

RISK FACTORS

AN INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK AND, THEREFORE, SHOULD BE UNDERTAKEN ONLY BY QUALIFIED INVESTORS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME THESE RISKS AND TO BEAR THE LOSS OF ALL OR PART OF THEIR INVESTMENT. THE FOLLOWING RISK FACTORS (TOGETHER WITH OTHER FACTORS SET FORTH ELSEWHERE IN THIS MEMORANDUM) SHOULD BE CONSIDERED CAREFULLY, BUT ARE NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY. INVESTORS SHOULD CONSULT WITH THEIR OWN FINANCIAL, LEGAL AND TAX ADVISORS PRIOR TO INVESTING IN INTERESTS.

INVESTMENT RISKS

No Registration: No Governmental Review

This Offering has not been registered with, or reviewed by, the U.S. Securities and Exchange Commission (the "SEC") or any state agency or regulatory body and, therefore, cannot be sold unless they are subsequently registered under the Securities Act of 1933, as amended (the "Securities Act") and other applicable securities laws, or an exemption from registration is available. It is not contemplated that registration under the Securities Act or other securities laws will ever be effected. There is no public market for Interests in the Company and one is not expected to develop.

Prohibition on Transfer of Interests; Withdrawal

The transferability of Interests is restricted by the provisions of the Securities Act, and Rule 144 promulgated thereunder, and is prohibited by the provisions of the Operating Agreement without compliance with applicable federal and state securities laws, rules and regulations. Each prospective investor will be required to represent that it is acquiring its Interest in the Company for investment and not with a view to distribution or resale; that it understands it must bear the economic risk of an investment in the Company for an indefinite period of time because the Interests in the Company have not been registered with the SEC or any other state or governmental agency; and that it understands the Interests cannot be sold unless an exemption from such registration is available. The Operating Agreement expressly prohibits the sale or other transfer of a Member's Interest in the Company without compliance with applicable federal and state securities laws, rules and regulations. Members possess no rights to withdraw from the Company or to otherwise recover any of their invested capital. Investors must be capable of bearing the economic risks of this investment with the understanding that these Interests may not be liquidated by resale or redemption and should expect to hold their Interests as a long-term investment.

Rescission Risk

This Offering is not registered with the SEC and is being made pursuant to certain exemptions from state and federal registration requirements. Although the Company will receive certifications, representations and warranties from investors to ensure compliance with such exemptions from registration and other matters, if it is later determined that this offering did not fully comply with state or federal law, the Company may be required to refund to a Member his or her investment, which refund would result in a reduction in the amount of operating capital available to the Company or may cause a shortfall in funds available to the Company for operation of the Property. The Company might be required to liquidate, with potential economic loss and tax risks to the remaining Members.

Dilution

Investors in this Offering will experience immediate and significant dilution upon the Termination Date of the Offering given that the organizational and offering expenses (including legal fees, marketing fees and expenses, and other out-of-pocket expenses) incurred by the Company, its Manager and other parties to the Transaction (including those incurred in the formation and capital raising activities of the Company, and in making the Equity Investment) are due and payable at or before that time. These certain offering and organizational expenses include payments due to affiliates of the Manager, including Quyp Properties, LLC (“QuypProp”), Virtua Partners LLC (“Virtua”), Versant Commercial Brokerage, Inc. (“Versant”), Lloyd W. Kendall, Jr. and Quynh Palomino as specified in Section 2.08 of the Operating Agreement. QuypProp, Virtua, and their affiliates are expected to earn an aggregate \$447,500 of fees, or approximately 13.8% of its gross proceeds, at or before the Termination Date, consisting of property acquisition fees of \$135,000, advances on design and entitlement fees of \$240,000, and due diligence and origination fees of \$72,500. Other expenses due and payable upon closing include fees paid to third parties including Monarch Bay Securities, LLC. As shown on page 21, these offering and organizational expenses payable by the Company are estimated to be as much as \$1,119,080, or 34.43% of the current Total Offering Amount of \$3,250,000.

