**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**COEUS**

OFFERING OF

UNITS OF PROFIT PARTICIPATION RIGHTS

OFFERING PRICE: $1.00 PER UNIT

***CHOOSE THE REGULATION YOU INTEND TO FOLLOW:***

***\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\****

**This Offering is Being Made Pursuant to SEC Rule 506(b):**

The Company will offer the Units of Profit Participation Rights only to persons with whom a Member of the Company has a significant prior personal or business relationship. This Memorandum is intended to be used only by the person to whom the Company delivered it: do not give this Memorandum to any person other than your attorney, accountant or other professional advisor. The Company will accept a subscription only from a person whom Company Management believes has sufficient knowledge and experience in financial and business matters that the person is capable of evaluating the merits and risks of an investment in the Company.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**This Offering is Being Made Pursuant to SEC Rule 506(c):**

The Company will accept a subscription for the Units of Profit Participation Rights only from a person who, by providing documentary evidence, has demonstrated to the Company that the person is an "accredited investor", as that term is defined in the Rules of the Securities and Exchange Commission. See section titled "Investor Suitability Standards" in this Memorandum for further explanation.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**This Offering is Being Made Pursuant to SEC Regulation S:**

The Company will accept a subscription for the Units of Profit Participation Rights only from a person who represents in writing that the person (a) is not a resident of the United States (including any territory of the United States), (b) that the person is not acquiring the Units for the benefit of any U.S. resident, and (c) that at the time the person learned of this Offering and at the time the person subscribed to purchase the Units, the person was physically located outside of the United States.

The securities offered hereby have not been registered with or approved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any regulatory authority of any state passed upon the accuracy or adequacy of this memorandum. Any representation to the contrary is unlawful.

THE UNITS OF PROFIT PARTICIPATION RIGHTS (THE "UNITS") OFFERING BY [NAME] LLC, A DELAWARE LIMITED LIABILITY COMPANY (THE "COMPANY") ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. YOU SHOULD NOT INVEST IN THE UNITS OF PROFIT PARTICIPATION RIGHTS IF YOU ARE NOT IN A POSITION TO LOSE THE ENTIRE AMOUNT OF THAT INVESTMENT. SEE: "RISK FACTORS."

The date of this Memorandum is 2012-01-01

**Introduction to the Company**

[NAME] LLC (the "Company") was recently organized as a Delaware limited liability company. It is managed by [MM NAME] (the "Managing Member"). It has carried on no business prior to this date. The Company is making this offering in order to fund the implementation of its business plan.

The Managing Member intends to use the funds invested in the Company to purchase a parcel of real property including an unoccupied house (the "Property") and to perform repairs to the Property and generally upgrade the quality of the Property. If ownership of the Property yields net cash flow to the Company, the Company will pay the Holders of Units of Profit Participation Rights all of the net cash flow until they have received a return on their investment of 20% per annum.

When the Managing Member decides that a sale of the Property will be in the best interests of the Company, the Managing Member will put the Property on the market for resale. Upon the sale of the Property, the Company will pay its liabilities. Any cash remaining will be distributed to the Holders of the Units of Profit Participation Rights purchased in this Offering until the funds are exhausted or the Holders have received an amount equal to [PAYOUT] of their investments ("Payout"). Funds remaining after Payout will be shared between the Company and the Holders of the Units as follows: [C-SPLIT] to the Company and [H-SPLIT] to the Holders of the Units, with the funds allocated to the Unit Holders to be allocated in proportion to the number of Units held by each.

**Introduction to the Offering**

The offering is commencing on or about the date of this Memorandum and will terminate on [TERMINATION DATE], but the termination date may be delayed at the option of the Managing Member until [EXTENSION DATE].

No subscriptions will be accepted unless the total amount subscribed in this Offering is at least [MINIMUM OFFERING] (the "Minimum Offering"). If the Minimum Offering is not sold on or before the termination date of the Offering, then all funds paid by subscribers to this offering will be refunded without interest. If the Minimum Offering is sold, then we will hold a closing at which the subscription funds will be deposited into the Company's bank account, and a Notice of Book Entry will be promptly send to each person whose subscription to the Offering is accepted. We may withdraw, cancel or modify this Offering without advance notice to offerees.

We reserve the right to reject any subscription in whole or in part or to allot any prospective investor fewer than the number of Units of Profit Participation Rights subscribed for by such an investor. We will sell Units of Profit Participation Rights only to a limited number of investors meeting the investor suitability standards that we describe under “Investor Suitability Standards.”

These securities will be sold subject to the provisions of a subscription agreement containing certain representations, warranties, terms and conditions. You should invest in these securities only after you have completely and thoroughly reviewed the provisions of the subscription agreement.

**Some Important Notices**

***Foreign Investors***

It is the responsibility of each person purchasing Units offered hereby to fully observe the laws of any relevant territory or jurisdiction outside the United States of America in connection with any such purchase, including obtaining any required governmental or other consents or observing any other required legal or other formalities.

***Privacy Policy***

The Company and the Managing Member will obtain non-public personal information about individual Unit-Holders in connection with such Holders' investments in the Company. Such information includes, for example, address, telephone number, e-mail address, social security number, “accredited investor” status and information pertaining to investments. Neither the Company nor the Managing Member will disclose non-public personal information about individual investors or former individual investors to any other person or entity except Company personnel third party service providers who need to know such information in order to provide services to investors, to carry out the Company’s operations, or as otherwise required by law (including, without limitation, by applicable anti-money laundering regulations). Additionally, the Company and the Managing Member each maintain physical, electronic and procedural safeguards designed to protect investor records and information from unauthorized access or use.

The foregoing privacy policy shall not prevent the Company or the Managing Member from disclosing to appropriate third parties such information as the Managing Member may deem necessary or advisable in order to comply with applicable anti-money laundering and other applicable United States laws and regulations.

***Inquiries***

This Memorandum does not purport to be all-inclusive or contain all information that you may desire in investigating us and purchasing the Units of Profit Participation Rights. You may make inquiries and obtain certain additional information by contacting the Managing Member. See Section titled “Additional Information” herein. However, any additional information or representations given or made by us in connection with this Offering, whether oral or written, are qualified in their entirety by the information in this Memorandum, including the risk factors.

Any questions or other inquiries concerning this Memorandum and this Offering should be directed to the Managing Member:

[MM NAME]

[ADDRESS]

[PHONE]

[EMAIL]

**Table of Contents**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Page | | |
| SUMMARY OF THE OFFERING | |  |
| THE COMPANY'S BUSINESS PLAN | |  |
| THE PROFIT PARTICIPATION RIGHTS | |  |
| MANAGEMENT | |  |
| RISK FACTORS | |  |
| CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS | |  |
| INVESTOR SUITABILITY STANDARDS | |  |
| SUBSCRIPTION PROCEDURES | |  |
| ADDITIONAL INFORMATION | |  |

# 

**SUMMARY OF THE OFFERING**

**The Issuer** [NAME] LLC, a Delaware limited liability company (the “Company”) was recently organized. The Company has no significant assets or liabilities, and has conducted no business to date.

**Issuer's Address** [ADDRESS]

**Managing Member** The Managing Member, who is responsible for the planning and operations of the Company, is [MM NAME] (the "Managing Member"),

**Business Plan** The Company intends to purchase a parcel of real property including a house, to repair and upgrade the property, and then to sell the property and distribute the proceeds.

