM, CERTIFIED OR REGISTERED MAIL AND WILL BE EFFECTIVE UPON DELIVERY TO WESTERN UNION OR DEPOSIT IN THE UNITED STATES MAIL, POSTAGE OR OTHER TRANSMITTAL FEES PREPAID. UPON SUCH CANCELLATION OR WITHDRAWAL, THE SUBSCRIBER WILL HAVE NO OBLIGATION OR DUTY UNDER THE SUBSCRIPTION AGREEMENT TO THE COMPANY OR ANY OTHER PERSON AND WILL BE ENTITLED TO THE FULL RETURN OF ANY AMOUNT PAID BY HIM OR HER, WITHOUT INTEREST. NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

PENNSYLVANIA SUBSCRIBERS MAY NOT SELL THEIR SECURITIES FOR ONE YEAR FROM THE DATE OF PURCHASE IF SUCH A SALE WOULD VIOLATE SECTION 203(D) OF THE PENNSYLVANIA SECURITIES ACT.

PENNSYLVANIA RESIDENTS WHO ARE NOT ACCREDITED INVESTORS MUST MEET THE SUITABILITY REQUIREMENTS SET FORTH IN THIS MEMORANDUM AND MUST HAVE A NET WORTH (EXCLUSIVE OF HOME, HOME FURNISHINGS AND PERSONAL AUTOMOBILES) OF AT LEAST FIVE (5) TIMES THE AMOUNT OF THE PROPOSED INVESTMENT.

NOTICE TO RHODE ISLAND RESIDENTS

ALTHOUGH THE SECURITIES HEREIN DESCRIBED HAVE BEEN EXEMPTED FROM REGISTRATION PURSUANT TO TITLE 7, CHAPTER 11, OF THE RHODE ISLAND GENERAL LAWS, SUCH EXEMPTION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, ACCURATE OR NOT MISLEADING.

NOTICE TO SOUTH CAROLINA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA SECURITIES COMMISSIONER. THE COMMISSIONER DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO SOUTH DAKOTA RESIDENTS

EACH SOUTH DAKOTA RESIDENT PURCHASING ONE OR MORE WHOLE OR FRACTIONAL SECURITIES MUST WARRANT THAT HE HAS EITHER A MINIMUM ANNUAL GROSS INCOME OF \$30,000.00 OR A MINIMUM NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF \$75,000.00. ADDITIONALLY, EACH INVESTOR WHO IS NOT AN ACCREDITED INVESTOR OR WHO IS AN ACCREDITED INVESTOR SHALL NOT MAKE AN INVESTMENT IN THIS PROGRAM IN EXCESS OF TWENTY PERCENT (20%) OF HIS NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES).

NOTICE TO TENNESSEE RESIDENTS

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONS OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE TENNESSEE SECURITIES ACT OF 1993, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO TEXAS RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE TEXAS SECURITIES ACT, AS AMENDED, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES COMMISSION, ANY STATE SECURITIES COMMISSION NOR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON NOR ENDORSED THE MERITS OF THIS OFFERING NOR THE ACCURACY NOR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO VIRGINIA RESIDENTS

THE SECURITIES OF THE COMPANY HAVE NOT BEEN REGISTERED UNDER THE VIRGINIA SECURITIES ACT (THE "VIRGINIA ACT"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE ACT.

NOTICE TO WASHINGTON STATE RESIDENTS

THE ADMINISTRATOR OF SECURITIES HAS NOT REVIEWED THE OFFERING OR OFFERING CIRCULAR AND THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO WISCONSIN RESIDENTS

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY IN THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES HAVE NOT BEEN RECOMMENDED BY AND FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY, OR DETERMINED THE ADEQUACY, OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EXHIBIT A: PRO FORMA FINANCIAL PROJECTIONS

2008 SOURCES AND USES STATEMENT

Scenario A – No Properties Sold – No Profit Sharing Illustration

Pro Forma Income Statement & Company Valuation - Scenario A

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
REVENUE ASSUMPTIONS:					
Management Fees					
Fund I: Cash	4,645,000	3,483,750	2,612,813	1,959,609	1,469,707
Fund I: Properties:					
City Villa	16,000,000	16,000,000	16,000,000	120,000,000	127,200,000
Kingston Marina View	1,150,000	1,150,000	3,000,000	3,180,000	3,370,800
Kingston Ponds	780,000	780,000	3,750,000	3,975,000	4,213,500
Olympic Silhouette	525,000	1,520,000	1,611,200	1,707,872	1,810,344
Park Terrace	3,000,000	3,000,000	15,600,000	16,536,000	17,528,160
Roseway Lane	1,050,000	6,000,000	6,360,000	6,741,600	7,146,096
St. Marie Plaza	2,850,000	2,850,000	13,000,000	13,780,000	14,606,800
Value of Existing Fund Assets	30,000,000	34,783,750	61,934,013	167,880,081	177,345,407
Annual Management Fee Percentage	2.80%	2.80%	2.80%	2.80%	2.80%
Total Management Fees	840,000	973,945	1,734,152	4,700,642	4,965,671
Profit Sharing					
Sale Price(s)	\$ -	-	-	-	-
Cost Basis(s)	\$ -	-	-	-	-
Realized Profits	\$ -	-	-	-	-
Profit Sharing	\$ -	-	-	-	-
Total Profit Sharing	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Revenue - Management Services	\$ 840,000	\$ 973,945	\$ 1,734,152	\$ 4,700,642	\$ 4,965,671
Cost of Services Delivered					
Service Expense	\$ 16,800	19,479	34,683	94,013	99,313
Total Cost of Services Delivered	\$ 16,800	\$ 19,479	\$ 34,683	\$ 94,013	\$ 99,313
Gross Profit - Services	\$ 823,200	\$ 954,466	\$ 1,699,469	\$ 4,606,629	\$ 4,866,358
Gross Margin - Services	98%	98%	98%	98%	98%
TOTAL GROSS REVENUE	\$ 840,000	\$ 973,945	\$ 1,734,152	\$ 4,700,642	\$ 4,965,671
TOTAL GROSS PROFIT	\$ 823,200	\$ 954,466	\$ 1,699,469	\$ 4,606,629	\$ 4,866,358
TOTAL GROSS MARGIN	98%	98%	98%	98%	98%
General and Administrative Expense:					
Management Salaries	\$ 350,000	367,500	385,875	405,169	425,427
Administration Dept. Staff Wages	\$ 90,000	108,000	129,600	155,520	186,624
Payroll Taxes & Relating Insurance	\$ 52,800	57,060	61,857	67,283	73,446
Benefits Package	\$ 26,400	28,530	30,929	33,641	36,723
Sales, Marketing, Advertising & Promotion	\$ 50,000	53,000	56,180	59,551	63,124
Travel, Lodging, and Seminar Expense	\$ 20,000	24,000	28,800	34,560	41,472
General Liability Insurance	\$ 4,200	4,870	8,671	7,051	7,449
Key Person Life Insurance	\$ 7,000	7,350	7,718	8,103	8,509
Asset Property Taxes	\$ 400	600	2,782	2,782	2,782
Equipment Lease	\$ 2,400	2,640	2,904	3,194	3,514
Office and Computer Supplies	\$ 1,500	1,650	1,815	1,997	2,196
Accounting	\$ 15,000	16,500	18,150	19,965	21,962
Legal	\$ 25,000	27,500	30,250	33,275	36,603
Office Leases	\$ 50,000	50,000	75,000	75,000	75,000
Website Hosting & IT Support	\$ 6,000	6,600	7,260	7,986	8,785
Software Purchases	\$ 1,500	-	2,000	-	-
Telephones & High Speed Internet Access	\$ 8,000	8,800	9,680	10,648	11,713
Trade Assn. Dues, Conference & Shows	\$ 2,000	2,200	2,420	2,662	2,928
Research & Development Consultants	\$ 5,000	5,500	6,050	6,655	7,321
Financial Consultants	\$ 5,000	5,500	6,050	6,655	7,321
Miscellaneous Other Expenses	\$ 5,000	7,500	9,000	10,000	11,000
Total General and Administrative Expense	\$ 727,200	\$ 785,300	\$ 882,989	\$ 951,696	\$ 1,033,895
EBITDA	\$ 96,000	\$ 169,166	\$ 816,480	\$ 3,654,933	\$ 3,832,463

Pro Forma Income Statement & Company Valuation – Scenario A (cont.)

Capitalized Assets						
Organizational Costs, Furniture, Fixtures & Other Equipment	\$	50,000	25,000	90,000	-	-
Leasehold Improvements and Building Construction	\$	-	-	150,000	-	-
Total Capitalized Assets:	\$	50,000	\$ 25,000	\$ 240,000	\$ -	\$ -
<hr/>						
Note Interest	\$	-	-	-	-	-
Bank Loan Interest	\$	-	-	-	-	-
Machinery / Equipment Loan Interest	\$	-	-	-	-	-
Building Mortgage Interest	\$	-	-	-	-	-
Interest Expense	\$	-	-	-	-	-
Total Income Before Taxes, Depreciation and Amortization	\$	96,000	169,166	816,480	3,654,933	3,832,463
Less:						
Profit Sharing:	\$	9,600	16,917	81,648	365,493	383,246
Depreciation & Amortization	\$	10,000	15,000	36,846	36,846	36,846
Net Income before Income Taxes	\$	76,400	137,250	697,986	3,252,594	3,412,370
Federal & State Corp. Income Tax	\$	2,292	4,117	20,940	97,578	102,371
Loss Carry Forward for Tax Calculations Only	\$	-	-	-	-	-
ESTIMATED NET INCOME AFTER TAXES	\$	74,108	\$ 133,132	\$ 677,046	\$ 3,155,016	\$ 3,309,999
ESTIMATED NET OPERATING MARGINS		8.82%	13.67%	14.40%	63.54%	66.66%
CAPITALIZATION:						
SERIES -A- PREFERRED UNITS						
Number of Preferred Units Offered and Sold		10,000	-	-	-	-
Price per Preferred Unit		100	-	-	-	-
Series A - Preferred Unit Value Issued		1,000,000	-	-	-	-
Series A - Preferred Unit "Call" or Redemption		-	-	-	-	(1,100,000)
Preferred Equity Value Issued		1,000,000	-	-	-	-
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Estimated Cash Flow From Operations: Pre-Preferred		84,108	148,132	713,892	3,191,862	3,346,845
Series A - Preferred Unit Stated Dividends		(36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation		(7,411)	(26,626)	(135,409)	(631,003)	(662,000)
Estimated Cash Flow From Operations: Post Preferred		40,697	1,506	458,483	2,440,859	2,564,845
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Estimated Cash Distr. to Common Unitholders		(22,232)	(39,940)	(203,114)	(946,505)	(993,000)
ESTIMATED NET CASH FLOW FROM OPERATIONS		18,465	(38,434)	255,369	1,494,354	1,571,846
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Est. Net Earnings per Common Unit	\$	0.74	\$ 1.33	\$ 6.77	\$ 31.55	\$ 33.10
COMPANY VALUATION - PRIVATELY HELD						
Estimated Private Value per Common Unit:	\$	3.71	6.66	33.85	157.75	165.50
Company Valuation - Privately Held:	\$	370,540	\$ 665,661	\$ 3,385,232	\$ 15,775,080	\$ 16,549,996
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COMPANY VALUATION - PUBLICLY HELD						
Estimated Public Value per Common Unit:	\$	11.12	\$ 19.97	\$ 101.56	\$ 473.25	\$ 496.50
Company Valuation - Publicly Held:	\$	1,111,620	\$ 1,996,984	\$ 10,155,696	\$ 47,325,240	\$ 49,649,988
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ESTIMATED INTERNAL RATES OF RETURNS						
Est. IRR on Series A Preferred Shares		41.93%				

