



citycentric

Private Placement Memorandum

2201 Dwight Partners, LLC

October 27, 2009



Private Placement Memorandum No. ____ Offeree Name(s) _____

For the Personal Use of Offeree Only

**CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM**

2201 DWIGHT PARTNERS, LLC
A California Limited Liability Company

70 Units – Total Offering \$3,500,000

\$50,000 per Unit

Minimum Purchase: 2 Units

**2201 DWIGHT PARTNERS, LLC
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**70 Units of Limited Liability Company Interest - \$3,500,000 Total
\$50,000 per Unit**

Minimum Offering Amount \$2,300,000

CALIFORNIA INVESTORS ONLY

ACCREDITED INVESTORS ONLY

2201 DWIGHT PARTNERS, LLC, a California limited liability company, with its principal place of business at 5715 Claremont Ave., Oakland, CA 94618 (the “Company”), is hereby offering Units of limited liability company interest (the “Units”) at \$50,000 per Unit. The sole Manager of the Company (“Manager”) is CityCentric / Dwight and Fulton, LLC, a California limited liability company. Unless a minimum of 46 Units offered hereby are sold and the purchase price therefore is received by the Company before November 16, 2009 (the “Minimum Funding Date”) or in the Company’s discretion not later than December 15, 2009, none of the Units will be sold and amounts received in consideration therefore will be promptly refunded, without interest, and without deduction, and the offering will be terminated. Officers, directors and employees of the Manager or its Affiliates may purchase Units pursuant to this Offering to satisfy the Offering Amount.

The investment opportunity is based upon constructing apartments and holding them for purposes of investment. The Company intends to acquire improved land at 2201 Dwight Way, corner of Fulton St., Berkeley, CA, consisting of approximately 27,000 square feet of land improved with an existing one-story brick building currently used as offices. The Company intends to obtain City of Berkeley planning approvals and other necessary entitlements to construct approximately 35 student oriented apartment units, including a “below market rate” (“BMR”) component of at least 15% “very low income” units in order to best assure development approval. The company expects to lease out and hold these apartment units for long-term investment.

Prior to this offering there has been no public market for the Units and there is no assurance that one will develop. The offering price for Units was determined by the Company and is not the result of an independent analysis or valuation.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), NOR UNDER THE SECURITIES ACTS OF CALIFORNIA OR OTHER STATES. THIS OFFERING IS MADE UNDER RULE 147 (THE “INTRASTATE OFFERING EXEMPTION”) AS ENACTED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS WELL AS OTHER EXEMPTIONS FROM REGISTRATION REQUIREMENTS. ALL OFFERS TO

PURCHASERS SHALL BE MADE WITHIN THE STATE OF CALIFORNIA, AND ALL PURCHASERS SHALL RESIDE WITHIN THE STATE OF CALIFORNIA, UNLESS OTHERWISE EXEMPT.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF NOR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE COMPLETENESS OF THE PRIVATE PLACEMENT MEMORANDUM OR OTHER SELLING LITERATURE. THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

THE INVESTMENT OFFERED HEREBY INVOLVES A CERTAIN AMOUNT OF RISK. POTENTIAL PURCHASERS SHOULD NOT INVEST IN THESE SECURITIES UNLESS THEY CAN AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT. SEE “RISK FACTORS”. INVESTORS MUST MEET CERTAIN SUITABILITY STANDARDS. SEE “INVESTOR SUITABILITY STANDARDS.”

THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO BUY OR SELL ANY OF THE SECURITIES TO ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE NAMED IN THE SPACE PROVIDED ON THE COVER HEREOF. DELIVERY OF THIS MEMORANDUM TO ANYONE ELSE IS UNAUTHORIZED AND ANY TOTAL OR PARTIAL REPRODUCTION OF THIS MEMORANDUM OR DIVULGENCE OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, THE OFFEREE NAMED HEREIN AGREES THAT IF SUCH OFFEREE ELECTS NOT TO MAKE A PURCHASE OFFER OR THE PURCHASE OFFER IS REJECTED, SUCH OFFEREE WILL RETURN THIS MEMORANDUM AND ALL DOCUMENTS DELIVERED HERewith TO THE COMPANY.

THE COMPANY DOES NOT REPRESENT THAT A PUBLIC OR OTHER MARKET WILL DEVELOP FOR THE UNITS. THE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND SUCH STATE LAWS PURSUANT TO REGISTRATION OR QUALIFICATION THEREUNDER OR EXEMPTION THEREFROM. OFFEREEES SHOULD ONLY PROCEED ON THE ASSUMPTION THAT THEY WILL HAVE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE UNITS FOR AN INDEFINITE PERIOD OF TIME. SEE “RISK FACTORS.”