**Offering** The Company is offering for sale up to [MAXIMUM OFFERING] Units of Profit Participation Rights (the "Units") at US $1.00 per Unit - i.e. a total offering for gross proceeds of $[MAXIMUM OFFERING] (the "Offering"). Upon acceptance of a subscription for Units, the Company will record ownership of the Units by book entry into the Company's List of Unit-Holders and will send the investor a Notice of Book Entry acknowledging the investor's ownership of Units.

The Offering is being made directly by the management of the Company; no broker or placement agent will be engaged to assist in the offering.

**Minimum Offering** The Managing Member has determined that the Company's business plan cannot be successfully implemented unless at least $[MINIMUM OFFERING] is raised in this Offering (the "Minimum Offering"). Therefore, no subscriptions for Units will be accepted unless subscriptions for at least [MINIMUM OFFERING] Units are received. [PRIME/BANK]

**Closing** The Units of Profit Participation Rights will be offered until [TERMINATION DATE] (unless extended by the Managing Member to a date no later than [EXTENSION DATE], although the Managing Member may terminate the Offering at any earlier time. Upon termination of the Offering, if subscriptions for the Minimum Offering have been received, subscription funds will be transferred from escrow to the Company's bank account, the Company will countersign the accepted Subscription Agreements and return them to the investors, accompanied by a Notice of Book Entry attesting to the subscriber's investment in the Units.

**Use of Proceeds** The proceeds realized from this offering will be used to purchase the Property and for repairs and upgrades to the Property.

**Annual**

**Distributions** On January 31 in each year, the Company will distribute to the Holders of Units of Profit Participation Rights the entirety of its net cash flow for the preceding year until the Unit Holders have received total distributions equal to 20% per annum of the purchase price of the Units.

**Distribution**

**on Sale** Upon the sale of the Property, the Company will pay or reserve for all of its debts, and will then distribute its remaining cash to the Unit Holders until each has received an amount equal to [PAYOUT] of the purchase price of the Units. Any funds remaining will then be allocated between the Company and the Unit Holders as follows: [C-SPLIT] to the Company and [H-SPLIT] to the Holders of the Units, and the allocation to the Unit Holders will be distributed in proportion to the number of Units held by each.

**Distribution**

**on Refinance** If the Company refinances the mortgage loan on the Property and realizes net cash, the net cash will be distributed to the Unit Holders as a partial prepayment of the Company's obligation upon sale of the Property.

**Limited Transfer**

**of Units** The Units of Profit Participation Rights have not been registered under the Securities Act or registered or qualified under any state securities laws, and are being offered and sold pursuant to exemptions under those laws. To qualify for these exemptions you must represent in the Subscription Agreement that you are purchasing the Units for investment purposes only and not with a view to resale or distribution, and that you are prepared to bear the economic risk of your investment in the Units for an indefinite period.

**Risk Factors** The purchase of the Units of Profit Participation Rights is speculative and involves a high degree of risk. Investors who cannot afford the loss of their entire investment should not purchase Units. (See “Risk Factors”).

**Tax Aspects** Potential investors in this Offering should review the section of this Memorandum titled "Certain U.S. Federal Income Tax Considerations", which contains a summary of the effect on an investor's federal tax liability that may arise from ownership of a Unit of Profit Participation Rights. However, the specific effect of such ownership on a specific investor's tax liability will depend in large part on the investor's personal financial circumstances. Therefore, you should consult your own tax advisors as to the tax treatment that may result from the ownership or disposition of the Units, including the application of the Internal Revenue Code of 1986, as amended, as well as applicable state, local or foreign tax laws. The Certain U.S. Federal Income Tax Considerations section is included solely for informational purposes and should not be relied on or taken as tax advice for any particular investor. In addition, any investor who is subject to taxation by a non-U.S. jurisdiction should consult with appropriate advisors regarding the effect of ownership of Units on that investor's foreign tax liability.

# THE COMPANY'S BUSINESS PLAN

# The Company intends to purchase a parcel of real property including a house (the "Property"). The Managing Member will investigate homes for sale within the geographic area identified below, and will search for a property that has fallen into disrepair or is otherwise distressed, and so is selling at a price substantially lower than its market potential.

***Location***

**IN THIS SPACE EITHER:**

**WRITE THREE OR MORE PARAGRAPHS IN WIHCH YOU IDENTIFY THE GEOGRAPHIC AREA IN WHICH THE COMPANY WILL PURCHASE ITS PROPERTY. DISCUSS THE REASONS FOR CHOOSING THAT AREA. DISCUSS THE ECONOMIC, POLITICAL AND DEMOGRAPHIC SITUATION IN THE AREA, AND EXPLAIN HOW EACH MAY AFFECT THE FUTURE VALUE OF HOMES IN THE AREA.**

**OR ANSWER THE FOLLOWING QUESTIONS:**

The Property will be located in one of the following neighborhoods:

The types of housing in these neighborhoods are:

The range of prices and the average price of single family homes in these neighborhoods are:

In addition to housing, these neighborhoods have the following commercial and business locations:

Discuss the primary occupations and employers of residents of these neighborhoods:

How has the quality of life in these neighborhoods changed in the past 20 years?

Do you expect the neighborhoods to improve during the next five years? If so, why? If not, why not?

Do you expect the income of residents of these neighborhoods to increase during the next five years? If so, why? If not, why not?

Has the property tax rate increased in these neighborhoods in the past five years?

Do you believe the property tax rate will increase in the next five years? Why or why not?

Do you expect any other important changes to occur in the neighborhoods during the next five years?

In your decision to purchase a Property in one of these neighborhoods, which facts about the neighborhoods were important to you?

Which of the facts that you provided above is likely to have an effect on the value of homes in the neighborhoods? Explain how each fact or group of facts will cause a change in home values in the neighborhoods?

***Choosing the Property***

**IN THIS SPACE, EITHER:**

**WRITE THREE OR MORE PARAGRAPSH IN WHICH YOU DISCUSS THE FACTORS YOU WILL FOCUS ON IN CHOOSING A PROPERTY - FOR EXAMPLE, SINGLE FAMILY OR MULTI-FAMILY, SPECIFIC LOCATION AND NEARBY AMENITIES, QUALITY OF THE NEIGHBORHOOD, SIZE OF THE PROPERTY, SIZE OF THE HOUSE, DEGREE AND NATURE OF REPAIR REQUIRED, QUALITY OF INFRASTRUCTURE (ELECTRICITY, PLUMBING, HVAC). EXPLAIN THE IMPORTANCE OF EACH FACTOR YOU WILL FOCUS ON.**

**OR ANSWER THE FOLLOWING QUESTIONS:**

Will the Property be single family or multi-family? If multi-family, how large will you consider?

Will you consider a Property that is currently leased? If so, will you terminate the lease before upgrading the Property?

Will the location of shopping and other commercial amenities be important to your decision?

Will the location of schools be important to your decision?

Will the amount of land in the Property be important to your decision?

What is the largest and the smallest house that you would consider purchasing? Why?

How much are you budgeting for repairs?

Describe the kind of repairs that you would be willing to make when you purchase the Property.

Describe the kind of repairs that you would not be willing to make when you purchase the Property.

Describe any requirements you will have regarding infrastructure (types of HVAC, electricity, plumbing, etc.)

What other factors will you consider in deciding which property to purchase?

Will you employ an engineer to review the Property?