Consolidated Statement of Operations – Scenario A

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Revenues	\$ 840,000	973,945	1,734,152	4,700,642	4,965,671
Total Cost of Goods Sold	\$ 16,800	19,479	34,683	94,013	99,313
Gross Profit	\$ 823,200	\$ 954,466	\$ 1,699,469	\$ 4,606,629	\$ 4,866,358
Operating expenses:					
Total General and Administrative Expense	\$ 727,200	785,300	882,989	951,696	1,033,895
Profit Sharing:	\$ 9,600	16,917	81,648	365,493	383,246
Depreciation & Amortization	\$ 10,000	15,000	36,846	36,846	36,846
Total operating expenses	\$ 746,800	817,216	1,001,483	1,354,036	1,453,988
Operating profit (loss)	\$ 76,400	\$ 137,250	\$ 697,986	\$ 3,252,594	\$ 3,412,370
Other income (expense):					
Interest Expense	\$ -	-	-	-	-
Profit (loss) before income taxes	\$ 76,400	137,250	697,986	3,252,594	3,412,370
Federal & State Corp. Income Tax	\$ 2,292	4,117	20,940	97,578	102,371
Net profit (loss)	\$ 74,108	133,132	677,046	3,155,016	3,309,999
Net profit (loss) per Common Unit - fully diluted	\$ 0.74	\$ 1.33	\$ 6.77	\$ 31.55	\$ 33.10

Statement of Retained Earnings

Beginning Retained Earnings (Deficit)	\$ -	8,465	(44,969)	173,554	1,631,062
Net Income (Loss)	\$ 74,108	133,132	677,046	3,155,016	3,309,999
Less Shareholder Distributions					
Series A - Preferred Unit Stated Dividends	\$ (36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$ (7,411)	(26,626)	(135,409)	(631,003)	(662,000)
Common Shareholder Distributions	\$ (22,232)	(39,940)	(203,114)	(946,505)	(993,000)
Total Shareholder Distributions	\$ (65,643)	(186,566)	(458,523)	(1,697,508)	(1,775,000)
Net Ending Retained Earnings (Deficit)	\$ 8,465	\$ (44,969)	\$ 173,554	\$ 1,631,062	\$ 3,166,062

Consolidated Statement of Cash Flows – Scenario A

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Cash flows from operating activities:					
Estimated Net Income	\$ 74,108	133,132	677,046	3,155,016	3,309,999
Depreciation & Amortization	\$ 10,000	15,000	36,846	36,846	36,846
Cash provided by operating activities	\$ 84,108	148,132	713,892	3,191,862	3,346,845
Cash flows from increases (decreases) in current assets/liabilities					
Accounts receivable	(8,400)	(1,339)	(7,602)	(29,665)	(2,650)
Inventory	-	-	-	-	-
Accounts payable	-	-	-	-	-
Accrued expenses	1,373	1,066	9,600	42,813	2,678
Total Cash flows from asset/liability changes	\$ (7,027)	\$ (273)	\$ 1,998	\$ 13,148	\$ 27
Cash outflows from investing activities:					
Total Capitalized Assets:	\$ (50,000)	(25,000)	(240,000)	-	-
Loan to REIT	\$ -	-	-	-	-
Net cash from investing activities	\$ (50,000)	\$ (25,000)	\$ (240,000)	\$ -	\$ -
Cash inflows from financing activities:					
Repayment of Loan from REIT	\$ -	-	-	-	-
Series A - Preferred Unit Value Issued	\$ 1,000,000	-	-	-	-
Cash outflows from financing activities:					
Series A - Preferred Unit Stated Dividends	\$ (36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$ (7,411)	(26,626)	(135,409)	(631,003)	(662,000)
Estimated Cash Distr. to Common Unitholders	\$ (22,232)	(39,940)	(203,114)	(946,505)	(993,000)
Net cash flows from financing activities:	\$ 934,357	\$ (186,566)	\$ (458,523)	\$ (1,697,508)	\$ (2,875,000)
Net cash increase (decrease)	\$ 961,438	(63,707)	17,367	1,507,502	471,873
Cash and equivalents, beginning of year	\$ -	961,438	897,731	915,098	2,422,600
Cash and equivalents, end of year	\$ 961,438	\$ 897,731	\$ 915,098	\$ 2,422,600	\$ 2,894,473

Pro Forma Balance Sheets – Scenario A

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Current Assets					
Cash & Marketable Securities	\$ 961,438	897,731	915,098	2,422,600	2,894,473
Inventory	\$ -	-	-	-	-
Accounts receivable	\$ 8,400	9,739	17,342	47,006	49,657
Total Current Assets	\$ 969,838	\$ 907,470	\$ 932,439	\$ 2,469,606	\$ 2,944,130
Property & Equipment					
Organizational Costs, Furniture, Fixtures & Other Equipment	\$ 50,000	75,000	165,000	165,000	165,000
Machinery/Equipment	\$ -	-	-	-	-
Franchise Fees (Wildcard)	\$ -	-	-	-	-
Business Acquisition	\$ -	-	-	-	-
Leasehold Improvements and Building Construction	\$ -	-	150,000	150,000	150,000
Less: Accumulated Depreciation & Amortization	\$ (10,000)	(25,000)	(61,846)	(98,692)	(135,538)
TOTAL ASSETS	\$ 1,009,838	\$ 957,470	\$ 1,185,593	\$ 2,685,914	\$ 3,123,592
Current Liabilities					
Accrued expenses	\$ 1,373	2,439	12,039	54,852	57,530
Long Term Liabilities					
Total Note Sales (Payables)	\$ -	-	-	-	-
Loan to REIT	\$ -	-	-	-	-
Machinery / Equipment Loans	\$ -	-	-	-	-
Building Mortgage	\$ -	-	-	-	-
Total Liabilities	\$ 1,373	\$ 2,439	\$ 12,039	\$ 54,852	\$ 57,530
Shareholders Equity					
Retained Earnings Schedule	\$ 8,465	(44,969)	173,554	1,631,062	3,166,062
Common Units Equity Value Issued	\$ -	-	-	-	-
Preferred Units					
Series A - Preferred Unit Value Issued	\$ 1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Series A - Preferred Unit "Call" or Redemption	\$ -	-	-	-	(1,100,000)
Total Equity Issued	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ (100,000)
Ending Unitholders' Equity	\$ 1,008,465	\$ 955,031	\$ 1,173,554	\$ 2,631,062	\$ 3,066,062
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,009,838	\$ 957,470	\$ 1,185,593	\$ 2,685,914	\$ 3,123,592

Scenario B – All Properties Sold – Profit Sharing Illustration

Pro Forma Income Statement & Company Valuation - Scenario B

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
REVENUE ASSUMPTIONS:					
MANAGEMENT FEES					
Fund I: Cash	4,645,000	3,483,750	7,908,989	5,931,741	18,112,806
Fund I: Properties:					
City Villa	16,000,000	16,000,000	16,000,000	120,080,000	-
Kingston Marina View	1,150,000	1,150,000	3,140,000	-	-
Kingston Ponds	780,000	780,000	1,219,000	-	-
Olympic Silhouette	525,000	1,520,000	-	-	-
Park Terrace	3,000,000	3,000,000	15,600,000	-	-
Roseway Lane	1,050,000	6,730,000	-	-	-
St. Marie Plaza	2,850,000	2,850,000	13,990,200	-	-
Value of Existing Fund Assets	30,000,000	35,513,750	57,858,189	126,011,741	18,112,806
Annual Management Fee Percentage	2.80%	2.80%	2.80%	2.80%	2.80%
Total Management Fees	840,000	994,385	1,620,029	3,528,329	507,159
PROFIT SHARING					
Sale Price(s)					
City Villa	\$ -	-	-	-	\$ 120,080,000
Kingston Marina View	\$ -	-	3,140,000	-	-
Kingston Ponds	\$ -	-	1,219,000	-	-
Olympic Silhouette	\$ -	1,520,000	-	-	-
Park Terrace	\$ -	-	15,600,000	-	-
Roseway Lane	\$ -	6,730,000	-	-	-
St. Marie Plaza	\$ -	-	13,990,200	-	-
Total Cost Basis of Each Project					
City Villa	\$ 103,000,000				
Kingston Marina View	\$ 2,466,680				
Kingston Ponds	\$ 898,300				
Olympic Silhouette	\$ 1,140,000				
Park Terrace	\$ 13,000,000				
Roseway Lane	\$ 5,893,400				
St. Marie Plaza	\$ 10,964,000				
Aggregate Cost Basis(s)	\$ -	7,033,400	27,328,980	-	\$ 103,000,000
Realized Profits	\$ -	1,216,600	6,620,220	-	17,080,000
Profit Sharing	\$ -	243,320	1,324,044	-	3,416,000
Total Profit Sharing	\$ -	\$ 243,320	\$ 1,324,044	\$ -	\$ 3,416,000
Total Gross Profit					\$ 24,916,820
Gross Revenue - Services	\$ 840,000	\$ 1,237,705	\$ 2,944,073	\$ 3,528,329	\$ 3,923,159
Cost of Services Delivered					
Service Expense	\$ 16,800	24,754	58,881	70,567	78,463
Total Cost of Services Delivered	\$ 16,800	\$ 24,754	\$ 58,881	\$ 70,567	\$ 78,463
Gross Profit - Services	\$ 823,200	\$ 1,212,951	\$ 2,885,192	\$ 3,457,762	\$ 3,844,695
Gross Margin - Services	98%	98%	98%	98%	98%
TOTAL GROSS REVENUE	\$ 840,000	\$ 1,237,705	\$ 2,944,073	\$ 3,528,329	\$ 3,923,159
TOTAL GROSS PROFIT	\$ 823,200	\$ 1,212,951	\$ 2,885,192	\$ 3,457,762	\$ 3,844,695
TOTAL GROSS MARGIN	98%	98%	98%	98%	98%
General and Administrative Expense:					
Management Salaries	\$ 350,000	367,500	385,875	405,169	425,427
Administration Dept. Staff Wages	\$ 90,000	108,000	129,600	155,520	186,624
Payroll Taxes & Relating Insurance	\$ 52,800	57,060	61,857	67,283	73,446
Benefits Package	\$ 26,400	28,530	30,929	33,641	36,723
Sales, Marketing, Advertising & Promotion	\$ 50,000	53,000	56,180	59,551	63,124
Travel, Lodging, and Seminar Expense	\$ 20,000	24,000	28,800	34,560	41,472
General Liability Insurance	\$ 4,200	6,189	14,720	5,292	3,923
Key Person Life Insurance	\$ 7,000	7,350	7,718	8,103	8,509
Asset Property Taxes	\$ 400	600	2,782	2,782	2,782
Equipment Lease	\$ 2,400	2,640	2,904	3,194	3,514
Office and Computer Supplies	\$ 1,500	1,650	1,815	1,997	2,196
Accounting	\$ 15,000	16,500	18,150	19,965	21,962
Legal	\$ 25,000	27,500	30,250	33,275	36,603
Office Leases	\$ 50,000	50,000	75,000	75,000	75,000
Website Hosting & IT Support	\$ 6,000	6,600	7,260	7,986	8,785
Software Purchases	\$ 1,500	-	2,000	-	-
Telephones & High Speed Internet Access	\$ 8,000	8,800	9,680	10,648	11,713
Trade Assn. Dues, Conference & Shows	\$ 2,000	2,200	2,420	2,662	2,928
Research & Development Consultants	\$ 5,000	5,500	6,050	6,655	7,321
Financial Consultants	\$ 5,000	5,500	6,050	6,655	7,321
Miscellaneous Other Expenses	\$ 5,000	7,500	9,000	10,000	11,000
Total General and Administrative Expense	\$ 727,200	\$ 786,619	\$ 889,039	\$ 949,938	\$ 1,030,370
EBITDA	\$ 96,000	\$ 426,332	\$ 1,996,153	\$ 2,507,824	\$ 2,814,325

Pro Forma Income Statement & Company Valuation – Scenario B (cont.)