Investors should carefully note that the estimates in the paragraph above presume the first sale of a parcel of the Property is projected to occur on the 1-year anniversary of this Offering. Quyp Development Services, LLC is entitled to an advance on the design entitlement and construction management fee in the amount of \$20,000 per month, promptly following the acquisition of the Property (and the Company will receive credit for such pre-paid fee upon the closing of each parcel sale of the Property). The illustration in the table above assumes that the first sale of a parcel will occur on the 1-year anniversary of the Termination Date of this Offering; however, there can be no assurance that the first parcel sale will occur on or before that date. Consequently, the Company’s advance balance to Quyp Development Services, LLC may exceed the \$240,000 shown in the table above if the first parcel sale occurs after the 1-year anniversary of the Termination Date. Moreover, there can be no assurance that any parcels will be sold, in which case the Company’s advance balance to Quyp Development Services, LLC would be unlimited given that the Company has a perpetual term of existence. Thus, if the first sale of a parcel of the Property (i) occurs later than the 1-year anniversary of the Termination Date, (ii) is insufficient to cover the advances made to Quyp Development Services, LLC, or (iii) if no parcel sales occur, dilution relative to the Total Offering Amount could be substantially greater than that portrayed in the immediately preceding paragraph.

Upon the Termination Date of this Offering, QuypProp and Virtua, both affiliates of the Manager, are expected to become Class “B” Members of the Company, and are also expected to exclusively comprise its Class B Membership (as such term is defined in Section 1.01(d) of the Operating Agreement). Until the Milestone is achieved, the Class “B” Members will have no voting rights, and are ineligible for any distributions from the Company, including those resulting from a liquidation or windup of the Company (although certain affiliates of the Class “B” Members will earn fees as stipulated in Section 2.08 of the Operating Agreement). Once the Milestone is achieved, in the aggregate, the Class B Membership will receive 50% of the Company’s voting and will be eligible to receive 50% of the Company’s net distributions, including proceeds upon liquidation, and the Class “A” Equity Members will experience simultaneous equivalent dilution of their relative Interests in the Company at that date. Moreover, Investors in this Offering should note that, pursuant to Sections 3.01(b)(ii) and 4.01(a)(iii) of the Operating Agreement, the Class “B” Members will receive their respective Class “B” Interests in exchange for services rendered to the Company in connection with its organization. There is no requirement that the prospective Class “B” Members invest any cash or equivalents in the Company in exchange for their respective interests, although they may do so if they choose to acquire Class “A”

Equity Membership Interests in this Offering in addition to the Class “B” Interests they will receive for services rendered.

However, there has been no independent appraisal of the value of the services rendered in prospective exchange for the Class “B” Interests, and neither the Company nor its affiliated Manager has made any attempt to solicit competitive arm’s-length bids from unaffiliated parties capable of providing these services. Accordingly, Investors in this Offering must solely rely on the good faith of the Company and its affiliated manager that the services rendered by the affiliated Class “B” Members have value at least equivalent to the value of 50% of the Company at the time the Milestone has been achieved.

Size of the Offering

The Company is seeking subscriptions for \$3,250,000 (the “Total Offering Amount”); however, there is no assurance that the Company will obtain subscriptions equal to \$3,250,000 or any other amount. The Company’s Manager reserves the right to increase or decrease the Total Offering Amount in its sole discretion. There is, therefore, no minimum required to be raised by the Company prior to the Company accepting subscriptions funds from prospective Investors, and the Company, in its sole discretion, may close this Offering for an amount less than \$3,250,000, or alternatively return funds to Investors in whole or in part without interest. Accordingly, prospective investors will have lost the use of their money from the time they subscribe for such Interests to the time the Company closes this Offering or such subscription funds are returned to prospective investors, without interest or other remuneration. Moreover, should the Company close this Offering for a Total Offering Amount, the amount of operating capital available to the Company may also be reduced (if not available on terms and conditions acceptable to the Company and its Manager) which could impair the ability of the Company to operate as planned. The Company might be required to liquidate, with potential economic loss and tax risks to the remaining Members.