***Financing***

When the Company has contracted to purchase the Property, the Company will fund payment of the purchase price (including closing costs such as attorney fees, title insurance, lien searches, etc.) from up to four sources:

* the proceeds of this Offering (less the amount of proceeds that the Managing Member determines must be retained for working capital - i.e. the projected cost of upgrades to the Property);
* a mortgage loan from a bank or other lending institution;
* other investors in the Company, provided that:
* the Company will not accept investment in the Company on terms that are likely to reduce the rate of return realized by the Unit Holders; and
* any debt incurred by the Company, other than the mortgage loan, will be subordinated to the rights of the Unit Holders.
* capital contributions (not loans) by the Members of the Company.

Because the Company will own only one property, a larger investment in that property (if justified by the economic value of the property) will cause the Company to operate more efficiently, as labor and administrative costs of operating the Company are likely to be more easily offset by profits from the Property. For this reason, the Managing Member will endeavor to obtain financial resources from a number of the sources identified above.

**IN THIS SPACE, EITHER:**

**WRITE ONE OR TWO PARAGRAPHS IN WHICH YOU DISCUSS THE AMOUNT AND TERMS OF ANY FUNDING THAT YOU HAVE RECEIVED OR THAT ANYONE HAS COMMITTED TO PROVIDE TO THE COMPANY.**

**OR ANSWER THE FOLLOWING QUESTIONS:**

Has your Company received any funding?

Has anyone promised to provide any funding to the Company?

If either question is answered "yes", then state:

* who is providing the funding?
* what is the Company's relation to that person?
* how much funding is being provided?
* when do you have to repay the funding?
* how much will you have to repay (including interest)?
* what are the other terms of your agreement with the funding source?

***Upgrades***

Promptly after acquiring the Property, the Company will initiate a program of repair and upgrade in order to return the Property to its maximum market potential price. The Managing Member will study market trends in the targeted geographic region, to determine the improvements that are most popular and so most likely to increase the market value of the property. At the same time, attention must be paid to structural issues that can cancel a prospective sale when revealed by the buyer's engineer's report.

**IF THERE ARE SPECIFIC TYPES OF UPGRADES THAT YOU CONSIDER IMPORTANT OR INTERESTING AND ARE LIKELY TO MAKE TO THE PROPERTY, ANSWER THE FOLLOWING QUESTIONS:**

How much are you budgeting for improvements and upgrades?

What kinds of improvements and upgrades do you expect to make?

Why have you chosen those specific improvements and upgrades?

How much do you expect each upgrade to cost? (What information are you relying on to make that estimate?)

How much do you expect the upgrade to increase the value of the Property? Why?

# When the Managing Member determines that the Property is ready for resale (or when the Company has insufficient working capital to fund additional improvements), the Company will engage a realtor and offer the Property for resale. Upon the sale of the Property, the Company will pay its debts, then distribute its remaining assets. (See next section, "Profit Participation Rights", for a discussion of the distribution.)

# \* \* \* \* \*

# THE PROFIT PARTICIPATION RIGHTS

# Investors in this Offering will purchase Units of Profit Participation Rights. Investors will not become shareholders or members of the Company. Instead, investors will own a right to receive payments from the Company from time to time. The three kinds of payments will be:

# Share of Cash Flow. On the 31st day of January in each year after the Offering is completed (the "Distribution Dates") and on the date of closing of the sale of the Company's Property (the "Liquidation Date"), the Company will distribute some or all of its Annual Cash Flow for the preceding year (or current year, in the case of the Liquidation Date) to the Holders of Profit Participation Rights. "Annual Cash Flow" is defined, for this purpose, as:

# The total cash receipts by the Company during the year (excluding funds invested by the Holders of Profit Participation Rights and any capital contributions by the Members of the Company), plus any other funds (including amounts designated as reserves by the Managing Member, where and to the extent the Managing Member no longer regards such reserves as reasonably necessary to the efficient conduct of the Company’s business) less (a) any operating expenses of the Company but excluding any expense not involving a cash expenditure, such as amounts charged for depreciation; (b) all payments of principal and interest on account of any loans secured by property of the Company or any other obligations or loans of the Company; (c) proceeds of sale or refinancing of property distributable as described below; and (d) reserves for working capital and anticipated expenditures in such amounts as may be determined from time to time by the Managing Member. Annual Cash Flow shall be determined separately for each fiscal year of the Company, which shall be the calendar year.

The Company will distributed the Annual Cash Flow to the Holders of Profit Participation Rights in proportion to the number of Units held by each Holder. On each Distribution Date the Company will distribute Annual Cash Flow realized in the preceding year, and on the Liquidation Date the Company will distribute Annual Cash Flow realized in the current year. The amount distributed to all Holders will equal the lesser of (a) the total Annual Cash Flow for the relevant year or (b) the Prescribed Return on Investment. The "Prescribed Return on Investment" shall be, as to each Holder, a cumulative but non-compounded return to the Holder equal to 20% per annum of the amount paid by the Holder for the Units of Profit Participation Rights.

Example. *This example assumes that the Prescribed Return on Investment is eight percent (8%) per annum. The Prescribed Return for [NAME] LLC is actually 20%, so cash distributed will be greater/lesser than shown in proportion to the difference between 20% and 8%.*

If on June 30, 2020 Holder A paid $10,000 for Units of Profit Participation Rights issued by Company X, which represented 5% of all of the Units sold by Company X, and in 2020 the Annual Cash Flow of Company X was $9,500, and in 2021 the Annual Cash Flow of Company X was $14,000, and in 2022 the Annual Cash Flow of Company X was $19,000, and in 2023 the Company sold its Property on September 30, 2023 after realizing $23,000 of Annual Cash Flow during 2023, then Company X would be required to make the following payments to Holder A:

* On January 31, 2021, $400, representing the 4% (because 2020 was only a half year) Prescribed Return on Investment for 2020;
* On January 31, 2022, $700, representing Holder A's 5% share of the entire Annual Cash Flow for 2021;
* On January 31, 2023, $900, representing the 8% Prescribed Return on Investment for 2022 plus the $100 unpaid portion of the Prescribed Return on Investment for 2021; and
* On September 30, 2023, $600, representing the 6% (because there were only 9 months before the Liquidation) Prescribed Return on Investment for 2023.

**Share of Refinancing Proceeds.** The Company expects to secure a mortgage loan to assist in its payment of the purchase price for the Property. In the event that:

* the Company refinances the mortgage loan by securing a replacement mortgage loan or a second mortgage loan; and
* receives cash in excess of the amount paid to reduce the balance of the initial mortgage loan; and
* the Managing Member determines that some or all of the excess cash is not needed for the operations of the Company;

then the cash deemed not needed for the operations of the Company will be distributed to the Holders of Profit Participation Rights as a partial pre-payment of the Company's distribution obligation upon sale of the Property, as described in the following paragraph.

**Share of Sales Proceeds.** Upon closing of the sale of the Property, the Company will pay or reserve for all accrued expenses of the Company and will distribute to each Holder of Profit Participation Rights:

* an amount equal to [PAYOUT] of the amount paid by the Holder for the Units of Profit Participation Rights (allocated among the Holders in proportion to the number of Units held by each, if the net proceeds of the sale are less than the aggregate amount invested by all Holders); plus
* [H-SPLIT] of the net proceeds from the sale of the Property (allocated in proportion to Units held).

***Books and Records***

The Managing Member will maintain books and records appropriate for an entity carrying on business similar to the Company's. The Managing Member will make the books and records available for review by Unit Holders during ordinary business hours upon reasonable prior request.