Capitalized Assets						
Organizational Costs, Furniture, Fixtures & Other Equipment	\$	50,000	25,000	90,000	-	-
Leasehold Improvements and Building Construction	\$	-	-	150,000	-	-
Total Capitalized Assets:	\$	50,000	\$ 25,000	\$ 240,000	\$ -	\$ -
Note Interest	\$	-	-	-	-	-
Bank Loan Interest	\$	-	-	-	-	-
Machinery / Equipment Loan Interest	\$	-	-	-	-	-
Building Mortgage Interest	\$	-	-	-	-	-
Interest Expense	\$	-	-	-	-	-
Total Income Before Taxes, Depreciation and Amortization	\$	96,000	426,332	1,996,153	2,507,824	2,814,325
Less:						
Profit Sharing:	\$	9,600	42,633	199,615	250,782	281,433
Depreciation & Amortization	\$	10,000	15,000	36,846	36,846	36,846
Net Income before Income Taxes	\$	76,400	368,699	1,759,692	2,220,196	2,496,047
Federal & State Corp. Income Tax	\$	2,292	11,061	52,791	66,606	74,881
Loss Carry Forward for Tax Calculations Only	\$	-	-	-	-	-
ESTIMATED NET INCOME AFTER TAXES	\$	74,108	\$ 357,638	\$ 1,706,901	\$ 2,153,590	\$ 2,421,165
ESTIMATED NET OPERATING MARGINS		8.82%	28.90%	48.38%	54.89%	61.71%
Estimated Cash Flow From Operations: Pre-Preferred	\$	84,108	372,638	1,743,747	2,190,436	2,458,011
Series A - Preferred Unit Stated Dividends	\$	(36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$	(7,411)	(71,528)	(341,380)	(430,718)	(484,233)
Estimated Cash Flow From Operations: Post Preferred	\$	40,697	181,111	1,282,367	1,639,718	1,853,778
Estimated Cash Distr. to Common Unitholders	\$	(22,232)	(107,291)	(512,070)	(646,077)	(726,350)
ESTIMATED NET CASH FLOW FROM OPERATIONS	\$	18,465	73,819	770,296	993,641	1,127,429
CAPITALIZATION:						
SERIES -A- PREFERRED UNITS						
Number of Preferred Units Offered and Sold		10,000	-	-	-	-
Price per Preferred Unit		100	-	-	-	-
Series A - Preferred Unit Value Issued		1,000,000	-	-	-	-
Series A - Preferred Unit "Call" or Redemption		-	-	-	-	(1,100,000)
Preferred Equity Value Issued		1,000,000	-	-	-	-
Estimated Cash Flow From Operations: Pre-Preferred	\$	84,108	372,638	1,743,747	2,190,436	2,458,011
Series A - Preferred Unit Stated Dividends	\$	(36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$	(7,411)	(71,528)	(341,380)	(430,718)	(484,233)
Estimated Cash Flow From Operations: Post Preferred	\$	40,697	181,111	1,282,367	1,639,718	1,853,778
Estimated Cash Distr. to Common Unitholders	\$	(22,232)	(107,291)	(512,070)	(646,077)	(726,350)
ESTIMATED NET CASH FLOW FROM OPERATIONS	\$	18,465	73,819	770,296	993,641	1,127,429
LOANS						
Loan to REIT		-	-	-	-	-
Repayment of Loan from REIT		-	-	-	-	-
COMPANY VALUATION - PRIVATELY HELD						
Estimated Private Value per Common Unit:	\$	3.71	17.88	85.35	107.68	121.06
Company Valuation - Privately Held:	\$	370,540	\$ 1,788,191	\$ 8,534,504	\$ 10,767,950	\$ 12,105,827
COMPANY VALUATION - PUBLICLY HELD						
Estimated Public Value per Common Unit:	\$	11.12	\$ 53.65	\$ 256.04	\$ 323.04	\$ 363.17
Company Valuation - Publicly Held:	\$	1,111,620	\$ 5,364,572	\$ 25,603,513	\$ 32,303,851	\$ 36,317,481
ESTIMATED INTERNAL RATES OF RETURNS						
Est. IRR on Series A Preferred Shares		42.94%				

Consolidated Statement of Operations – Scenario B

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Revenues	\$ 840,000	1,237,705	2,944,073	3,528,329	3,923,159
Total Cost of Services Delivered	\$ 16,800	24,754	58,881	70,567	78,463
Gross Profit	\$ 823,200	\$ 1,212,951	\$ 2,885,192	\$ 3,457,762	\$ 3,844,695
Operating expenses:					
Total General and Administrative Expense	\$ 727,200	786,619	889,039	949,938	1,030,370
Profit Sharing:	\$ 9,600	42,633	199,615	250,782	281,433
Depreciation & Amortization	\$ 10,000	15,000	36,846	36,846	36,846
Total operating expenses	\$ 746,800	844,252	1,125,500	1,237,566	1,348,649
Operating profit (loss)	\$ 76,400	\$ 368,699	\$ 1,759,692	\$ 2,220,196	\$ 2,496,047
Other income (expense):					
Interest Expense	\$ -	-	-	-	-
Profit (loss) before income taxes	\$ 76,400	368,699	1,759,692	2,220,196	2,496,047
Federal & State Corp. Income Tax	\$ 2,292	11,061	52,791	66,606	74,881
Net profit (loss)	\$ 74,108	357,638	1,706,901	2,153,590	2,421,165
Net profit (loss) per Common Unit - fully diluted	\$ 0.74	\$ 3.58	\$ 17.07	\$ 21.54	\$ 24.21

Statement of Retained Earnings					
Beginning Retained Earnings (Deficit)	\$ -	8,465	67,284	800,734	1,757,529
Net Income (Loss)	\$ 74,108	357,638	1,706,901	2,153,590	2,421,165
Less Shareholder Distributions					
Series A - Preferred Unit Stated Dividends	\$ (36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$ (7,411)	(71,528)	(341,380)	(430,718)	(484,233)
Common Shareholder Distributions	\$ (22,232)	(107,291)	(512,070)	(646,077)	(726,350)
Total Shareholder Distributions	\$ (65,643)	(298,819)	(973,450)	(1,196,795)	(1,330,583)
Net Ending Retained Earnings (Deficit)	\$ 8,465	\$ 67,284	\$ 800,734	\$ 1,757,529	\$ 2,848,112

Consolidated Statement of Cash Flows – Scenario B

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Cash flows from operating activities:					
Estimated Net Income	\$ 74,108	357,638	1,706,901	2,153,590	2,421,165
Depreciation & Amortization	\$ 10,000	15,000	36,846	36,846	36,846
Cash provided by operating activities	\$ 84,108	372,638	1,743,747	2,190,436	2,458,011
Cash flows from increases (decreases) in current assets/liabilities					
Accounts receivable	(8,400)	(3,977)	(17,064)	(5,843)	(3,948)
Inventory	-	-	-	-	-
Accounts payable	-	-	-	-	-
Accrued expenses	1,373	4,945	23,514	7,718	4,623
Total Cash flows from asset/liability changes	\$ (7,027)	\$ 968	\$ 6,451	\$ 1,875	\$ 675
Cash outflows from investing activities:					
Total Capitalized Assets:	\$ (50,000)	(25,000)	(240,000)	-	-
Loan to REIT	\$ -	-	-	-	-
Net cash from investing activities	\$ (50,000)	\$ (25,000)	\$ (240,000)	\$ -	\$ -
Cash inflows from financing activities:					
Total Note Sales (Payables)	\$ -	-	-	-	-
Repayment of Loan from REIT	\$ -	-	-	-	-
Common Units Equity Value Issued	\$ -	-	-	-	-
Series A - Preferred Unit Value Issued	\$ 1,000,000	-	-	-	-
Cash outflows from financing activities:					
Series A - Preferred Unit Stated Dividends	\$ (36,000)	(120,000)	(120,000)	(120,000)	(120,000)
Series A - Preferred Unit Participation	\$ (7,411)	(71,528)	(341,380)	(430,718)	(484,233)
Estimated Cash Distr. to Common Unitholders	\$ (22,232)	(107,291)	(512,070)	(646,077)	(726,350)
Net cash flows from financing activities:	\$ 934,357	\$ (298,819)	\$ (973,450)	\$ (1,196,795)	\$ (2,430,583)
Net cash increase (decrease)	\$ 961,438	49,787	536,747	995,516	28,103
Cash and equivalents, beginning of year	\$ -	961,438	1,011,225	1,547,972	2,543,488
Cash and equivalents, end of year	\$ 961,438	\$ 1,011,225	\$ 1,547,972	\$ 2,543,488	\$ 2,571,592

Pro Forma Balance Sheets – Scenario B

	Year 1-2008	Year 2-2009	Year 3-2010	Year 4-2011	Year 5-2012
Current Assets					
Cash & Marketable Securities	\$ 961,438	1,011,225	1,547,972	2,543,488	2,571,592
Inventory	\$ -	-	-	-	-
Accounts receivable	\$ 8,400	12,377	29,441	35,283	39,232
Total Current Assets	\$ 969,838	\$ 1,023,602	\$ 1,577,413	\$ 2,578,771	\$ 2,610,823
Property & Equipment					
Organizational Costs, Furniture, Fixtures & Other Equipment	\$ 50,000	75,000	165,000	165,000	165,000
Machinery/Equipment	\$ -	-	-	-	-
Franchise Fees (Wildcard)	\$ -	-	-	-	-
Business Acquisition	\$ -	-	-	-	-
Leasehold Improvements and Building Construction	\$ -	-	150,000	150,000	150,000
Less: Accumulated Depreciation & Amortization	\$ (10,000)	(25,000)	(61,846)	(98,692)	(135,538)
TOTAL ASSETS	\$ 1,009,838	\$ 1,073,602	\$ 1,830,567	\$ 2,795,079	\$ 2,790,285
Current Liabilities					
Accrued expenses	\$ 1,373	6,318	29,832	37,550	42,173
Long Term Liabilities					
Total Note Sales (Payables)	\$ -	-	-	-	-
Loan to REIT	\$ -	-	-	-	-
Machinery / Equipment Loans	\$ -	-	-	-	-
Building Mortgage	\$ -	-	-	-	-
Total Liabilities	\$ 1,373	\$ 6,318	\$ 29,832	\$ 37,550	\$ 42,173
Shareholders Equity					
Retained Earnings Schedule	\$ 8,465	67,284	800,734	1,757,529	2,848,112
Common Units Equity Value Issued	\$ -	-	-	-	-
Preferred Units					
Series A - Preferred Unit Value Issued	\$ 1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Series A - Preferred Unit "Call" or Redemption	\$ -	-	-	-	(1,100,000)
Total Equity Issued	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ (100,000)
Ending Unitholders' Equity	\$ 1,008,465	\$ 1,067,284	\$ 1,800,734	\$ 2,757,529	\$ 2,748,112
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	\$ 1,009,838	\$ 1,073,602	\$ 1,830,567	\$ 2,795,079	\$ 2,790,285