Additional Capital Requirements

If the cost of operating the Property, including debt service, exceeds the income earned thereon, the Company may have to spend additional funds to protect its investment, or the Company or Property Owner may default on its debt obligations, or may be required to dispose of the Property on disadvantageous terms if necessary in order to raise needed funds. The Company has not set a minimum amount of working capital reserves, and any such reserves maintained by such entities from time to time may be inadequate to meet operating deficits or other contingencies which may arise. The Manager is authorized to cause the Company to raise additional capital through requesting loans from its members. If the Company is unable to raise funds through loans from members, it may be unable to continue to fund the Property expenses and debts of the Property Owner, and the Property may be subject to foreclosure or other encumbrance.

Speculative Nature of Investment

Investment in these Interests is speculative and, by investing, each Investor assumes the risk of losing the entire investment. The Company has limited operations as of the date of this Memorandum and will be solely dependent on the Manager and its operation of the Company, Property Owner and the Property, which is subject to the risks described herein. Accordingly, only investors who are able to bear the loss of their entire investment and who otherwise meet the investor suitability standards should consider purchasing these Interests. See “*Investor Suitability*” on page 19 herein.

Subordinated Position of Investment

Members of the Company will own equity securities which are subordinate (i.e. junior) to the distribution and liquidation preferences of the Lender. In the event of default on the anticipated Loan, the Lender will have preferential recourse to the assets and distributions of the Property. If the assets of the Property are insufficient to repay the accrued interest and principal due to the Lender, Members could lose their entire investment and no longer receive any further distributions. The Lender will have a priority on any proceeds on distribution from the Property, the remainder of which may be insufficient to return any principal or return thereon to the Company's Members.

Potential Conflicts of Interest

Investors should be aware that there may be occasions when the Manager and its affiliates will encounter potential conflicts of interest in connection with the activities of the Company. The discussion in the *"Conflicts of Interest"* section beginning on page 39 herein describes certain potential conflicts of interest that should be carefully evaluated before making an investment in the Company. In particular, Investors should note that the Manager is an affiliate of both QuypProp and Virtua, which are expected to comprise all of the Class "B" Members of the Company, which will control 50% of the Company's votes and will be eligible to receive 50% of the Company's net distributions once the Milestone is received, notwithstanding that there is no requirement that the entities comprising the Class "B" Members invest any cash or equivalents in the Company in exchange for their respective interests. Pursuant to Section 6.01(c) of the Operating Agreement, the Manager may not be removed as the manager of the Company by the Members. Moreover, and notwithstanding such provision, per Section 6.03(c) of the Operating Agreement, no additional person other than Quyp Development may be appointed, nor may Quyp Development be removed, as Manager of the Company, for so long as: (a) the Milestone remains unsatisfied; and (b) the Guarantors and/or their respective affiliates (including, but not limited to Virtua and/or Quyp Development) have any liability relating to the financing of the Property (including the Loan) and any other guarantees of obligations of the Company and/or Property Owner.

Further, the affiliated Manager will receive certain fees and expenses for its services regardless of whether the Milestone is achieved or there are ever any funds available for distribution to the Class "A" Equity Members and despite that it may not be removed by the Members. See *"Distributions and Compensation of Manager and Sponsors"* on page 25 herein.

Investors and Company Not Independently Represented

The Company has not been represented by independent legal counsel for its organization and dealings with the Manager. In addition, the attorneys who have performed services for the Company have also represented the Manager, Palomino, Kendall, Virtua and QuypProp, but have not represented the interests of the prospective investors or Members of the Company (except for the Manager, Palomino, Kendall, Virtua and QuypProp, as applicable). By executing the Subscription Documents, each Member will agree to waive any conflict of interest that may exist as a result of such representation. See *"Conflicts of Interest"* section below.