In connection with any of the distributions due to the Unit Holders, the Managing Member will prepare a statement of accounting adequate in detail to demonstrate the calculation by which the amount of the distribution was measured, and the uses of cash which are the inputs for making the calculation. The Managing Member will deliver the accounting to the Unit Holders when the distribution is made. The Managing Member will also provide the Unit Holders an accounting on any Distribution Date, even if no distribution is made.

\* \* \* \* \*

# MANAGEMENT

[NAME] is a limited liability company that was established under Delaware law by the Managing Member shortly before this offering began. The Company's operations are governed by the Delaware Limited Liability Company Act (the "Delaware Act"). The Delaware Act provides that the equity in a Delaware limited liability company will be owned by its members. Ownership of the equity gives the members the right to share in the profits and losses of the limited liability company, and the right to share in the assets (after payment of the liabilities) of the Company when it liquidates.

The Members of [NAME] are:

***COMPLETE THE FOLLOWING TABLE (ELIMINATE LINES THAT ARE NOT NEEDED):***

|  |  |  |
| --- | --- | --- |
| Member |  | Ownership Percentage |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  | 100% |

The Delaware Act provides that all of the decisions made regarding the operations of a limited liability company are made by its Manager. In the case of [NAME], the Manager is [MM NAME], who is also a Member, and so is referred to in this Memorandum as the Managing Member. The Managing Member will have complete control over the Company's operations and will make all of the decisions with respect to the acquisition and management of the Property, and its ultimate sale. The success or failure of the Company, which will determine whether investors in this offering make a profit or lose money, will depend in large part on the skill of the Managing Member in guiding the operations of the Company.

NOTE: Investors in this Offering must look solely to the Company for return of their investment and any profit on their investment. Neither the Managing Member nor any other Member of the Company will have any financial responsibility to the owners of the Profit Participation Rights.

***Compensation of Managing Member***

The Company will reimburse the Managing Member for all costs and expenses that the Managing Member pays or incurs on behalf of the Company. The Company will pay no compensation to the Managing Member. The Managing Member will, however, participate with all other Members of the Company in the net profits of the Company, but only after payment to the Holders of Profit Participation Rights of the amounts to which they are entitled.

***Business Experience of the Managing Member***

The following information concerning the Managing Member is provided so that a potential investor can evaluate the Managing Member's business experience and assess whether the Managing Member is likely to be successful in managing the Company.

***COMPLETE THE FOLLOWING TABLE:***

|  |  |  |
| --- | --- | --- |
| **Name:** |  | [MM NAME] |
| **Age:** |  |  |
| **Residence: CITY/TOWN & STATE** |  |  |
| **Current Employment: INSERT NAME AND LOCATION OF BUSINESS; JOB TITLE; RESPONSIBILITIES (IF NOT OBVIOUS FROM JOB TITLE); MONTH AND YEAR FIRST HIRED** |  |  |
| **Prior Employment: AT LEAST FIVE YEARS. SAME INFORMATION AS FOR CURRENT.** |  |  |
| **Other Experience in Real Estate:** |  |  |

**IF ANY OF THE FOLLOWING EVENTS OCCURRED DURING THE PAST TEN YEARS, IN THE SPACE BELOW STATE THE EVENT THAT HAPPENED AND PROVIDE ENOUGH DETAILS ABOUT IT THAT AN INVESTOR CAN DECIDE HOW IT AFFECTS THE INVESTOR'S EVALUATION OF YOUR ABILITIES OR INTEGRITY. THEN ERASE THE LIST OF POSSIBLE EVENTS.**

(1) A petition under the federal bankruptcy laws or any state insolvency law has been filed by or against, or a receiver, fiscal agent or similar officer has been appointed by a court for the business or property of (i) you, (ii) any partnership in which you were a general partner at or within two years before the time of such filing, or (iii) any corporation or business association of which you were an executive officer at or within two years before the time of such filing;

(2) You have been convicted in a criminal proceeding (excluding traffic violations and other minor offenses), or you are the subject of any criminal proceeding which is presently pending;

(3) You have been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court, permanently or temporarily enjoining you from or otherwise limiting you from carrying on the following activities:

(i) Acting as a futures commission merchant, introducing broker, commodities trading advisor, community pool operator, floor broker, leverage transaction merchant, any other person or activity regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) Engaging in any type of business practice; or

(iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

(4) You have been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days your right to engage in any activity described under subsection (3) above or to be associated with persons engaged in any such activity.

(5) You have been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law except where the judgment in such civil action or the finding by the Commission has been subsequently reversed, suspended or vacated; or you are subject to any current investigation by the Securities and Exchange Commission.

(6) You have been found by a court in a civil action or by the Commodities Futures Trading Commission to have violated any federal commodities law, except in a judgment in such civil action or finding by the Commodities Futures Trading Commission which has been subsequently reversed, suspended or vacated; or you are subject to any current investigation regarding any alleged violation of any federal commodities law.

(7) You have been the subject of, or party to, any federal or state judicial or administrative order, judgment, decree or finding, not subsequently reversed or vacated, relating to an alleged violation of (i) any federal or state securities or commodities law or regulation, (ii) any law or regulation respecting financial institutions or insurance companies, or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity.

(8) You have been the subject of, or party to, any sanction or order, not subsequently reversed or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity ( as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

**INSERT ANY NECESSARY DISCLOSURE ABOUT AN EVENT LISTED ABOVE.**

**IN THE SPACE BELOW, WRITE ANY OTHER FACTUAL INFORMATION THAT WOULD BE IMPORTANT FOR AN INVESTOR TO CONSIDER WHEN ASSESSING YOUR QUALIFICATIONS TO LEAD THE COMPANY.**

**RISK FACTORS**

**THE RISK FACTORS ARE HOW YOU PREVENT YOUR INVESTORS FROM EVER COMPLAINING THAT YOU "DIDN'T WARN THEM" THAT THINGS MIGHT NOT WORK OUT. GO AHEAD AND WARN THEM. RISK FACTORS DON'T SCARE AWAY INVESTORS; THEY MAKE INVESTORS RESPECT YOUR HONESTY.**

**A NUMBER OF SUGGESTIONS FOR RISK FACTORS ARE OFFERED BELOW. BUT YOU SHOULD ALSO WRITE YOUR OWN. THINK ABOUT HOW YOUR BUSINESS COULD FAIL. CONSIDER HOW THINGS COULD TURN BAD IN YOUR NEIGHBORHOOD, IN THE LOCAL ECONOMY, IN YOUR OWN DECISIONS ABOUT THE PROPERTY, IN YOUR CHOICE OF TENANTS, ANY OTHER RISKS THAT COME TO MIND, AND WRITE IT DOWN.**

THE PURCHASE OF THE UNITS OF PROFIT PARTICIPATION RIGHTS OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR PERSONS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT AND WHO HAVE THE FINANCIAL RESOURCES SUFFICIENT TO ASSUME SUCH RISK. In addition to the factors set forth elsewhere in this Memorandum, prospective purchasers of the Units should consider the following factors before making a decision to purchase the Units.

The following factors, as well as other variables, might affect the Company’s operating results. If any of the following risks occur, the business, financial condition or results of operations of the Company would likely suffer. In that case you may lose all or part of the money you paid to buy the Units of Profit Participation Rights.