Sources and Uses Statement – 2008 Scenarios A & B

SOURCES:

TOTAL GROSS REVENUE	\$ 840,000
Preferred Equity Value Issued	\$ 1,000,000
TOTAL SOURCES:	\$ 1,840,000

USES:

Cost of Goods Sold	\$ 16,800
General and Administrative Expense	
Management Salaries	\$ 350,000
Administration Dept. Staff Wages	\$ 90,000
Payroll Taxes & Relating Insurance	\$ 52,800
Benefits Package	\$ 26,400
Sales, Marketing, Advertising & Promotion	\$ 50,000
Travel, Lodging, and Seminar Expense	\$ 20,000
General Liability Insurance	\$ 4,200
Key Person Life Insurance	\$ 7,000
Asset Property Taxes	\$ 400
Equipment Lease	\$ 2,400
Office and Computer Supplies	\$ 1,500
Accounting	\$ 15,000
Legal	\$ 25,000
Office Leases	\$ 50,000
Website Hosting & IT Support	\$ 6,000
Software Purchases	\$ 1,500
Telephones & High Speed Internet Access	\$ 8,000
Trade Assn. Dues, Conference & Shows	\$ 2,000
Research & Development Consultants	\$ 5,000
Financial Consultants	\$ 5,000
Miscellaneous Other Expenses	\$ 5,000
Total General and Administrative Expense	\$ 727,200
Interest Expense	\$ -
Interest Total	\$ -
Profit Sharing:	\$ 9,600
Federal & State Corp. Income Tax	\$ 2,292
Capitalized Assets	
Organizational Costs, Furniture, Fixtures & Other Equipment	\$ 50,000
Leasehold Improvements and Building Construction	\$ -
Total Capitalized Assets:	\$ 50,000
Loan to REIT	\$ -
Repayment of Loan from REIT	\$ -
(Machinery / Equipment Loan Reduction)	\$ -
(Building Mortgage Reduction)	\$ -
Inventory	\$ -
Shareholder Distributions	\$ 65,643
TOTAL USES:	\$ 871,535
CASH AVAILABLE BEFORE ADJUSTMENTS	\$ 968,465
Change in Accounts Payable & Accrued Exp	\$ 1,373
Change in Accounts Receivable	\$ (8,400)
Net Cash available for operations	\$ 961,438

Notes to Pro Forma Financial Projections - Scenarios A & B

INCOME STATEMENT & CO. VALUATION

REVENUE ASSUMPTIONS:

MANAGEMENT FEES

Value of Existing Fund Assets
Annual Management Fee Percentage

Represents property valuation plus cash in bank account. 1st REIT = \$30,000,000.
2.8% Represents an average annual Management Fee expressed as a percentage of total assets under management.
Self explanatory.

Total Management Fees

Profit Sharing

20.0% Represents the profit sharing percentage that the Company receives as per contract, expressed as a percentage.

Realized Profits

Net Profits realized from the sale of properties.

Total Profit Sharing

Self explanatory.

TOTAL GROSS REVENUE

Summation of annual average of total Management Fees plus Profit Sharing distributions

Cost of Services Delivered

Service Expense

2.0% Represents an average variable misc. cost of services expressed as a percentage.

Total Cost of Services Delivered

Gross Profit - Services

Represents gross profit on services

Gross Margin - Services

Represents gross profit on services divided by gross revenue on services

TOTAL GROSS REVENUE

Summation of annual average of total Management Fees plus Profit Sharing distributions

TOTAL GROSS PROFIT

Represents gross profit on services plus gross profit on products

TOTAL GROSS MARGIN

Represents gross profit divided by gross revenue

General and Administrative Expense:

Management Salaries

5.0% Represents an average annual growth rate of expenses expressed as a percentage. \$150k for CEO; \$100k for CFO; and \$100k for COO.

Administration Dept. Staff Wages

20.0% Represents an average annual growth rate of expenses expressed as a percentage.

Payroll Taxes & Relating Insurance

12.0% Represents payroll taxes and related insurances based on a percentage of total payroll.

Benefits Package

6.0% Represents benefits package expense based on a percentage of total payroll

Sales, Marketing, Advertising & Promotion

6.0% Represents annual budgets primarily used for organizational expenses associated with promoting the Management Company.

Travel, Lodging, and Seminar Expense

20.0% Represents an average annual growth rate of expenses expressed as a percentage.

General Liability Insurance

0.5% Represents amount of insurance needed to cover general liability based as an average percentage of gross revenues. Each REIT has insurance burden.

Key Person Life Insurance

2.0% Represents amount of insurance needed to cover key persons based as a percentage of the annual mgt. salary amount.

Asset Property Taxes

1.0% Represents property taxes as a percentage of accumulated assets less depreciation.

Equipment Lease

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Office and Computer Supplies

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Accounting

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Legal

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Office Leases

Represents a standard annual budget.

Website Hosting & IT Support

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Software Purchases

Represents a standard annual budget.

Telephones & High Speed Internet Access

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Trade Assn. Dues, Conference & Shows

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Research & Development Consultants

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Financial Consultants

10.0% Represents an average annual growth rate of expenses expressed as a percentage.

Miscellaneous Other Expenses

Represents a standard annual budget.

Total General and Administrative Expense

Summation of above figures.

EBITDA

Represents Earnings Before Income, Taxes, Depreciation and Amortization.

Capitalized Assets	
Organizational Costs, Furniture, Fixtures & Other Equipment	5 Represents useful life for depreciation/amortization purposes. Primarily used for organizational expenses associated with capitalizing the first fund.
Leasehold Improvements and Building Construction	39 Represents a standard annual budget and useful life for depreciation/amortization purposes.
Total Capitalized Assets:	
Note Interest	NA Represents an average annual interest rate on this form of debt.
Bank Loan Interest	NA Represents an average annual interest rate on this form of debt.
Machinery / Equipment Loan Interest	NA Represents an average annual interest rate on this form of debt.
Building Mortgage Interest	NA Represents an average annual interest rate on this form of debt.
Interest Expense	Summation.
Total Income Before Taxes, Depreciation and Amortization	Self explanatory.
Less:	
Profit Sharing:	10.0% Represents the profit sharing allowance to be paid to employees
Depreciation & Amortization	Self explanatory.
Net Income before Income Taxes	Self explanatory.
Federal & State Corp. Income Tax	3.0%
Loss Carry Forward for Tax Calculations Only	Represents the Loss Carry Forward from previous years and is for tax calculations only
ESTIMATED NET INCOME AFTER TAXES	Self explanatory.
ESTIMATED NET OPERATING MARGINS	Represents net income (loss) divided by gross revenues
Estimated Cash Flow From Operations: Pre-Preferred	Estimated cash flow from operations before the preferred units' dividends are subtracted - non deductible expense for tax purposes.
Series A - Preferred Unit Stated Dividends	12.0% Represents stated dividend on the series A preferred units expressed as a percentage of par value. Pro rated by 30% for the first year
Series A - Preferred Unit Participation	20.0% Represents the participation dividend on the series A preferred units expressed as a percentage of net income. Pro rated by 30% for the first year
Estimated Cash Flow From Operations: Post Preferred	Estimated cash flow from operations after the preferred unit dividends are subtracted - non deductible expense for tax purposes.
Estimated Cash Distr. to Common Unitholders	30.0% Represents dividend to common unitholders based as a percentage of net income.
ESTIMATED NET CASH FLOW FROM OPERATIONS	Self explanatory.
CAPITALIZATION:	
SERIES -A- PREFERRED UNITS	
Number of Preferred Units Offered and Sold	Represents the preferred units for each series after each planned offering.
Price per Preferred Unit	Self explanatory.
Accumulated Series A Preferred Stock Shares	Self explanatory.
Series A - Preferred Unit Value Issued	110.0% Represents the year that the preferred units are planned to be redeemed and call price expressed as a percentage of par value.
Series A - Preferred Unit "Call" or Redemption	Represents the accumulated total preferred stock value for calculations - Assume pfd stock is redeemed at year end therefore deducted from next year's calculation not current year
Accumulated Series A Preferred Stock Value	Summation
Preferred Equity Value Issued	
Estimated Cash Flow From Operations: Pre-Preferred	Estimated cash flow from operations before the preferred units' dividends are subtracted - non deductible expense for tax purposes.
Series A - Preferred Unit Stated Dividends	12.0% Represents stated dividend on the series A preferred units expressed as a percentage of par value. Pro
Series A - Preferred Unit Participation	20.0% Represents the participation dividend on the series A preferred units expressed as a percentage of net income. Pro rated by 30% for the first year
Estimated Cash Flow From Operations: Post Preferred	Estimated cash flow from operations after the preferred unit dividends are subtracted - non deductible
Estimated Cash Distr. to Common Unitholders	30.0% Represents dividend to common unitholders based as a percentage of net income.
ESTIMATED NET CASH FLOW FROM OPERATIONS	Summation
LOANS	
Loan to REIT	Represents loan principal balance to REIT in 2007
Repayment of Loan from REIT	Represents loan principal payment from REIT in 2007
Est. Net Earnings per Common Unit	Self Explanatory
COMPANY VALUATION - PRIVATELY HELD	
Estimated Private Value per Common Unit:	Represents the value per common unit based on multiplying the earnings per common unit by a price
Company Valuation - Privately Held:	Represents the value of the company based on multiplying the value per share by the outstanding shares
COMPANY VALUATION - PUBLICLY HELD	
Estimated Public Value per Common Unit:	Represents the value per common unit based on multiplying the earnings per common unit by a price
Company Valuation - Publicly Held:	Represents the value of the company based on multiplying the value per common unit by the
ESTIMATED INTERNAL RATES OF RETURNS	
Est. IRR on Series A Preferred Shares	Self Explanatory

PRO FORMA BALANCE SHEETS

Current Assets

Cash & Marketable Securities
Inventory
Accounts receivable
Total Current Assets

Represents previous year's net ending cash balances from pro formas consolidated statement of cash
15.0% Represents the percentage of cost of goods sold as inventory.
1.0% Represents the percentage of gross revenues that account for receivables.
Self explanatory.

Property & Equipment

Business Acquisition
Machinery/Equipment
Organizational Costs, Furniture, Fixtures & Other Equipment
Leasehold Improvements and Building Construction
Less: Accumulated Depreciation & Amortization

Represents leasehold improvement costs that must be amortized.
Represents accumulated assets in the specific category.
Represents accumulated assets in the specific category.
Represents accumulated assets in the specific category.
Represents accumulated assets in the specific category.