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, TAX OR LEGAL ADVICE. INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION. THIS MEMORANDUM AND THE EXHIBITS HERETO, AS WELL AS THE NATURE OF THE INVESTMENT, SHOULD BE REVIEWED BY EACH PROSPECTIVE INVESTOR'S PROFESSIONAL ADVISOR(S), IF ANY, THE INVESTOR'S TAX OR OTHER ADVISORS, OR THE INVESTOR'S ACCOUNTANTS OR LEGAL COUNSEL.

NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM WILL OR MAY BE EMPLOYED IN THE OFFERING OF THE UNITS EXCEPT FOR THIS MEMORANDUM (INCLUDING AMENDMENTS AND SUPPLEMENTS) AND STATEMENTS CONTAINED OR DOCUMENTS SUMMARIZED HEREIN. NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM OR IN THE EXHIBITS HERETO, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON.

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY AFTER THE DATE HEREOF.

THE COMPANY UNDERTAKES TO MAKE AVAILABLE TO EVERY INVESTOR, DURING THE COURSE OF THIS TRANSACTION AND PRIOR TO SALE, THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY APPROPRIATE ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. INQUIRIES SHOULD BE DIRECTED TO THE COMPANY C/O ALI KASHANI OR MARK RHOADES AT (510) 420-6900, E-MAIL AKASHANI@CITYCENTRIC.NET OR MRHOADES@CITYCENTRIC.NET.

THIS MEMORANDUM CONTAINS CERTAIN INFORMATION ABOUT THE COMPANY'S BUSINESS PROSPECTS AND PRO FORMA FINANCIAL PROJECTIONS. THESE ARE ONLY PROSPECTS AND PROJECTIONS BASED UPON THE ASSUMPTIONS SET FORTH IN THIS MEMORANDUM. PROJECTIONS BY THEIR NATURE ARE UNRELIABLE PREDICTORS OF FUTURE PERFORMANCE AND CANNOT BE RELIED UPON, AND THEY ARE BASED UPON ASSUMPTIONS WHICH THEMSELVES ARE HIGHLY SPECULATIVE.

FOR ALL NON-U.S. PERSONS: IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE UNITS TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

INVESTMENT ESCROW HOLDER: *U. S. Bank National Association is acting only as an escrow agent in connection with the offering of the interests described herein, and has not endorsed, recommended or guaranteed the purchase, value or repayment of such interests.*

The date of this Private Placement Memorandum is October 27, 2009

	Price to Investors	Proceeds to Company^{1,2}
Per minimum investment (1 Unit-fully paid in)	\$50,000	\$50,000
Total maximum offering 70 Units-fully paid in)	\$3,500,000	\$3,500,000
Total minimum offering (46 Units-fully paid in)	\$2,300,000	\$2,300,000

1 The Manager may defer payment of all or part of the Acquisition Fee, as well as loan funds to the Company, to provide funds necessary to acquire the Property. After accounting for the Acquisition Fee; the Company may pay compensation to certain California licensed real estate brokers in connection with the sale of Units pursuant to California Corporations Code § 25206, more specifically described in this Private Placement Memorandum.

2 Before deducting certain other expenses associated with the offering, including but not limited to legal, accounting, organization costs, engineering and due diligence costs and other direct costs of forming the Company and marketing the Units, as well as a contingency reserve (see “Use of Proceeds” and pro-forma financial materials herein).

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SUMMARY OF OFFERING

The following is a summary of certain information contained elsewhere in this Private Placement Memorandum. Reference is made to, and this Summary is qualified in its entirety by, the more detailed information appearing elsewhere in this Private Placement Memorandum, together with the exhibits thereto.