**RISKS ATTENDANT TO THE NATURE OF THE OFFERING**

***The minimum amount of proceeds required to close this Offering may be inadequate to allow the Company to purchase a Property, make necessary improvements, and pay its expenses until the Property can be sold.***

**IN THIS SPACE EITHER:**

**WRITE A RISK FACTOR THAT EXPLAINS HOW YOU DETERMINED HOW MUCH THE MINIMUM OFFERING WOULD BE, AND DESCRIBES THE REASONS WHY YOUR DETERMINATION MAY BE WRONG.**

**OR ANSWER THE FOLLOWING QUESTIONS:**

How much do you plan to pay for the Property?

Explain how you decided this amount would be adequate. What information do you have about the cost of properties in the neighborhoods you are considering.

How much do you plan to pay for repairs and upgrades?

Explain how you decided this amount would be adequate. What information do you have about the cost of repairs and upgrades.

How much have you budgeted for working capital?

If you only raise the amount you have listed as the Minimum Offering, will this change your plans?

Are you certain that the Minimum Offering will be enough to allow you to complete your business plan?

***It is not likely that a market will develop for resale of the Units.***

In order to satisfy the requirements for exemption from registration under the Securities Act, each subscriber must acquire the Units or Profit Participation Rights for investment purposes only and not with a view towards transfer of the Units. Furthermore, because the Offering is very modest in size, it is very unlikely that a market will develop on which Unit Holders can resell their Units. Subscribers to the Units, therefore, must anticipate that they will hold their Units until the Property is sold, and that any gain they realize from their investment must come directly from the operations of the Company.

***If the Minimum Offering is not sold, subscribers will receive a refund without interest.***

The Offering will continue until the Managing Member decides that sufficient funds have been obtained, and so terminates the Offering, or until [TERMINATION DATE], the date on which the Offering will automatically terminate (unless the Managing Member extends the Offering to [EXTENSION DATE]. If the Offering terminates without the Minimum Offering of [MINIMUM OFFERING] Units having been sold, all funds deposited by subscribers will be refunded to them without interest. This means that the funds you deliver with your subscription may be held in escrow until [EXTENSION DATE] and then returned to you without any resulting benefit.

**RISKS ATTENDANT TO THE COMPANY'S BUSINESS PLAN**

*The Company is reliant on the business skills of the Managing Member, which may be inadequate.*

The Company's success will depend to a great extent on the decisions made by [MM NAME], the Managing Member of the Company. The Managing Member will have to demonstrate skill at a variety of tasks: choosing the Property, negotiating the purchase, supervising any upgrades, choosing tenants, and picking the right time to sell the property. The Managing Member's experience in business is described in the Section of this Memorandum titled "Management", but that will not tell you whether the Managing Member will make good decisions regarding the list of matters for which he is responsible - only the decisions will demonstrate the necessary skills. If the Managing Member is faulty in one or more areas of his responsibility, the Company's profits will be reduced or eliminated.

***Our evaluation of properties will involves a number of assumptions that may prove inaccurate, which could result in us paying too much for the Property we acquire.***

In determining whether a particular property meets our investment criteria, we will make a number of assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and the likelihood of tenant default. These assumptions may prove inaccurate. As a result, we may pay too much for the Property we acquire.

***Because the Company will invest in only one property, it will have no alternative source of profits in the event of adverse results from that property.***

The Company will invest all of its resources in a single property. Due to the lack of diversification in the Company’s investments, an adverse development in the operations of the Property will have a direct material impact on the Company’s financial condition and the Company’s ability to make distributions to the Unit Holders. Accordingly, the Company’s assets may be subject to more rapid change in value than would be the case if the Company were to maintain a wide diversification of investments.

*If the local economy weakens, the value of the Property is likely to be reduced.*

IN THIS SPACE EITHER:

WRITE A RISK FACTOR RELATING TO THE ECONOMY OF THE AREA WHERE YOU INTEND TO PURCHASE THE PROPERTY. DESCRIBE ANY SPECIFIC REASONS WHY THE ECONOMY MAY BECOME WEAKER, AND EXPLAIN HOW THAT COULD AFFECT THE PRICE OF HOUSING IN THE AREA.

OR ANSWER THE FOLLOWING QUESTIONS:

What are the three most important parts of the business economy in the area where you will purchase the Property?

For each of the three factors you listed, what is the biggest risk that the revenues it produces will fall, and people depending on those businesses will lose their jobs?

If any of the problems you described above happens, what effect will it have on the price of housing in your area?

**\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\***

**USE THESE THREE RISK FACTORS ONLY IF YOU INTEND TO LEASE THE PROPERTY**

***We will depend on our tenants for substantially all of our annual revenues. Poor tenant selection and defaults and nonrenewals by our tenants may adversely affect our financial performance and ability to make distributions to the Unit Holders.***

We will depend on rental income from tenants for substantially all of our annual revenues. As a result, our ability to make annual distributions will depend in large part upon our ability to attract and retain qualified tenants for the Property. Tenants may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use the Property for illegal purposes, damage or make unauthorized structural changes to the Property that are not covered by security deposits, refuse to leave the Property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, sublet to less desirable individuals in violation of our lease or permit unauthorized persons to live with them. Damage to the Property may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the Property resulting in a lower than expected rate of return. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord at that property and will incur costs in protecting our investment and re-leasing the property.

***Tenant relief laws, including laws regulating evictions, rent control laws and other regulations that limit our ability to increase rental rates may negatively impact our rental income and profitability.***

As landlord of the Property, we may become involved in evicting tenants who are not paying their rent or are otherwise in material violation of the terms of their lease. Eviction activities impose legal and managerial expenses that will raise our costs. The eviction process is typically subject to legal barriers, mandatory "cure" policies and other sources of expense and delay, each of which may delay our ability to gain possession and stabilize the Property. Additionally, state and local landlord-tenant laws may impose legal duties to assist tenants in relocating to new housing, or restrict the landlord's ability to recover certain costs or charge tenants for damage tenants cause to the landlord's premises. We will need to be familiar with and take all appropriate steps to comply with all applicable landlord tenant laws, and we may need to incur legal expenses to ensure such compliance. To the extent that we do not comply with state or local laws, we may be subjected to civil litigation filed by individuals or by state or local law enforcement. We may be required to pay our adversaries' litigation fees and expenses if judgment is entered against us in such litigation, or if we settle such litigation.

***We may be unable to promptly renew leases or relet the Property as leases expire.***

When our tenant decides to leave our apartments (or we remove them), we may not be able to promptly relet the Property.  Any number of situations can delay the releasing: the need for repairs, a downturn in the rental market in our neighborhood, our misperception of the appropriate rental amount, etc. If we are unable to promptly renew the lease or relet the Property, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then the cash flow from the Property will be adversely affected.

Occupancy levels and market rents may be adversely affected by national and local political, economic and market conditions: downturns in the national economy, downturns in the local economy, changes of taste in housing styles, availability of government housing subsidies, etc. Federal government policies that encourage home ownership, can increase competition, possibly limit our ability to raise rents, and so lower the value of our Property.  Consequently, our cash flow and ability to service debt and make distributions to Unit Holders could be reduced.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

***The Company would be adversely affected if hazard losses on the Company's property exceed the amount of the Company's insurance coverage or are not covered by insurance.***

Upon taking title to the Property, the Company will carry commercial general liability insurance and standard “all-risk” property insurance. However, the Company's insurance will be subject to normal limitations on the amounts of coverage and some types of losses may be uninsurable or may only be insurable at a cost that the Company believes outweighs the value of obtaining insurance. Should an uninsured loss or a loss in excess of the amount of the Company's insurance coverage occur, the Company could lose the capital invested in the Property, as well as the anticipated future revenue from the Property.