TOTAL ASSETS

Current Liabilities

Accounts payable
Accrued expenses

Represents last month's of each years' total cost of goods sold.
Represents last month's of each years' profit sharing, last quarter's federal ad state corp. income tax and semi-annual interest payment on notes issued.

Long Term Liabilities

Total Note Sales (Payables)
Loan to REIT
Machinery / Equipment Loans
Building Mortgage

Represents accumulated Note liability until Note maturity.
Represents accumulated Loans to and Repayment from REIT.
Represents accumulated equipment debt liability.

Total Liabilities

Self explanatory.

Retained Earnings Schedule

Common Units Equity Value Issued
Preferred Units
Series A - Preferred Unit Value Issued
Series A - Preferred Unit "Call" or Redemption
Total Equity Issued

Represents the previous years' accumulated retained earnings.
Represents common units equity sales.

Ending Unitholders' Equity

TOTAL LIABILITIES AND UNITHOLDERS' EQUITY

Represents series A preferred units equity sales.
This will be treasury stock and relected in the next year.
Represents series A preferred units stated dividends.
Self explanatory.
Self explanatory.

EXHIBIT B: SUBSCRIPTION AGREEMENT

ROUND 1

Name of Investor

**SUBSCRIPTION AGREEMENT FOR
PARTICIPATING PREFERRED UNIT MEMBERS**

XYZ Capital Management LLC

Pursuant to a Private Placement Memorandum dated September 01, 2007 (the "Memorandum"), on the terms and conditions set forth below, I hereby agree to become a Participating Preferred Unit-holder of XYZ Capital Management LLC, and make a capital contribution to the Company in the amount of \$_____ for which I shall receive Non-voting Share(s), of Participating Preferred Unit(s) in the Company. The minimum purchase amount is 100 Units for \$10,000.00 with 50 Units increments thereafter for \$5,000.

The capital contribution for each Unit is One Hundred U.S. Dollars (\$100.00). Such capital contribution for the subscribed Unit(s) is to be tendered herewith. I understand that the Company will not escrow such moneys. (The offer to become a Participating Preferred Unit Holder hereby made shall be deemed to be accepted by the Company only upon the Company's execution of the acceptance set forth below.

A. Representations and Warranties. I represent and warrant to the Company as follows:

I declare that I am at least 21 years of age and am a bona fide RESIDENT of the United States of America or foreign government recognized as such by United States of America and I am an accredited investor as defined by the definitions below.

AND / OR

I am or represent an organization, which meets or exceeds at least one of the accreditation requirements contained within this subscription agreement.

(1) Initial all of the following that apply:

_____ A bank as defined in section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; an insurance company as defined in section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the

Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

_____ A private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;

_____ An organization described in section 501(c)(3) of the Internal Revenue Code, corporation, or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

_____ A director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

_____ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;

_____ A natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

_____ A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in § 230.506(b)(2)(ii); and

_____ An entity in which all of the equity owners are accredited investors.

- (2) I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of my investment in the Company, or I have obtained the advice of an attorney, certified public accountant or registered investment advisor with respect to the merits and risks of my investment in the Company.
- (3) I acknowledge that the Company provided me with a copy of the Memorandum, which discloses in reasonable detail all material details of the offering, at least forty-eight (48) hours before my return of this executed Subscription Agreement to the Company.
- (4) I am purchasing the Participating Preferred Unit(s) solely for my own account for investment and not for the account of any other person and not for distribution, assignment, or resale to others. I do not presently intend to resell, transfer, or

otherwise dispose of the Participating Preferred Unit(s). Prior to any such sale or transfer, I will deliver to the Company a written opinion of counsel stating that the securities registration requirements of the Federal Securities Act of 1933 and of all applicable state laws including, but not limited to, any Uniform State Securities Act, have been or are being met or that an exemption from such registration is available and that the sale may proceed without violating any of the applicable state or federal securities laws.

- (5) I understand and acknowledge that the Operating Agreement of the Company places severe limitations on my ability to transfer the Participating Preferred Unit(s).
- (6) I acknowledge that any certificates evidencing the Participating Preferred Unit(s) shall bear a legend restricting the transfer of the Units.
- (7) I and all of my advisors have had access to all information necessary to enable me to make an informed decision to become a Participating Preferred Unit-holder and a reasonable opportunity to ask questions of and receive answers from the Company concerning the terms and conditions of this offering of the Participating Preferred Unit(s). All such questions have been answered to my full satisfaction.
- (8) I have the financial ability to bear the economic risk of my investment, including a possible loss of my entire investment, have adequate means of providing for my current needs and contingencies, and have no need for liquidity in my investment in the Company.
- (9) The Participating Preferred Unit(s) constitutes an investment, which is suitable and consistent for my investment program, and my financial situation enables me to bear the risks of this investment.
- (10) I understand that the offering has not been registered under the Securities Act of 1933, as amended (the "Act"), nor the securities laws of any other jurisdictions. Instead, the offering is made in reliance upon certain exemptions, including the exemption for federally "covered securities" under 4(2) Regulation D, 506 and the accredited investor exemption 4(6) promulgated thereunder. I am aware and understand that the Participating Preferred Unit(s) for which I have subscribed are being sold to me in reliance upon the above referenced exemptions and based upon my representations, warranties, and agreements hereunder. I am aware of the restrictions on the sale, transferability, and assignment of the Participating Preferred Unit(s) and that I must bear the economic risk of my investment hereby for an indefinite period of time because the Participating Preferred Unit(s) have not been registered under the 1933 Act. Therefore, the Participating Preferred Unit(s) cannot be offered or sold unless the offering is subsequently registered under the 1933 Act and all other applicable securities laws of other states unless an exemption from such registration is available. I further understand that no such registration by the Company is contemplated.

- (11) I understand that no federal or state agency has made any finding or determination as to the fairness for investment in, or any recommendation or endorsement of, the Participating Preferred Unit(s).
- (12) I acknowledge that neither the company nor any of its employees, managers, agents, or other affiliates have made any oral or written representations to me or to any of my advisors which are inconsistent with the Memorandum in any way.
- (13) I have included with this Subscription Agreement my capital contribution in full to the Company for the Participating Preferred Unit(s). I understand that such moneys will not be escrowed but may be used by the Company immediately upon its acceptance of my offer to become a Participating Preferred Unit-holder.
- (14) To the extent I considered it advisable, I have reviewed the merits of this investment with my tax and legal counsel and with an investment advisor.
- (15) I understand and acknowledge that no public market for the Participating Preferred Unit(s) currently exists and that there can be no assurance that any public market for the Participating Preferred Unit(s) will exist in the future.
- (16) All of the information that I have provided to the Company concerning myself, my financial position, and my knowledge of financial and business matters, including the information contained herein, is correct and complete in all material respects as of the date set forth at the end hereof, and I will immediately notify the Company of any adverse change in such information prior to the company accepting my offer to become a Participating Preferred Unit-holder.
- (17) I agree that all of the foregoing representations, warranties, agreements, undertakings, and acknowledgments made by me shall survive my purchase of the Participating Preferred Unit(s). I further agree that if more than one person is signing this agreement, each foregoing representation, warranty, agreement, undertaking, and acknowledgment shall be a joint and several representation, warranty, agreement, undertaking, and acknowledgment of each person signing this agreement.
- (18) I declare that I was not induced or solicited to invest by any form of general solicitation or general advertising, including but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over the television or radio, including any seminar or meeting in which attendees had been invited by a general solicitation or general advertising.
- (19) I declare that I understand XYZ Capital Management LLC has a first right of refusal to purchase any and all Shares, which are noticed for sale or liquidation.

- (20) I declare that I am not relying on the accuracy of the financial data contained within the pro forma five-year projections contained within Exhibit A of the Private Placement Memorandum dated September 01, 2007.
- (21) By executing this Subscription Agreement, I hereby agree to become a "Class B Non-Voting Unit-holder" aka "Preferred Unit-holder" of the Company under the existing Operating Agreement among the Unit-holders of the Company and to be bound by the terms of such agreement as though I were an original signatory thereto.
- (22) I have read the Private Placement Memorandum dated September 01, 2007 and the Operating Agreement in its entirety, including all Exhibits and schedules thereto, and I fully understand it. In particular, I understand that as a "Class B Unit holder" I will not have the right to vote on business matters. I further agree to execute and deliver to the Company such further documents as may be necessary to carry out the purposes of this paragraph.
- (23) I agree to indemnify and hold harmless the Company, its promoters, Shareholders, managers, and affiliates or any one acting on their behalf from and against all damages, losses, costs, and expenses (including reasonable attorney fees) that they may incur by reason of my failure to fulfill any of the terms or conditions of this Agreement or by reason of any breach of the representations and warranties made by me herein or in any documents provided by me to the Company.
- (24) This Agreement constitutes the entire Agreement among the parties with respect to the subject matter hereof and may be amended only by a written instrument executed by all of the parties.

This Agreement shall be enforced, governed, and construed in accordance with the laws of the State of Washington.

Investor Signature

Date

Investor Signature

Date

ACCEPTANCE:

The person named above is admitted as a
Participating Preferred Unit Holder
this ____ day of _____ 2007.

By: _____
Paul J. Jones, CEO & General Manager

SECURITIES REGISTRATION:

Investor's Name _____

Address _____

Home Phone _____

Work Phone _____

Social Security Number or Tax I.D. _____

Employer _____

Title _____

Individual _____

Trust Acct. _____

J.T.W.R.O.S. _____

T.I.C. _____

T.B.E _____

Corporate _____

Number of Preferred Units subscribed for: _____

Total Dollar Amount \$ _____

Investor's Signature

Investor's Signature, 2nd Party

Payment for securities purchase & Subscription Agreement is to be sent to:

XYZ Capital, LLC
PO Box 430
123 Easy Street
Anywhere, Washington 98346
Tel: (123) 456-7890. Cell: (123) 456-7891.

SECURITIES REGISTRATION FOR QUALIFIED PLANS:

Investor's Name _____

Address _____

Home Phone _____

Work Phone _____

Social Security Number or Tax I.D. _____

IRA/Q P _____

Number of Preferred Units subscribed for: _____

Total Dollar Amount \$ _____

IRA Administrators Signature

(Call Co. for information on IRA investments)

IRA/QP HOLDERS ACKNOWLEDGEMENT

By signing as “read and approved” on this document the IRA holder agrees to the following:

Name of Entity: XYZ Capital Management LLC

- 1) That this Agreement is signed by Entrust New Direction IRA, Inc. (“END-IRA”) not individually but solely as agent for the Custodian under the Individual Retirement Account Plan Agreement also known as Form 5305-A. Said Agreement is hereby made a part hereof & any claims against END-IRA which may result here from, shall be payable only out of any IRA property which may be held hereunder. Any and all personal liability of END-IRA is hereby expressly waived by the parties hereto & their respective successors & assigns. All representations & undertakings are of END-IRA as agent for the Custodian as aforesaid & not individually & no liability is assumed by or shall be asserted against END-IRA personally as a result of the signing of this instrument. The grantor, as account controller, has made all representations & Warranties contained herein & END-IRA, as agent for the Custodian, is signing this document along with the grantor merely to assist the grantor in this purchase as prescribed by the Internal Revenue procedures requiring the purchase to be made by an IRA Custodian on behalf of the Individual Retirement Account. END-IRA hereby disclaims all fiduciary responsibility for the investment choice and its inherent risks. The beneficial owner indemnifies and agrees to hold harmless END-IRA in following these instructions.