Investment Delays

There may be a delay between the time the Investor submits the Subscription Documents to the Manager and the time the Total Offering Amount is reached, at which time the Company may accept funds. After the Total Offering Amount is reached, there may be a delay between the time Interests are accepted by the Company and the time the proceeds of this Offering are utilized.

The Closing Date for Purchase of the Property is Indeterminable and Indeterminate

The Company currently projects October 20, 2016, as the date upon which the Property Owner will complete closing of the acquisition of the Property, including without limitation closing of funds from the Offering, closing of the Loan, and payment of all fees and costs; however, the latest date upon which such acquisition closing will occur is November 14, 2016 (the "Closing"), unless extended past that date in the discretion of the Manager, contingent upon approval of the applicable counterparties in the transaction. There can be no assurance that the Property Owner will close on the currently projected date of October 20, 2016, on the 'latest' date of November 14, 2016, or on any other date, if the counterparties extend the date of the Closing. Moreover, the counterparties may agree to further extensions of the Closing date without limitation. Consequently, there can be no assurance that any Investor funds will be ever be used for acquisition of the Property once accepted by the Company; however, pursuant to Section 4.01(a)(ii) of the Operating Agreement, if the acquisition of the Property has not been consummated on or before December 31, 2016, the Company will return all accepted subscription funds to the Investors. Accordingly, funds advanced by Investors in this Offering may be held by the Company, without deployment, interest or right of return, for as long as more than 3 months after subscriptions are advanced by Investors to the Company.

Taxable Income without Corresponding Distributions

Each Member will be required to report on its Federal income tax return its distributive share of the Company's income or gain, whether or not it receives any actual distributions of money or property from the Company during the taxable year. Therefore, a Member's tax liability related to the Company (including upon a sale or the event of a foreclosure of the Property) could exceed amounts distributed by the Company to such Member in a particular year, and a Member may be required to pay such tax liability with funds from other sources.

Lack of Regulation

The Manager and the Company are not directly supervised or regulated by any federal or state authority with respect to activities contemplated regarding the Property.

Reliance on Manager

The Company will be managed by the Manager, which will therefore control the actions of the Property Owner and development of the Property. Members will be relying extensively on the experience, relationships and expertise of the Manager and its principals in recapitalizing, renovating, managing and operating the Property. Other than for certain major decision rights, Members will have no right or power to take part in the management of the Company or Property Owner, and will have no effective means of influencing day-to-day actions of the Manager in the conduct of the affairs of the Company and Property Owner. See "*The Manager*" beginning on page 23 herein for biographies of certain of the individuals who will manage the affairs of the Company. Although the principals of the Manager previously have sponsored several real estate programs, none have sponsored real estate programs with investment objectives identical in total to the investment objectives described herein. If for any reason, the principals of the Manager become unavailable to manage the Company, the Company and its Members may be materially harmed due to the perceived unique knowledge or skill of such principal that is no longer available.

Investors will be relying extensively on the perceived experience, relationships and expertise of the Manager, its principals and affiliates in managing the Property, the Loan, and other aspects of the project.

The Property will be managed by an affiliate of both QuypProp and Virtua, who are expected to comprise all of the Class “B” Members of the Company, and will be eligible to receive 50% of the net distributions from the Property once the Milestone is achieved. Notwithstanding that the Class “B” Members are not eligible to receive net distributions from the Property until the Milestone is achieved, the affiliated Manager will receive certain fees and expenses for its services regardless of whether the Milestone is achieved or there are ever any funds available for distribution to the Class “A” Equity Members and despite that it may not be removed by the Members. See “*Distributions and Compensation of Manager and Sponsors*” on page 25 herein.