***If property tax rates increase in our area, the value of housing will be adversely affected.***

**IN THIS SPACE EITHER:**

**WRITE A RISK FACTOR THAT DESCRIBES THE REASONS WHY THE LOCAL GOVERNMENT IN YOUR AREA MAY INCREASE PROPERTY TAXES, AND EXPLAIN HOW THAT WOULD REDUCE THE PROFITABILITY OF THE BUSINESS.**

**OR ANSWER THE FOLLOWING QUESTIONS:**

For each neighborhood where you are considering purchasing the Property, when was the last increase in the property tax rate?

Has the local government proposed adopting an increase in the property tax rate?

State at least one reason (more, if you know them) why the local government is likely to increase the property tax rate in the next two years.

Explain how an increase in the property tax rate would affect the profitability of your Company.

***The Company's plan to improve the Property may be hindered by inadequate funding and will be subject to the risks that commonly attend to construction projects.***

The Company plans to utilize a portion of the proceeds of this offering to fund improvements to the Property that will enhance its marketability. In determining the amount of funds to be raised in this Offering, we estimated the amount we will devote to rehabilitation of the Property we purchase. If that estimate is not accurate, we may lack the funds needed to make our Property commercially viable.

Construction involving real property will entail risks which are beyond the control of the Company, such as the possibility of inadequate performance by contractors, increases in costs of materials, delays in obtaining requisite licenses, permits, and approvals from relevant authorities, shortages of material for construction, adverse weather and other factors that could cause improvement costs to exceed the Managing Member's estimates. Obtaining building permits is a time-consuming process, and it is virtually impossible to predict how long it will take to receive final building permits. These risks may increase the costs of construction and/or remodeling and may cause delays in completing construction will impair the Company's ability to lease or sell the Property.

***The Company may be adversely affected by increases in real estate operating costs.***

Residential investment properties are subject to increases in operating expenses such as maintenance, insurance and administrative costs, and other general costs associated with security, landscaping, repairs and maintenance. If operating expenses increase, competition in the local rental market may limit the extent to which rents may be increased to meet increased expenses, consequently reducing the ability of the Company to resell its property on a timely basis and at a profit.

***Litigation risks could affect our business.***

As the owner and manager of a rental property, we may incur liability based on various conditions at our Property and the buildings thereon, and we may become involved in legal proceedings, including landlord-tenant, tort or other litigation, which if decided adversely to or settled by us, and not adequately covered by insurance, could result in liability which would reduce our cash flow.

***The Company may not make a profit when it sells the Property, which would adversely impact the return on investment realized by the Unit Holders.***

The greatest uncertainty in projecting the benefits that investors in the Units of Profit Participation Rights will realize is the fact that we cannot predict the price at which the Property will ultimately be sold. If it sells for a substantial profit, then Unit Holders will receive a return of their investment and half of the profits on the sale. But if the Property sells for less than its purchase price, Unit Holders will lose money - the amount returned to them will be less than the amount they paid for the Units. The price that the Company can obtain when it determines to sell the Property will depend on many factors that are presently unknown, including the Property's operating performance, tax treatment of real estate investments at the time of the sale, demographic trends in the area, and available financing. So there is a risk that the Company will not recover all of its investment in the Property, meaning that Unit Holders will not recover all of their investment in the Units.

**\* \* \* \* \***

**CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion summarizes certain U.S. federal income tax consequences of the ownership and disposition of the Units of Profit Participation Rights. The discussion does not address all of the tax considerations associated with an investment in the Units, which depend upon each particular investor’s situation. In addition, the discussion does not generally address the state and local tax consequences of an investment in the Units. Except as specifically noted, the discussion is generally applicable to a Unit Holder who is taxable at the individual level. A potential investor that is taxed as a corporation should see its tax advisor regarding the tax consequences of an investment in the Company. The discussion assumes that Unit Holders hold their Units of Profit Participation Rights as capital assets.

The discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations, administrative rulings, court cases and other applicable law, all of which are subject to change, possibly with retroactive effect. Subsequent developments and changes in the tax laws of the United States, including changes in, or differing interpretations of, the foregoing authorities, which may be applied retroactively, could have a material effect on the tax consequences to the Unit Holders.

In this discussion, we use the term “U.S. holder” to refer to a Unit Holder who is:

|  |  |  |  |
| --- | --- | --- | --- |
|  | • |  | an individual citizen or resident of the United States; |
|  | • |  | a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; |
|  | • |  | an estate the income of which is subject to U.S. federal income taxation regardless of its source; or |
|  | • |  | a trust, if it (1) 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 (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person. |

We use the term “non-U.S. holder” to describe a beneficial owner of Units that is neither a U.S. holder nor a partnership or other entity that is treated as a partnership for U.S. federal income tax purposes.

**Taxation of U.S. Holders**

***Distributions of Annual Cash Flow***

Distributions of Annual Cash Flow by the Company to the Unit Holders will be generally will be taxable to a U.S. holder as ordinary interest income at the time such payments are accrued or received (in accordance with the holder’s regular method of tax accounting).

***Sale, Exchange, Liquidation or Other Taxable Disposition of the Units***

A U.S. holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, liquidation by us or other taxable disposition of a Unit and the U.S. holder’s adjusted tax basis in such Unit. A U.S. holder’s adjusted tax basis in the Unit generally will be the initial purchase price for such Unit. Any gain or loss recognized on a sale, exchange, liquidation by us or other taxable disposition of the Unit will be capital gain or loss. If, at the time of the sale, exchange, liquidation by us or other taxable disposition of the Unit, a U.S. holder is treated as holding the Unit for more than one year, such capital gain or loss will be a long-term capital gain or loss. Otherwise, such capital gain or loss will be a short-term capital gain or loss. In the case of certain non-corporate U.S. holders (including individuals), long-term capital gains are generally eligible for reduced rates of U.S. federal income taxation. A U.S. holder’s ability to deduct capital losses may be limited.

***Information Reporting and Backup Withholding***

Information reporting requirements generally will apply to interest on the Units and the proceeds of a sale, exchange, liquidation by us or other taxable disposition of a Unit paid to a U.S. holder unless the U.S. holder is an exempt recipient (such as a corporation). Backup withholding will apply to those payments if the U.S. holder fails to provide its correct taxpayer identification number, or certification of exempt status, or if the U.S. holder is notified by the IRS that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

\*\*\*

**Taxation of Non-U.S. Holders**

***Tax Treaty Benefits***

If a Unit Holder who is a Non-U.S. Holder qualifies for benefits under an applicable double tax treaty between its country of residence and the U.S., certain U.S. taxation may be reduced or eliminated. Unit Holders must complete and submit accurate withholding documentation to the Company to receive reduced rates (i.e. Form W-8 BEN). While Unit Holders may rely on an applicable treaty to reduce U.S. federal tax, such treaty may not reduce or eliminate applicable state and local taxation. Prospective Unit Holders should discuss treaty benefits and eligibility with their tax advisors prior to investment.