- 2) END-IRA is **not reviewing this document** and is not responsible for its content and makes no judgments as to legality, viability, appropriateness, consistency, enforceability or fairness of the content. You further acknowledge that END-IRA is not responsible for determining whether or not this document complies with IRS Code Sections 4975 and 408, which is solely your responsibility and that you have obtained competent legal and tax advice for this investment.

Read and Approved by _____ IRA Holder:

_____ (Print)

Account # _____

EXHIBIT C: OPERATING AGREEMENT

**OPERATING AGREEMENT OF
XYZ Capital Management LLC**
A Washington Limited Liability Company

This Operating Agreement is made July 30, 2007, by and among the following:

Paul Jones
Robert Smith

who are referred to individually as the “Member” and collectively as the “Members” of XYZ Capital a limited liability company (the “Company”).

This Operating Agreement (the “Agreement”) is intended to govern the relationship among the Members, Class A and Class B, of this Company and between the Company and the Members, pursuant to the Washington Limited Liability Company Act, as amended from time to time (the “Act”).

THEREFORE, in consideration of their mutual promises, covenants, and agreements set forth below, the parties agree as follows:

Article 1
TERM, PRINCIPAL PLACE OF BUSINESS, REGISTERED AGENT,
AND PERMITTED BUSINESS

- 1.1 Name. The name of the Company is **XYZ Capital Management LLC**
- 1.2 Organization. The Members have authorized the formation of the Company as a(n) Washington Limited Liability Company pursuant to the Act and have filed Articles of Organization (the “Articles”) with the Washington Secretary of State.
- 1.3 Principal Place of Business. The principal office of the Company is located at 123 Easy Street, PO Box 430 Anywhere, Washington 98346. The Company may locate its principal office, its place of business, and its registered office at any other place or places as the Members may from time to time deem advisable. The PO box address is to be used for US mail addressed to the company; the company office is too close to the Anywhere US post office to have mail delivery per the US postal regulations.
- 1.4 Registered Agent. The name of the registered agent for the Company is Paul Jones (the “Agent”) whose address is 123 Easy Street, PO Box 430 Anywhere, WA 98346. The Managing Members may, from time to time, change the Agent by filing appropriate documents with the Washington Secretary of State. If the registered agent ceases or fails to act, the Managing Member(s) shall designate a replacement Agent. The Managing Members shall file with the New Jersey Secretary of State the documents required by the Act with respect to any change of the Agent of his address.

- 1.5 Term. The term of the Company shall begin on the date that the Articles of Organization are filed with the Department and become effective under the Act, and shall continue perpetually unless its existence is sooner terminated pursuant to Article 11 of this Agreement.
- 1.6 Purposes. The purpose of the Company shall be for general purposes, and the Company shall have full power and authority to take all actions and do all things, which may be necessary, convenient, useful, or incidental thereto or therefore.
- 1.7 Definitions.
- (a) “Act”. The term “Act” means the laws of the State of Washington pertaining to the formation, organization and operation of a limited liability company, as amended from time to time.
 - (b) “Affiliate”. The term “Affiliate” means any person controlling or controlled by or under common control with the Company, including, without limitation (i) a shareholder, partner, member, officer, director, or employee of the Company or any affiliate of the Company; (ii) a customer, supplier or other person who derives more than ten percent of its purchases or revenues from its activities with the Company or any affiliate of the Company, (iii) a person or other entity controlling or under common control with any such shareholder, partner, member, officer, director, employee, customer, supplier or other person; and (iv) a member of the immediate family of any such shareholder, partner, member, officer, director, employee, customer, supplier or other person.
 - (c) “Agent”. The term “Agent” shall mean the agent designated by the Company from time to time for service of process pursuant to Washington law.
 - (d) “Agreement”. The term “Agreement” means this Operating Agreement as amended from time to time.
 - (e) “Articles of Organization” or “Articles”. The “Articles of Organization” or “Articles” are those Articles of the Company as properly adopted and amended from time to time by the Members and filed with the Washington Secretary of State pursuant to the Act.
 - (f) “Bankrupt Member”. A “Bankrupt Member” is one who: (i) has become the subject of a decree or order for relief under any bankruptcy, insolvency, or similar law affecting creditors’ rights now existing or hereafter in effect; or (ii) has initiated, either in an original proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation, arrangement, composition, readjustment, dissolution, or similar relief.

- (g) “Capital Account”. The term “Capital Account” means the amount of cash and fair market value of services or property that a Member has contributed to the Company as Capital Contributions pursuant to Article 5.3 hereof.
- (h) “Capital Contribution”. A “Capital Contribution” is any contribution of cash, property or services to Company made by or on behalf of a Member pursuant to Article 5 hereof.
- (i) “Control”. Control when used with respect to any specified person, means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies, or activities of a person or entity, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.
- (j) “Fiscal Year”. The Company’s Fiscal Year is its taxable year.
- (k) “Majority Vote”. A “majority vote” of the Members shall mean that the Member or Members holding collectively more than one half (1/2) of the outstanding Membership Units have given their approval to a proposal.
- (l) “Member”. A Member is a Class A voting Member unless otherwise designated as other.
- (m) “Class A Voting Member”. A “Class A Voting Member” is any person who has signed this agreement as a “Class A Voting Member”.
- (n) “Class B Non-voting Member”. A “Class B Non-voting Member” is any person who has signed this agreement or a subscription agreement as the designated agreement as a “Class B Non-voting Member”, also known as a Preferred Member.
- (o) “Person”. A “Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization, or government or any agency or political subdivision thereof.

Article 2
ACCOUNTING AND RECORDS

2.1 Records to be Maintained. The Company shall maintain the following records at its principal office:

- (a) A current list of the full names, in alphabetical order, and last known business or residence address of each Member;

- (b) Copies of the Articles of Organization, all amendments thereto, and executed copies of any powers of attorney pursuant to which the Articles or the amendments have been executed;
- (c) Copies of this Agreement, all amendments hereto, and executed copies of any powers of attorney pursuant to which this Agreement and such amendments have been executed;
- (d) Copies of the Company's federal, state, and local income tax returns and reports, for the three (3) most recent years, unless a greater time is required by Washington law;
- (e) Copies of any financial statements of the Company for the three (3) most recent years, unless a greater time is required by Washington law; and
- (f) Any other agreements or documents required by the Act or this Agreement, pursuant to Washington law;

2.2 Accounts. The Company shall maintain at its principal office appropriate books and records, kept in accordance with generally accepted accounting principles, and a record of the Capital Account for each Member in accordance with Article 5 of this Agreement. Each Member or its authorized representative(s) shall have the right to inspect and copy (at such Member's own expense) any books, records, and financial reports of the Company during normal business hours for a legitimate purpose reasonably related to the Member's membership interest in the Company.

2.3 Separateness Covenants. In order to preserve and ensure its separate and distinct identity, in addition to the other provisions set forth in this Operating Agreement, the Company shall conduct its affairs in accordance with the following provisions:

- (a) The Company shall establish and maintain separate space office through which its business shall be conducted, or if office space is shared, shall allocate fairly and reasonably any overhead for shared office space.
- (b) The Company shall maintain books and records separately from those of any other person or entity.
- (c) The Company's members shall hold appropriate meetings (or act by unanimous consent) to authorize all appropriate limited liability company actions, and in authorizing such actions, shall observe all formalities required by its Operating Agreement, these Articles, and applicable law.
- (d) The Company shall not commingle its assets with those of any other entity and shall maintain its assets in a manner such that they are separately readily identifiable.

- (e) the Company shall maintain separate financial statements.
- (f) The Company shall pay its own liabilities out of its own funds, including salaries of any employees.
- (g) The Company shall maintain an arm's length relationship with its affiliates.
- (h) The Company may guarantee or become obligated for the debts of any other entity, or hold out its credit as being available to satisfy the obligations of others.
- (i) The Company may pledge its assets for the benefit of any other entity.
- (j) The Company may consensually merge or consolidate with any other entity.
- (k) The Company shall hold itself out as a separate entity and conduct its own business in its own name.

Exclusively for purpose of this Article 2.3, the following terms shall have the following meanings: "affiliate" means any person controlling or controlled by or under common control with the Company including, without limitation (i) any person who has a familial relationship, by blood, marriage or otherwise with any member or employee of the Company, or any affiliate thereof and (ii) any person which receives compensation for administrative, legal or accounting services from this Company, or any affiliate. For purposes of this definition, "control" when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization, or government or any agency or political subdivision thereof.

Article 3 MANAGEMENT OF THE COMPANY

3.1 Management by Managers. As provided in the Articles, management of the business and affairs of the Company is vested in the Managers.

3.2 Action by the Company.
The Company shall be managed by its Managers, and the Company may act only by or under the authority of its Managers, as follows:

Each Member agrees that action on behalf of the Company shall be taken only if:

(a) Such action is approved or authorized, generally or specifically, by a resolution, vote, consent or other action of the Members taken in accordance with the procedures described in this Agreement; or

(b) Such action is taken pursuant to authority delegated pursuant to Article 3.3.

Recognizing that each Member has potential apparent authority to bind the Company, each Member agrees as a matter of contract not to exercise that authority or so bind the Company absent actual authority or permission existing or obtained pursuant to this Article 4. Any Member violating the preceding sentence shall be liable for, and shall indemnify the Company and the other Members against, any damages or expenses resulting from such violation.

3.3 Delegation of Certain Management Authority. The Members may delegate to a subcommittee of Members, one or more designated Members, one or more officers of the Company, or one or more employees of the Company any management responsibility or authority. The Members may create such offices, appoint such officers and delegate thereto such responsibility or authority as the Members determine to be appropriate.

3.4 Action by the Members. The Members may act by vote, resolution or other action approved or adopted at a meeting held in accordance with this Article 3.4, by a written consent signed in accordance with this Article 3.4 or by written agreement of the holder(s) of the requisite number of Units. Rules for the conduct at meetings of the Members and for action by written consent of the Members follow:

(a) *Annual Meetings.* Annual meetings of the Members shall be held on the first day of January each year, at the Principal Office of the Company, or on such other date or at such other place as may be designated by a Majority in Interest of the Members.

(b) *Special Meetings.* Special meetings of the Members may be held on any day, when called by Members who hold at least 50 percent of all units outstanding and entitled to vote at the special meeting. Upon request in writing delivered either in person or by certified mail, return receipt requested, by any Members entitled to call a meeting of Members, the authorized Member will promptly give notice to all members entitled to notice of the upcoming meeting.

If notice is not given within seven days after the delivery or mailing of the request, the person or persons calling the meeting may fix the time of the meeting and give notice of it in the manner provided by law or by this Operating Agreement, or may cause notice to be given by any designated representative.

Each special meeting will be called to convene between 8:00 a.m. and 6:00 p.m., and will be held at the principal office of the Company.