Voting Rights

The ability of Members to influence the affairs of the Company is severely circumscribed by the Operating Agreement, especially Sections 6.05 and 6.06 thereof. Members of the Company will have little power to take part in the management of the Company, or that of the Property Owner, and will have no effective means of influencing day-to-day actions of the respective managers of the companies or their affiliates in the conduct of the Company’s affairs. The Manager may not be removed as the manager of the Company by the Members, and notwithstanding such provision, per Section 6.03(c) of the Operating Agreement, no additional person other than Quyp Development may be appointed, nor may Quyp Development be removed, as Manager of the Company, for so long as: (a) the Milestone is unsatisfied; and (b) the Guarantors and/or their respective affiliates (including, but not limited to Virtua and/or Quyp Development) have any liability relating to the financing of the Property (including the Loan) and any other guarantees of obligations of the Company and/or Property Owner.

The foregoing provisions effectively negate any ability of the Company’s Members to remove the Manager for the duration of the Company.

Limitation of Recourse and Indemnification of Manager

The Operating Agreement limits the circumstances under which the Manager will be held liable to the Company. The Manager is not liable to the Company nor any Member unless it breaches certain duties to the Company and its Members. As a result, investors may have a more limited right of action in certain cases than they would have in the absence of these provisions. It should also be noted that the cost of litigation against the Manager for enforcement of its fiduciary obligations may be prohibitively high and that any judgment obtained may not be collectible since there is no assurance that the Manager has or will have sufficient capital or net worth to satisfy such judgment.

Diverse Membership

The Members in the Company are expected to include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the Manager that may be more beneficial for one type of Member than for another type of Member. In addressing such conflicts, the Manager intends to consider the interests of the Company as a whole, not the interests of any Member individually.

Tax and ERISA Risks

Investment in the Company involves certain tax risks of general application to all investors in the Company, and certain other risks specifically applicable to Keogh accounts, Individual Retirement Accounts and other tax-exempt investors. Non-U.S. Members should expect to be subject to U.S. withholding tax and return filing requirements as a result of an investment in the Company. An investment in the Company likely will result in “unrelated business taxable income” for employee benefit

plans and other tax-exempt investors. See “*Income Tax Considerations*” and “*ERISA Considerations*” beginning on pages 44 and 48, respectively, herein.

BUSINESS RISKS TO THE COMPANY RELATED TO THE PROPERTY

The most significant risk to the Members of the Company is the inability of the Company to make distributions of available cash to them in a timely manner or at all due to the nature of the Property and the risks associated with its operation. The Company is solely dependent on revenues from the Property Owner obtained from the Property for available cash that can be distributed to the Members. Such cash flow must first be sufficient to pay all expenses, debt service and other fees of the Property, Property Owner and the Company prior to distribution of remaining proceeds to the Members of the Company. Therefore, return of capital and distributions of any profit to Members is highly dependent on the performance of the Property, and such distributions are therefore subject to all of the risks of ownership of the Property. The following describes some of those risks to the Company.

Inability To Complete the Platting of the Property

Upon acquisition of the Property, the Property Owner expects to undertake platting of the Property into individual commercial parcels and pads for sale to end users for development. One of the primary risks to the Company is delay in the approval of the site plan and plat by the City of Avondale, or significant reduction or change in the number or parcels or pads that are approval for sale by the Property Owner. A change in anticipated use of the platted parcels and pads may also materially impact the valuation of the Property to be sold. Delays in approval or required changes in use from the Property Owner's application could be caused by a number of factors, including without limitation changes in zoning and entitlement rules and regulations or change in the city staff reviewing the application by the Property Owner. Each of these issues could have an adverse effect on the Property and the Property Owner's ability to profitability develop and sell it.

No Assurance of Results

No binding representation is or can be made as to future operations or cash return or tax benefits to the Members. Prospective investors should review the information contained herein with their own accountants and attorneys and obtain such additional information concerning the Company, Property Owner and the Property from the Manager as they or their accountants or attorneys may deem necessary for their independent review.