***Distributions***

Subject to the discussion of backup withholding and FATCA below, U.S. federal withholding tax will not be applied to any distributions of Annual Cash Flow by the Company to a non-U.S. holder *provided* that:

|  |  |  |  |
| --- | --- | --- | --- |
|  | • |  | the non-U.S. holder's ownership of the Unit is not effectively connected with the non-U.S. holder’s conduct of a trade or business in the United States; and |

|  |  |  |  |
| --- | --- | --- | --- |
|  | • |  | either (1) the non-U.S. holder provides its name and address, and certifies, under penalties of perjury, that it is not a U.S. person (which certification may be made on the applicable IRS Form W-8) or (2) the non-U.S. holder holds the Units through certain foreign intermediaries or certain foreign partnerships, and the non-U.S. holder and the foreign intermediary or foreign partnership satisfy the certification requirements of applicable U.S. Treasury regulations. |

If a non-U.S. holder cannot satisfy the requirements described above, distributions of Annual Cash Flow made to the Unit Holder will be subject to the 30% U.S. federal withholding tax, unless the non-U.S. holder provides the applicable withholding agent with a properly executed IRS Form W-8-BEN or W-8BEN-E, as applicable, claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty.

***Sale, Exchange, Liquidation or Other Taxable Disposition of the Units***

Subject to the discussion of backup withholding and FATCA below, gain recognized by a non-U.S. holder on the sale, exchange, liquidation by us or other taxable disposition of a Unit will not be subject to U.S. federal income tax unless:

|  |  |  |  |
| --- | --- | --- | --- |
|  | • |  | that gain is effectively connected with a non-U.S. holder’s conduct of a trade or business in the United States (and, if required by an applicable income treaty, is attributable to a U.S. permanent establishment); or |
|  | • |  | the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met. |

If a non-U.S. holder is an individual or foreign corporation described in the first bullet point above, it will be subject to tax on the net gain derived from the sale, exchange, liquidation by us or other taxable disposition under regular graduated U.S. federal income tax rates and in the same manner as if the non-U.S. holder were a U.S. holder.

If a non-U.S. holder is an individual described in the second bullet point above, such non-U.S. holder will be subject to a flat 30% (or lesser rate as may be specified under an applicable income tax treaty) tax on the gain derived from the sale, exchange, liquidation by us or other taxable disposition, which may be offset by U.S. source capital losses, even though such non-U.S. holder is not considered a resident of the United States.

***Information Reporting and Backup Withholding***

Generally, the amount of interest paid to non-U.S. holders and the amount of tax, if any, withheld with respect to those payments must be reported annually to the IRS and to non-U.S. holders. Copies of the information returns reporting such interest and withholding may also be made available to the tax authorities in the country in which a non-U.S. holder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. holder will not be subject to backup withholding with respect to payments of interest that we make, provided a properly executed IRS Form W-8-BEN or W-8BEN-E, as applicable, has been provided. In addition, a non-U.S. holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale, exchange, liquidation by us or other taxable disposition of a Unit within the United States or conducted through certain U.S.-related financial intermediaries, unless the statement described above has been received. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

**Foreign Account Tax Compliance Act (FATCA)**

A 30% U.S. federal withholding tax may apply to distributions paid to (i) a “foreign financial institution” (as specifically defined in the Code), whether such foreign financial institution is the beneficial owner or an intermediary, unless such foreign financial institution agrees to verify, report and disclose its “United States account” holders (as specifically defined in the Code) and meets certain other specified requirements or (ii) a “non-financial foreign entity” (as specifically defined in the Code), whether such non-financial foreign entity is the beneficial owner or an intermediary, unless such non-financial foreign entity provides a certification that the beneficial owner of the payment does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and certain other specified requirements are met. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Further, foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. If a distribution is subject both to withholding under FATCA and to the U.S. federal withholding tax discussed above, the U.S. federal withholding under FATCA may be credited against, and therefore reduce, such other U.S. federal withholding tax. Holders should consult their tax advisors regarding these rules and whether they may be relevant to their ownership and disposition of Units.

\*\*\*

THE FOREGOING DISCUSSION SHOULD NOT BE CONSIDERED TO DESCRIBE FULLY THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY. EACH PROSPECTIVE INVESTOR IS THEREFORE URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE COMPANY.

**INVESTOR SUITABILITY STANDARDS**

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**USE THE FOLLOWIING TEXT IF YOUR OFFERING IS BEING MADE TO BOTH ACCREDITED AND NON-ACCREDITED INVESTORS, PURSUANT TO SEC RULE 506(b):**

An investment in the Company involves a substantial degree of risk. No public market for the Units of Profit Participation Rights exists. Further, transfer of the Units is restricted by applicable federal and state securities laws. The suitability standards described below represent minimum suitability requirements. Even if you satisfy these standards, the Units of Profit Participation Rights may not be a suitable investment for you.

We will sell the Units offered hereby only to persons who qualify as sophisticated investors. Each potential investor will be required to complete and sign a Subscription Agreement, in which the investor will represent in writing to the Company, among other things, that s/he: (a) is acquiring the securities offered hereby for investment purposes only and not with a view to resale or distribution; (b) has sufficient liquid assets that payment of the full purchase price of the securities offered hereby will not render the investor unreasonably at financial risk; (c) is prepared and able to bear the economic risks of the investment for an indefinite period of time and has no need for liquidity of the investment in the securities offered hereby; (d) is aware that the transfer of the securities offered hereby is restricted by the Securities Act, applicable state securities laws and the absence of a market for the securities offered hereby; (e) has such knowledge and experience in business and financial matters that the investor is capable of evaluating the merits and risks of this investment; and (f) is able to bear the economic risk of a complete loss of his investment in the securities offered hereby.

We will sell the Units to no more than 35 persons who are not Accredited Investors, as that term is defined in Rule 501 promulgated by the Securities and Exchange Commission, but we may also sell the Units to persons who are Accredited Investors. Therefore, the Subscription Agreement will require you to state whether you are an Accredited Investor. The term “Accredited Investor” means any natural person who falls within one of the following categories, or whom the Managing Member reasonably believes falls within either one of the following categories at the time of the sale of the Units to that person:

1. Any person whose individual net worth, or joint net worth with that person’s spouse, at the time of the purchase exceeds One Million U.S. Dollars ($1,000,000). For purposes of calculating net worth: (i) the person’s primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person’s primary residence, up to the estimated fair market value of the primary residence at the time of the purchase of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the purchase of securities exceeds the amount outstanding sixty (60) days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability; or
2. Any natural person who had an individual income of more than Two Hundred Thousand U.S. Dollars ($200,000) in each of the two most recent years or joint income with that person’s spouse in excess of Three Hundred Thousand U.S. Dollars ($300,000) in each of those years and has a reasonable expectation of meeting the same income level in the current year.

In addition, various kinds of entities may qualify as “Accredited Investors”; the most common such entities are listed in the Subscription Agreement.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**USE THE FOLLOWING TEXT IF YOUR OFFERING IS BEING MADE ONLY TO ACCREDITED INVESTORS, PURSUANT TO SEC RULE 506(c):**

An investment in the Company involves a substantial degree of risk. No public market for the Units of Profit Participation Rights exists. Further, transfer of the Units is restricted by applicable federal and state securities laws. The suitability standards described below represent minimum suitability requirements. Even if you satisfy these standards, the Units of Profit Participation Rights may not be a suitable investment for you.