(c) *Notice of Meetings of the Members.* The Company shall deliver or mail written notice stating the date, time, and place of any Members' meeting and, in the case of a special Members' meeting or when otherwise required by law, a description of the purposes for which the meeting is called, to each Member of record entitled to vote at the meeting, at such address as appears in the records of the Company and at least two, but no more than 30, days before the date of the meeting.

(d) *Waiver of Notice.* A Member may waive notice of any meeting, before or after the date and time of the meeting as stated in the notice, by delivering a signed waiver to the Company for inclusion in the minutes. A Member's attendance at any meeting, in person or by proxy (i) waives objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

(e) *Voting by Proxy.* A Member may appoint a proxy to vote or otherwise act for the Member at a meeting pursuant to a written appointment form executed by the Member or the Member's duly authorized attorney-in-fact, provided that the appointment form is submitted to the Company for inclusion in the Company records. The general proxy of a fiduciary is given the same effect as the general proxy of any other Member.

(f) *Presence.* Any or all Members may participate in any annual or special Members' meeting by, or through the use of, any means of communication by which all Members participating may simultaneously hear each other during the meeting. A Member so participating is deemed to be present in person at the meeting.

(g) *Conduct of Meetings.* At any Members' meeting, a Majority in Interest of the Members shall preside or appoint a person to preside at the meeting and shall appoint a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be placed in the minute books of the Company.

(h) *Quorum; Approval.* The presence of a Majority in Interest of the Members at an annual or special meeting is necessary for a quorum, unless approval of any action to be taken is required from all the Members, in which case the presence of all the Members is necessary for a quorum. Any action proposed to be taken by the Members shall be approved upon the affirmative vote of a

Majority in Interest of the Members, unless approval by all the Members is required by the Articles, this Agreement or the Act.

(i) *Action by Written Consent.* Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting if the action is committed to writing and is signed by Members having aggregate Percentage Interests sufficient to approve the action if it were taken at a meeting of the Members. Notice of the written action must be promptly given to any Member whose signature does not appear on the document.

3.5 Certain Matters Requiring Unanimous Approval of Members. Notwithstanding the provisions set forth in Article 3.2, above, and in addition to other matters that require the unanimous approval of the Members under the terms of this Agreement, each of the following actions shall require the approval of all of the Members:

(a) any sale, lease, exchange, transfer, pledge or other disposition of any business of the Company or all or substantially all of the assets of the Company;

(b) the (i) commencement of a voluntary case under any Debtor Relief Law now or hereafter in effect, (ii) consent to the entry of any order for relief in an involuntary case under any Debtor Relief Law, (iii) consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or of any substantial part of the property of the Company, (iv) making by the Company of a general assignment for the benefit of creditors, or (v) making of any other arrangement or composition with creditors generally to modify the terms of payment of or otherwise restructure their obligations;

(c) any consolidation, merger, share exchange or amalgamation with, or the acquisition of any interest in, any other Person or its assets, other than acquisitions of goods and services in the ordinary course of business;

(d) the entering into of any transaction, including, without limitation, any purchase, sale, lease or exchange of property, or the rendering of any service, with any Affiliate of any Member; and

(e) any material modification, change or amendment to any agreement or arrangement which is the subject of the matters referred to in any provision of this Article 3.5.

3.6 Action by Remaining Members. Whenever in this Agreement or the Act provide for or require approval or other action by the remaining Members, or a Majority in Interest of the remaining Members (i.e., those Members, or a majority in Interest of those Members, other than the Member in question), the approval or

other action of the remaining Members, or a majority in Interest of those Members, may be obtained or taken by written agreement thereof.

- 3.7 Waiver of Partition. Each Member on behalf of such Member, its successors and its assigns, hereby waives any rights to have any Company property partitioned.
- 3.8 Liability. No Member shall be liable for the debts, obligations or liabilities of the Company by reason of being a Member of the Company.

Article 4 MEMBERS

- 4.1 Liability of Members. No Member or Preferred Member shall be liable as such for the liabilities of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members or Preferred Member for liabilities of the Company.
- 4.2 Conflicts of Interest. Each Member or Preferred Member may have other business interests and may engage in any other business, trade, or employment and shall not be obligated to devote more time and attention to the conduct of the business of the Company than shall be required for the supervision of the ownership, operation, and management of the Company's business and property. Neither the Company nor any Member shall have any right by virtue of this Agreement to share or participate in such other transactions.
- No transaction with the Company shall be void or voidable solely because a Member or Preferred Member has a direct or indirect interest therein, so long as the material facts of the transaction and the Member's or Preferred Member's interest in the transaction are disclosed to all Members.
- 4.3 Indemnification of Members. The Company's obligation to indemnify its Members and or Preferred Member shall be fully subordinated to any obligations respecting the Property and shall not constitute a claim against the Company in the event that cash flow in excess of amounts required to pay holders of any debt pertaining to the Property is insufficient to pay such obligations.
- 4.4 Form of Certificates. Each holder of units or shares will be entitled to one or more certificates, signed by the authorized Member, which will set forth the number of units or shares held by him or her in the Company. However, no certificate for units or shares will be issued until it is fully paid. The absence or loss or destruction of a certificate will not affect a Member's rights.
- 4.5 Transfer of Units or Shares. Subject to the laws of Washington and the terms of this Agreement, units or shares of the Company will be transferable upon the

books of the Company by a Member by surrendering his or her certificate(s) with a properly executed assignment and with proof of the authenticity of the signatures to the assignment as the Company may reasonably require. The transferee or assignee must not be a Member and will have no right to participate in the management of the Company unless and until the Members unanimously approve the transfer or assignment in writing or at a properly- convened Members' meeting. No transfer or assignment will be approved until the prospective Member has agreed, in writing, to be bound by all terms of this Operating Agreement, as amended to that date.

- 4.6 Lost, Stolen or Destroyed Certificates. The Company may issue a new certificate for units or shares in place of any certificate alleged to have been lost, stolen or destroyed. The Authorized Member may, in his or her discretion, require the posting of a bond containing any terms required by the Authorized Member to protect the Company or any person injured by the execution and delivery of a new certificate.

Article 5 CONTRIBUTIONS

- 5.1 Initial Contributions. Each Member shall make the capital contribution in the amount set forth opposite the Member's name on the attached Exhibit "A".
- 5.2 Additional Contributions. No Member shall be obligated to make additional contributions.
- 5.3 Capital Accounts. A separate capital account ("Capital Account") will be maintained for each Member in accordance with Article 704(b) of the Internal Revenue Code and applicable Treasury Regulations.
- 5.4 Each Member's Capital Account will be increased by (a) the amount of money contributed by such Member to the Company; (b) the fair market value of property contributed by such Member to the Company (net of liability secured by such contributed property that the Company is considered to assume or take subject to under Article 752 of the Internal Revenue Code); (c) allocations to such Member of Company income and gains; and (d) allocations to such Member of income described in Article 705(a)(1) and (b) of the Internal Revenue Code.
- 5.5 Each Member's Capital Account will be decreased by (a) the amount of money distributed to such Member by the Company; (b) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that the Member is considered to assume or take subject to under Article 752 of the Internal Revenue Code); (c) allocations to such Member of expenditures described in Article 705(a)(2) and (b) of the Internal Revenue Code; and (d) allocations to the account of such Member of Company loss and deductions

as set forth in such Treasury Regulations, taking into account adjustments to reflect book value.

- 5.6 The manner in which the Capital Accounts are to be maintained pursuant to this Article 5 is intended to comply with the requirements of Internal Revenue Code Article 704(b) and the Treasury Regulations promulgated there under. If the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Article 5.3 should be modified in order to comply with Internal Revenue Code Article 704(b) and the Treasury Regulations there under, then, notwithstanding anything to the contrary contained in the preceding provisions of this Article 5.3, the Members may alter the method in which Capital Accounts are maintained, and this Agreement shall be amended to reflect any such change in the manner in which Capital Accounts are maintained; *provided, however*, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members.
- 5.7 Capital Accounts shall not bear interest.

Article 6 ALLOCATIONS AND DISTRIBUTIONS

- 6.1 Class A Membership Units. The Company shall consist of 100,000 units of Class A membership interest (“Membership Units”). Each Member shall initially have those Units set forth opposite the Member's name on Exhibit A. Each Member is entitled to one vote per Membership Unit owned.
- 6.2 Class B Membership Units. The Company shall consist of 10,000 units of Class B membership interest (“Preferred Membership Units”). Each Preferred Member shall initially have those Units set forth opposite the Member's name on Exhibit A. Each Preferred Member is not entitled to a vote per Preferred Membership Unit owned.
- 6.3 Allocation of Taxable Items. The determination of each Member's distributive share of all tax-related items, including income, gain, loss, deduction, credit, or allowance of the Company, for any period or year shall be made in accordance with, and in proportion to, such Member's proportion of Membership Units to the total number of Membership Units. The determination of each Preferred Member's distributive share of all tax-related items, including income, gain, loss, deduction, credit, or allowance of the Company, for any period or year shall be made in accordance with, and in proportion to, such Preferred Member's proportion of Preferred Membership Units to the total number of Membership Units and the Net Income Participation allowance as per the Offering of said Preferred Membership Units.
- 6.4 Distributions. Distributions may be declared on an annual basis by the Managers based on Membership and Preferred Membership Units. Distributions in anticipation of an event of dissolution or subsequent to an event of dissolution shall

be made as provided in Article 11. All other distributions shall be allocated in proportion to Membership Units.

- 6.5 Conversion. Class B Member may convert their Class B Units into Class A Units on a one (1) Class B Unit for two (2) Class A Unit ratio until the Call date of 12/31/2012, after which the conversion privilege terminates.

Article 7
DISTRIBUTIONS IN KIND

Regardless of the nature of a Member's contribution, no Member has the right to demand and receive any distribution from the Company in any form other than cash.

Article 8
MEMBERSHIP INTEREST AND MEMBERSHIP RIGHTS OF A
DECEASED, INCOMPETENT, OR DISSOLVED MEMBER

If a Member who is an individual dies, is adjudicated by a court of competent jurisdiction to be incompetent to manage his person or property, the Member's executor, administrator, guardian, conservator, or other legal representative may receive the benefits of the Member's Membership Interest for the purpose of administering the Member's property. If the Member is a corporation, trust, partnership, limited liability company, or other entity and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

Article 9
TAXES

Tax Matters Member. The General Manager shall serve as the "tax matters partner" of the Company pursuant to Article 6231(a)(7) of the Internal Revenue Code.

Article 10
DISSOCIATION OF A MEMBER

- 10.1 Dissociation. A person ceases to be a Member upon the happening of any of the following events of withdrawal:
- (a) The expulsion of a Member pursuant to Article 10.2 of this Agreement, below;
 - (b) The Member assigns its interest to a non-Member transferee;
 - (c) A Member becomes a Bankrupt Member;

- (d) In the case of a Member who is a natural person, the adjudication of incompetency of the Member;
 - (e) The dissolution and winding up of a Member which is a limited liability company, a partnership, a limited partnership, or a partnership with limited liability; the filing of a certificate of dissolution (or its equivalent) for a corporation if the Member is a corporation; the revocation of the charter, the articles, or other authority by which an entity exists under the law of the jurisdiction where the entity was formed or exists, if the Member is not a natural person; or the termination or lapse of the existence of an entity by any other means if the Member is not a natural person;
 - (f) In the case of a Member acting as a Member by virtue of being a trustee of a trust, the termination of the trust (but not merely the substitution of a new trustee); or
 - (g) In the case of a Member that is an estate, the settling of the estate.
- 10.2 Expulsion of a Member. A Member may be expelled from the Company if such Member commits a breach of a material provision of this Agreement, which breach is not cured within thirty (30) days of notice thereof.
- 10.3 Rights of Dissociating Member. Except for disassociation as a result of the assignment of interest pursuant to Article 10.1(b) above, if any Member dissociates prior to the dissolution and winding up of the Company, the Member shall be entitled to participate in the winding up of the Company to the same extent as any other Member, except that any Distributions to which the Member would have been entitled shall be reduced by the damages sustained by the Company as a result of the dissolution and winding up.