The Hotel Project May not be Developed and the Hotel Option may have No Value

Quyp Hospitality, LLC (or an affiliate thereof) intends to develop and manage a limited service hotel anticipated to have up to 150 rooms (the “Hotel Project”), to be constructed on that certain approximate 3 acre portion of the Property referred to as ‘Parcel 2’ on the Site Plan attached hereto as Exhibit E (and referred to in the Operating Agreement as the “Hotel Parcel”), to be operated pursuant to a franchise agreement with Hilton Worldwide, Marriott International or another industry-recognized franchisor; however, there can be no assurance that Quyp Hospitality, LLC or its affiliates will successfully do so. If Quyp Hospitality, LLC or its affiliates are unable to develop the Hotel Project, the “Hotel Option” described in Section 2.08(c)(iii) of the Operating Agreement will have no value.

Competition

The Property will be subject to competition from similar types of development properties in the vicinity in which it is located. Such competition could have an adverse effect on the ability of the Property Owner

to sell its parcels and pads, and could have an adverse effect on Property value in the market in which the Property is located. These competing property owners may have greater financial resources and experience than the Manager.

Litigation Risks

The Company, Property Owner and Property are exposed to the risk of litigation. It is impossible to foresee the allegations that may be brought against such entities or the Manager, but the Manager will use its best efforts to avoid litigation if, in the Manager's sole discretion, it is in the best interests of each such entity. If the Company is required to incur legal fees and costs to respond to a lawsuit, the costs and fees could have an adverse impact on the profitability of the Property Owner and Company.

Diversification of Risk

Funds from the Offering will be used by the Company to make only one investment in real estate and the Company's investment will not be widely diversified geographically or by asset class. The Company's investment will be in one undeveloped parcel of land in Avondale, Arizona. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the Company may be substantially adversely affected by the unfavorable performance of this single property. A lack of geographic diversification increases risk due to fluctuations in local or regional economies. A lack of asset class diversification increases risk because commercial real estate is subject to its own set of risks, such as adverse economic conditions, increased real estate taxes, vacancies, rising operating costs, and changes in interest rates.

Illiquid and Less Marketable Assets

The return of capital and the realization of gains, if any, from the Property will generally occur only upon the partial or complete disposition of the platted portions of the Property. While portions may be sold at any time, it may take longer than the anticipated 36 months to sell all portions of the Property. In addition, less marketable or illiquid assets may be more difficult to value due to the unavailability of reliable market quotations. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. In addition, the marketability of the Property will be dependent on numerous other factors, including interest rates, competition from other development properties and general economic conditions. There can be no assurance that the Manager will be able to sell the Property at the time that it may be in the best interests of the Company or Members to sell.

Risks of Government Action

While the Manager will use its best efforts to comply with all laws, including federal, state and local laws and regulations, there is a possibility of governmental action to enforce any alleged violations of laws governing the operation of the Company, Property Owner and the Property, which may result in legal fees and damage awards that would adversely affect such entities. Furthermore, changes in rules and regulations governing hotel properties may cause unanticipated expenses for the Company or Property Owner in its compliance with such rules and regulations.

Risks of Leveraging the Company, Property Owner and the Property

The Property Owner will use the Loan in connection with the purchase and development of the Property. This leverage will increase the exposure of the Property to adverse economic factors such as significantly rising interest rates, economic downturns or deteriorations in the condition of the Property or its market.

In the event sale of portions of the Property is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the Manager may need to seek loans from members of the Company or outside capital, to be invested in the Company and Property Owner. If such loans are not made and the Company is unable to raise sufficient capital through other sources, the Company may be unable to adequately fund the Property Owner's expenses and the Property Owner may default in paying such principal and interest, and the value of the Company's investment in the Property Owner and Property could be significantly reduced or even eliminated. Foreclosure of the Loan on the Property is unlikely to produce any surplus cash, but could, nevertheless, result in a taxable gain to the Company and taxable income to the Members, since the loan balance liquidating through foreclosure may exceed the tax basis in the Property as a result of cost recovery and other deductions previously taken by the Company.