We will sell the securities offered hereby only to persons who qualify as sophisticated investors. Each potential investor will be required to complete and sign a Subscription Agreement, in which the investor will represent in writing to the Company, among other things, that s/he: (a) is acquiring the securities offered hereby for investment purposes only and not with a view to resale or distribution; (b) has sufficient liquid assets that payment of the full purchase price of the securities offered hereby will not render the investor unreasonably at financial risk; (c) is prepared and able to bear the economic risks of the investment for an indefinite period of time and has no need for liquidity of the investment in the securities offered hereby; (d) is aware that the transfer of the securities offered hereby is restricted by the Securities Act, applicable state securities laws and the absence of a market for the securities offered hereby; (e) has such knowledge and experience in business and financial matters that the investor is capable of evaluating the merits and risks of this investment; and (f) is able to bear the economic risk of a complete loss of his investment in the securities offered hereby.

In addition, the Company will sell the securities offered hereby only to persons and entities that qualify as Accredited Investors, as that term is defined in Rule 501 promulgated by the Securities and Exchange Commission. The term “Accredited Investor” means any natural person who falls within one of the following categories, or whom the Managing Member reasonably believes falls within either one of the following categories at the time of the sale of the Units to that person:

1. Any person whose individual net worth, or joint net worth with that person’s spouse, at the time of the purchase exceeds One Million U.S. Dollars ($1,000,000). For purposes of calculating net worth: (i) the person’s primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person’s primary residence, up to the estimated fair market value of the primary residence at the time of the purchase of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the purchase of securities exceeds the amount outstanding sixty (60) days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability; or
2. Any natural person who had an individual income of more than Two Hundred Thousand U.S. Dollars ($200,000) in each of the two most recent years or joint income with that person’s spouse in excess of Three Hundred Thousand U.S. Dollars ($300,000) in each of those years and has a reasonable expectation of meeting the same income level in the current year.

In addition, the term “Accredited Investor” means any entity that falls within one of certain categories designated in Rule 501, including the following:

* + 1. any investment company registered under the Investment Company Act of 1940 (the “Investment Company Act”) or a business develop­ment company as defined in Section 2(a)(48) of the Investment Company Act;
    2. any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5.0 million or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
    3. Any organization (described in Section 501(c)(3) of the Internal Revenue Code), corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Units, with total assets in excess of $5.0 million;
    4. Any trust with total assets in excess of $5.0 million not formed for the specific purpose of acquiring the Units, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, or the Company reasonably believes immediately prior to making any sale that such pur­chaser comes within this description; or
    5. Any entity in which all of the equity owners are accredited investors.

Before a subscription is accepted, the subscriber will be required to deliver such documentation or information as we may request in order to verify that the subscriber is an Accredited Investor. The required documentation may include a certification from a securities broker, attorney, registered investment advisor or a certified public accountant that the subscriber is an Accredited Investor or, in the alternative, documents such as tax returns that would provide reasonable assurance of the subscriber's financial condition.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**USE THE FOLLOWING TEXT IF YOUR OFFERING IS BEING MADE ONLY TO FOREIGN INVESTORS, PURSUANT TO REGULATION S:**

An investment in the Company involves a substantial degree of risk. No public market for the Units of Profit Participation Rights exists. Further, transfer of the Units is restricted by applicable U.S. securities laws. The suitability standards described below represent minimum suitability requirements. Even if you satisfy these standards, the Units of Profit Participation Rights may not be a suitable investment for you.

We will sell the securities offered hereby only to persons who qualify as sophisticated investors. Each potential investor will be required to complete and sign a Subscription Agreement, in which the investor will represent in writing to the Company, among other things, that the investor: (a) has sufficient liquid assets that payment of the full purchase price of the securities offered hereby will not render the investor unreasonably at financial risk; (b) has such knowledge and experience in business and financial matters that the investor is capable of evaluating the merits and risks of this investment; and (c) is able to bear the economic risk of a complete loss of his investment in the securities offered hereby.

This offering of Units is not being registered under the Securities Act, in reliance upon the foreign offering exemption set forth in Regulation S promulgated under the Securities Act. Under Regulation S, the Units must be offered and sold outside of the United States and to Non-U.S. Persons only. Therefore, we will sell the Units only to persons who are not residents of the United States (including any territory of the United States) and who learn about this offering and subscribe for the Units while located outside the United States.

The Subscription Agreement that each Investor must sign includes the Investor's representations that: (i) the Investor is not a “U.S. person” and is not acquiring an interest in the Company for the account or benefit of any “U.S. person”; (ii) at the time the Investor learned of this Offering and at the time the Investor executes and/or delivers the subscription to purchase Units, the Investor was physically located outside of the United States; and (iii) the Investor has not made any arrangements that involve the Investor transferring any of the Units. In addition, the Investor must acknowledge and agree in the Subscription Agreement that:

* the Investor will not sell or transfer any of the Units to any person who is present in the United States or is a resident of the United States until at least one year has passed from the date when the Investor purchased the Units; and
* the Investor bears responsibility for complying with all laws and regulations of the Investor's domicile that may apply to the Investor's purchase of the Units, including obtaining any required governmental or other consents or any other applicable formalities.

# SUBSCRIPTION PROCEDURES

***\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\****

***IF THE OFFERING IS BEING MADE TO ACCREDITED INVESTORS PURSUANT TO RULE 506(c), USE THE FOLLOWING TEXT:***

In order to subscribe for the Units of Profit Participation Rights, an investor must:

* complete and execute the Subscription Agreement;
* deliver good funds for the purchase price to the escrow account; and
* deliver to the Company documentary evidence, satisfactory to the Managing Member, that the investor is an accredited investor.

Investors will find on the "Subscriptions" page of the Company's website:

* the form of Subscription Agreement and instructions for completing and signing it;
* instructions for delivery of funds to the escrow account; and
* instructions for providing the necessary evidence that the investor is an accredited investor.

***IF THE OFFERING IS BEING MADE PURSUANT TO RULE 506(b) OR REGULATION S, USE THE FOLLOWING TEXT:***

In order to subscribe for the Units of Profit Participation Rights, an investor must:

* complete and execute the Subscription Agreement; and
* deliver good funds for the purchase price to the escrow account.

Investors will find on the "Subscriptions" page of the Company's website:

* the form of Subscription Agreement and instructions for completing and signing it; and
* instructions for delivery of funds to the escrow account.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

The Units of Profit Participation Rights will be offered until the earlier of (a) the sale of all of the securities being offered; (b) the termination of the Offering by the Managing Member, or (c) [TERMINATION DATE], unless extended by the Managing Member to a date no later than [EXTENSION DATE].

[PRIME/BANK]

If the minimum offering is sold, then we will hold a closing at which the subscription funds will be deposited into the Company's bank account, and a Notice of Book Entry will be promptly sent to each person whose subscription to the offering is accepted, accompanied by the Subscription Agreement countersigned by the Managing Member.

\* \* \* \* \*

# ADDITIONAL INFORMATION

Each prospective investor or his representative may, if he so desires, make inquiries concerning the terms and conditions of this Offering or any other matters set forth herein, and may obtain any additional information which such person deems necessary in order to verify the accuracy of the information contained in this Memorandum (to the extent that the Company possess such information or can acquire it without unreasonable effort or expense). In connection with such inquiry, any documents which any prospective investor or his representative may wish to review will be made available for inspection and copying at the expense of the prospective investor. Prospective investors may be required to execute non-disclosure agreements to receive any information determined by the Company to contain proprietary, confidential or otherwise sensitive information. Any such request or inquiries should be made in writing to the Managing Member at the address shown on page 2 hereof.