Article 11

DISSOLUTION AND WINDING UP

- 11.1 Dissolution. Pursuant to the Act, the following events shall cause dissolution of the Company:
- (a) Expiration of the term of existence of the Company as set forth in the Articles and/or Article 1.5 of this Agreement, unless the business of the Company is continued with the written consent of a Majority-in-interest of the remaining Members;
 - (b) Unanimous written consent of the Members;
 - (c) Judicial decree of dissolution;
 - (d) Any other event which is required to cause dissolution under the Act.

Except as provided in Article 11.4 of this Agreement, below, as soon as possible following the occurrence of any of the events specified in this Article 11.1 which effect the dissolution of the Company, an appropriate representative of the Company shall execute and file with the Secretary of State of Washington a certificate of dissolution containing the information required by the Act.

Notwithstanding the foregoing, to the extent permissible under applicable federal and state tax law, the vote of a majority-in-interest of the remaining members shall be sufficient to continue the life of the Company.

11.2 Continuance of Company Following Dissociation. Except for disassociation as a result of the assignment of interest pursuant to Article 10.1(b), above, upon the Dissociation of a Member, if a Majority-in-interest of the remaining Members elect under 11.1(c) to continue the business of the Company, then the Dissociated Member's Units may be purchased by the remaining Members in proportion to their percentage of their Member Units or in such other proportions as they may unanimously determine. If a dissociation occurs as a result of the transfer of the Member's ownership interest in the Company pursuant to Article 11.1(b), above, that Member shall, upon the purchase of his ownership interests and notwithstanding any other provision of this Agreement, have no further rights or interests in the Company or the operation of the same under this Agreement.

11.3 Purchase Price. The price to be paid for such disassociated Member's Units hereunder (and, as is stated above, except for disassociation as a result of the assignment or transfer of ownership interest pursuant to Article 10.1(b), above) may be determined by the unanimous consent of the remaining Members and the dissociated Member or his legal representative, if unanimous consent can not be achieved, then the price to be paid for such disassociated Member's Units hereunder shall equal the capital account balance of such disassociated Member's interest as of the last day of the month ("valuation date") immediately prior to the date of the event of dissociation, adjusted by the difference between the fair market value and net book value of any real estate owned by the Company. The Fair Market Value of any real estate owned by the Company shall be determined by appraisal in accordance with the following procedure:

- (a) The dissociated Member or his legal representative and the remaining Members, collectively, shall each appoint an independent appraiser, each of whose shall independently determine the fair market value of the real estate in writing. Each party shall pay the fees of its appraiser.
- (b) If there is not more than a five percent (5%) variance between the appraised values determined under sub paragraph (a) above, the average of the two values shall be the fair market value of the real estate.

- (c) If there is more than a five percent (5%) variance between the appraised value determined under Sub paragraph (a) above, the appraisers appointed by the parties shall select another independent appraiser who shall proceed to appraise the real estate in writing. The parties hereto shall share the cost of the third appraiser equally. The three (3) appraised values shall then be compared and the two (2) values bearing the closest monetary relationship to one another shall be averaged. The resulting amount shall be the fair market value of the real estate. If the third appraiser's value is exactly, to the penny, in between the first two (2) appraised values, then the third appraiser's value shall be the fair market value of the real estate.
- (d) All appraisers appointed hereunder shall be required to be members of the Appraisal Institute (an M.A.I.) or the Society of Real Estate Appraisers (S.R.E.A.).

11.4 Payment of Purchase Price. The purchase price due from each remaining Member shall be paid by such remaining Member to the dissociated Member or the dissociated Member's legal representative as follows: TBD

11.5 Winding Up. Upon an event of dissolution without agreement to continue the existence of the Company pursuant to Article 11.1(a) or 11.1(c), the Members shall wind up all of the Company's affairs and proceed to liquidate all of the Company's assets as promptly as is consistent with obtaining their fair value; *provided, however,* that the Company may continue its business operations for a period of up to six (6) months while searching for one or more suitable buyers in order to preserve the value of the Company as a going concern and in order to produce revenues. No Member shall be ineligible to purchase any part or all of the assets of the Company solely due to such person's status as a Member.

Upon liquidation the Company's property and cash shall be distributed as follows:

- (a) First, to the creditors of the Company, including Members who are creditors, to the extent permitted by law, in satisfaction of liabilities of the Company;
- (b) Second, to Preferred Members (including withdrawing Preferred Members, if applicable) in accordance with positive Capital Account balances taking into account all Capital Account adjustments for the Company's taxable year in which the liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such Distributions shall be in cash or property (which need not be distributed proportionately) or partly in both, as determined by the Members.
- (c) Third, to Members (including withdrawing Members, if applicable) in accordance with positive Capital Account balances taking into account all Capital Account adjustments for the Company's taxable year in which the

liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such Distributions shall be in cash or property (which need not be distributed proportionately) or partly in both, as determined by the Members.

The winding up of the Company shall be completed when all debts, liabilities, and obligations of the Company have been paid and discharged or reasonably adequate provision therefore has been made, and all of the remaining property and assets of the Company have been distributed to the Members.

Upon dissolution, each Member (including withdrawing Members) shall look solely to the assets of the Company for return of that Member's Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash contribution of each Member, no Member shall have recourse against any other Member.

Article 12 GOVERNING LAW

All questions with respect to the construction of this Agreement and the rights, duties, obligations, and liabilities of the parties shall be determined in accordance with the Act and all other applicable provisions of the laws of the State of Washington.

Article 13 MISCELLANEOUS PROVISIONS

- 13.1 Entire Agreement. This Agreement and the Articles represent the entire agreement among the Members.
- 13.2 Amendment or Modification of Agreement. This Agreement may be amended or modified from time to time by a written instrument approved by all of the Members.
- 13.3 Rights of Creditors and Third Parties under this Agreement. This Agreement is entered into among the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no creditor or third party shall have any rights under this Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.
- 13.4 Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason, the illegality or invalidity shall not affect the legality or validity of the remainder of this Agreement.

- 13.5 Title to Company Properties. Title to all Company property shall be held in the name of the Company.
- 13.6 Membership Interest. Each of the Members and any additional or substitute Members subsequently admitted hereby covenant, acknowledge, and agree that all Membership Units of the Company shall for all purposes be deemed personally and shall not be deemed realty or any interest in the real property owned by the Company.
- 13.7 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legatees, legal representatives, successors, and assigns.
- 13.8 Gender and Headings. Throughout this Agreement, where such meanings would be appropriate:
- (a) The masculine gender shall be deemed to include the feminine and the neuter, and vice versa, and
 - (b) The singular shall be deemed to include the plural, and vice versa.

The headings herein are inserted only as a matter of convenience and reference, and in no way define or describe the scope of the Agreement or the intent of any provisions thereof.

Article 14 ARBITRATION

Any dispute arising out of, relating to this Agreement, a breach hereof, or the operation of the business of the Company, shall be settled by arbitration in Washington, in accordance with the rules of the American Arbitration Association then existing, *provided, however*, that the discovery as provided for under the Washington Rules of Civil Procedure shall be available to all parties to the arbitration. This Agreement to arbitrate shall be specifically enforceable. The arbitration award shall be final, and judgment may be entered upon it in any court having jurisdiction over the subject matter of the dispute.

Article 14.

Article 15 DEADLOCK PROCEDURE

- 15.1 Procedure. When an issue and/or dispute arises by and between the Members and the Members are unable, by majority vote, to decide upon a resolution of the dispute, the Members shall declare the Company management deadlocked and the deadlocked issued shall be submitted to an Arbitrator within twenty (20) calendar days that the deadlock occurs.

- 15.2 Selection of Arbitrator. The Arbitrator named herein shall be selected for the purpose of adjusting disputes or grievances of the Members which are properly submitted to it. Unless otherwise agreed upon by all of the Members, one (1) Arbitrator shall, at the first meeting of the Members, be selected by the majority vote of the Members and shall serve for a period of two (2) years from the date of selection. Upon expiration of such term, the Members shall either vote to renew the term of said Arbitrator or shall vote to elect a new Arbitrator. Should the Members not vote to renew or elect a new Member, the Arbitrator elected by the Members shall continue to act as Arbitrator until such time as a new Arbitrator is elected.

The Arbitrator so elected by the majority of the Members is: To be determined.

- 15.3 Authority of Arbitrator. The Arbitrator shall hear and determine the dispute or controversy as promptly as possible. The decision of the Arbitrator shall be final, binding and conclusive to the Members of the Company. Such decision shall be within the scope and terms of Operating Agreement, but shall not change any of its terms and conditions. All Arbitrator hearings will be held at a place determined by the Arbitrator.

The Arbitrator shall:

- A. Have no power to add to, or subtract from, or modify any of the terms of Operating Agreement, but shall be permitted to decide issues arising from the operation of the Company and/or pertain to the application of said Operating Agreement or the operation of the business of the Company.
- B. Have the final decision on the deadlocked issue, and said decision shall be binding on the Members and the award of the Arbitrator shall be enforceable as the agreement of the Members, at law or in equity, in any state or federal court having jurisdiction thereon.
- C. Have the sole and exclusive power and jurisdiction to determine whether or not a particular issue, dispute or complaint is arbitral under the terms of Operating Agreement.
- 15.4 Costs. Each of Members shall assume the compensation, traveling expense, and other expenses of its Arbitrator and witnesses called or summoned by it. Should any Member independently request that a "court reporter" be present at the hearing, the costs of the "court report" shall be borne by the requesting party, unless both parties request a "court report," then the costs shall be equally split between the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

XYZ Capital Management, LLC

by: _____ S/
Paul J. Jones, Authorized Member

MEMBERS' SIGNATURES:

_____/S/_____ (signature)
Robert Smith

EXHIBIT "A"

The Class A Member Interest Units are owned as of September 1, 2007.

<u>Class A Unit-holders:</u>	<u>Number of Class A Units</u>	<u>Ownership %</u>
Paul J. Jones	70,000	70.00%
Reserved for Class B Conversion	20,000	20.00%
Reserved for ESOP	10,000	10.00%
Total Authorized	100,000	100.00%

**Amendment to XYZ Capital
Operating Agreement
7/30/07**

The majority of Class A Voting Members hereby adopt the following provision:

The adoption of all the provisions contained in the Private Placement Memorandum dated September 1, 2007. If any conflict exists between the company's Operating Agreement and the Private Placement Memorandum dated September 1, 2007, the Private Placement Memorandum dated September 1, 2007 shall dominate and control.

EXHIBIT D: CURRENT FINANCIAL STATEMENTS