Unless cash sufficient to pay the entire principal of mortgage financing is generated by operations, the Property Owner must either refinance the Loan when it matures in one (1) year, or sell the Property as the Loan becomes due and use the proceeds to pay off the Loan. Interest rates may rise between the date of acquisition and the date of maturity of the Loan and refinancing may not be available at the time of maturity. There is no assurance that the Property Owner will be able to refinance the Loan on satisfactory terms or that it will be able to sell the Property or portions thereof at a price that will allow the Property Owner to satisfy the Loan.

The Loan and the guarantees provided by the principals of the Manager will contain certain covenants and conditions, which, if not complied with, may cause the Lender to consider the Loan in default. Some of these defaults may arise from circumstances outside of the Manager's control. If a default under the Loan occurs, the Lender will have various rights and remedies available to pursue, including without limitation:

- Filing of a lawsuit requesting appointment of a receiver to assume control of the Property.
- Filing of a lawsuit to judicially foreclose the Deed of Trust or Mortgage encumbering the Property, which could:
 - require the Property Owner to pay the Loan in full to avoid losing the Property; or
 - result in a judgment in favor of the Lender providing for a sheriff's sale of the Property to the highest bidder with limited right of the Property Owner to redeem the Property following that sale upon payoff in full of the Loan, fees and costs of such lawsuit and other permitted costs.
- Initiation of a non-judicial trustee's sale under a Deed of Trust, including:
 - Sale of the Property to the highest bidder by the Trustee under the Deed of Trust without any right of the Property Owner to redeem the Property following that sale; or
 - Right of the Property Owner to terminate the trustee's sale proceeding prior to the trustee's sale by bringing current all arrearages under the Loan and paying certain fees and costs associated with that proceeding.

Because the specific rights and obligations of the Lender and the Property Owner, and the various time periods and other details of the rights and remedies available under the Loan and applicable law are complicated and not discussed in detail here, you should at a minimum be aware that any default under the Loan could jeopardize the ability of the Property Owner to retain ownership of the Property. Failure of the Property Owner to retain ownership of the Property will cause the value of the Company to be severely and materially reduced, as it will have few if any remaining assets.

Furthermore, leveraging the Property may also result in the receipt of some taxable income by investors (such as ERISA plans) that are otherwise tax-exempt. See “*Income Tax Considerations*” below.

Availability of Insurance against Certain Catastrophic Losses

The Manager intends to maintain on the Property various insurance policies with insured limits and policy specifications that the Manager believes are customary for similar properties. However, certain losses of a catastrophic nature, such as wars, earthquakes, hurricanes, floods, terrorist attacks, or other similar events, as well as losses related to mold damage, may be either uninsurable or, insurable at such high rates that to maintain such coverage would cause an adverse impact on the Property. There can be no assurances that particular risks which are currently insurable will continue to be insurable on an economical basis or that current levels of coverage will continue to be available on an economical basis. In general, losses related to terrorism, flooding and mold damage are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts, flooding and mold damage for additional premiums which can greatly increase the total costs of casualty insurance for a property. As a result, the Property might not be insured against terrorism, flooding or mold damage. If a major uninsured loss occurs, the Company could lose both invested capital and anticipated profits from the Property.

Contingent Liabilities on Disposition of the Property

In connection with the disposition of the Property, the Company may be required to make representations about the Property. The Company also may be required to indemnify the purchasers of the Property to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities of the Company for which the Manager may establish reserves or escrow accounts. In that regard, Members may have distributions withheld to fund such reserves or escrow accounts or to pay such indemnity obligations.

Unknown Levels of Cash Distributions

Cash distributions will be generally available only to the extent the Property's operations in the ordinary course of its business and from sale of the portions of the Property exceeds its operating cash expenses, including payments required to be made in connection with any loans, capital expenditures with respect to the Property, payment of fees to the Manager, Virtua, Versant and various principals and affiliates thereof, and any amounts necessary for working capital reserves. Since the Property may have increases in costs without increases in operating revenues and timing of sales of the portions of the Property is uncertain, there is no assurance as to when or whether cash will be available for distributions to the Members.

Risks of Real Estate Ownership

There is no assurance that the Property will be profitable or that cash from operations will be available for distribution to the Members. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of property interests. The marketability and value of the Property will depend upon many factors beyond the control of the Manager, including (without limitation):

- changes in general or local economic conditions;

- changes in supply of or demand for competing properties in an area (*e.g.*, as a result of over-building);
- changes in interest rates;
- the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection and occupational safety;
- condemnation and other taking of property by the government;
- unavailability of mortgage funds that may increase borrowing costs and/or render the sale of a property difficult;
- unexpected environmental conditions;
- the financial condition of tenants, ground lessees, ground lessors, buyers and sellers of properties;
- changes in real estate taxes and any other operating expenses;
- energy and supply shortages and resulting increases in operating costs or the costs of materials and construction;
- various uninsured, underinsurance or uninsurable risks (such as losses from terrorist acts), including risks for which insurance is unavailable at reasonable rates or with reasonable deductibles; and
- changes in regulations governing hotel properties.

There can be no assurance of profitable operations because the costs of operating the Property, including debt service, may exceed gross receipts therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance tend to increase even if there is a decrease in the Company's income from such investments. There is also no assurance that there will be a ready market for the sale of the Property because investments in real estate generally are not liquid.

Potential Adverse Economic Conditions

General economic conditions in the United States and abroad, as well as conditions of domestic and international financial markets, may adversely affect the Property. Unemployment, inflation, local recessions or other economic events resulting in a reduction of income of a substantial number of prospective customers could have a material adverse effect on the value of the Property. Fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the Property and could significantly reduce the value of the Property.

Risk of Environmental Liabilities

The Property Owner may incur environmental liabilities in connection with its ownership of the Property as a result of which liabilities the value of the Property may be diminished. Hazardous substances or wastes, contaminants, pollutants or sources thereof (as defined by state and federal laws and regulations) may be discovered on the Property following the Property Owner's acceptance of ownership, during its

ownership or after a sale thereof to a third party. There can be no assurances that the Property Owner will not incur full recourse liability for the entire cost of any removal and clean-up, that the cost of such removal and clean-up would not exceed the value of the Property or that the Property Owner could recoup any of such costs from any third party. In addition, the Property Owner may find it difficult or impossible to sell the Property prior to or following any such clean-up or may be in default under its loan due to a failure to appropriately address such obligations.

Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

Under the Americans with Disabilities Act of 1990 (the “ADA”), all public properties are required to meet certain federal requirements related to access and use by disabled persons. The Property may not be in compliance with the ADA. If the Property is not in compliance with the ADA, then the Property Owner may be required to make modifications to the Property to bring it into compliance, or face the possibility of imposition, or an award, of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use or operation of the Property, including changes to building, fire and life-safety codes, may occur which could have adverse consequences to the Company and its ability to distribute funds to the Members.

Risk of Non-Performance by Company Manager or Holdings Manager

In the event the Manager fails to perform its responsibilities in enforcement of the provisions of the Operating Agreement, or in disbursing amounts from the Company to the Members, as applicable, the Members will have limited alternatives. The Manager may not be removed as the manager of the Company by the Members, and notwithstanding such provision, per Section 6.03(c) of the Operating Agreement, no additional person other than Quyp Development may be appointed, nor may Quyp Development be removed, as Manager of the Company, for so long as: (a) the Milestone is unsatisfied; and (b) the Guarantors and/or their respective affiliates (including, but not limited to Virtua and/or Quyp Development) have any liability relating to the financing of the Property (including the Loan) and any other guarantees of obligations of the Company and/or Property Owner.