- The Company:** 2201 DWIGHT PARTNERS, LLC was formed in 2009 under California law. Its sole Manager is CityCentric/ Dwight and Fulton, LLC, a California limited liability company, whose manager is Ali Kashani and whose interests are owned by Ali Kashani, Mark Rhoades and Ali Eslami.
- Securities Offered:** The securities offered hereby are 70 Units of limited liability company interest at a total sale price of \$50,000 per Unit.
- Securities Escrow Account:** A securities escrow account has been established with U.S. Bank Trust at One California St., Ste. 2100, San Francisco, CA 94111 and all investor funds will be placed in this account until 46 Units have been sold (Minimum Offering Amount). If the Minimum Offering Amount is not attained by November 16, 2009 (or, if extended by the Manager, no later than December 20, 2009) all investor funds will be returned to investors, without interest. The Manager may loan funds without interest to attain the equivalent of the Minimum Offering Amount, in order to facilitate the timely purchase of the Property. However, the Manager's loan will be deemed converted to Unit ownership if such Units are not sold by the Offering Termination Date, December 20, 2009.
- Rights and Preferences:** The Units have equal rights and preferences. All issued Units are voting Units. The Company has one class of Units.
- Offering Price:** Three Million Five Hundred Thousand Dollars(\$3,500,000) based upon sale of 70 Units at Fifty Thousand Dollars (\$50,000) per Unit
- Minimum Investment:** Two Units (\$100,000).
- Fractional Units and Fee Deferment:** The Company may in its sole discretion, sell fractional Units to a limited number of investors in order to accomplish an orderly conclusion of this Offering. The Manager may defer payment of all or any part of its Acquisition Fee in the form of a loan to the Company in order to facilitate the purchase of the Property provided that the Minimum Offering Amount (including funds loaned by the Manager) is raised.

Use of Proceeds:

The net proceeds of this Offering, together with a \$1,900,000 purchase money loan from one of two banks now under negotiation, will be used to purchase an improved 27,000 square foot parcel (the Property”) located at 2201 Dwight Way, Berkeley, CA. Site improvements consist of a seismically upgraded and ADA compliant older brick building used as offices. The Company intends to preserve the exterior brick walls and, after conducting a second offering to raise additional equity, to redevelop the site to accommodate 33 or more apartment units in a new medium-rise building. Over 15% of the total dwelling units are expected to be below market rate (“BMR”) units under California law, which under current law will streamline the project approval and entitlement process. The completed project will be leased out and held for long term investment. Investor funds will be used primarily for acquisition of the Property, for costs associated with the project approval and entitlement process (including but not limited to City of Berkeley application fees and costs of experts and consultants associated with the development approval process) and ordinary and typical costs of holding real property (principal and interest, taxes, insurance, legal/accounting and other professional fees) and for compensation of the Manager as described herein and in the Management Agreement. The Company intends to hold the Property for long-term investment. There will not be material cash distributions to investors from real estate operations before stabilized leasing is achieved.

In order to construct the planned new apartments, the Company must raise a second round of equity capital, which the Manager presently expects to do through a vehicle similar to this offering. In addition to the increased cash equity and as part of the second-round offering, the Manager expects to offer a partial liquidity feature for the original investors. The liquidity feature will be conditioned upon: (i) the attainment of development entitlements from the city of Berkeley on materially the same terms as proposed by the company; (ii) an MAI appraisal for the Property post-entitlement which will support pricing of the second-round offering Units adequate for these purposes; and (iii) no more than 49% of the aggregate interests in Net Profits of the Company may be transferred (a tax requirement). Members tendering their Units for redemption under those conditions will agree to accept an eight percent per annum (8%) simple return on their investments from date of acceptance to date of payment.

Suitability Standards:

Only investors who satisfy certain suitability standards (“Accredited Investors”) may purchase the Units offered hereby (See “Investor Suitability Standards”).

Offering Termination Date: Unless the Company receives and accepts subscriptions for 46 Units by November 16, 2009 (the “Minimum Funding Date”), or to a date not later than December 15, 2009 if extended by the Manager, no investor funds will be accepted. No Units will be sold in any event after December 15, 2009 (the “Offering Termination Date”).

Risk Factors: The Units offered hereby are a speculative investment. Investors should consider the risk factors described in this Private Placement Memorandum (See “Risk Factors”).

Lack of Liquidity: An investment in the Units should be treated as a long-term investment. Although the Manager presently plans to offer a partial liquidity feature through the second planned offering when development approvals are obtained, this plan is necessarily contingent upon a number of factors and there can be no assurance that a holder of Units will be able to sell, transfer or otherwise dispose of his or her Units to the Company or to other parties (See “Risk Factors”).

Glossary: A Glossary of certain terms used in this Private Placement Memorandum is contained at Article 1 of the Company’s Operating Agreement.

PLAN OF DISTRIBUTION

The Units offered hereby are being offered by the Company to “Accredited Investors” under federal and California securities (see “Investor Suitability Standards”). Certain officers and directors of the Manager may offer and sell Units themselves in reliance upon exemptions from federal and state registration as broker-dealers. In addition, certain California licensed real estate brokers will sell Units in reliance upon the exemption from broker dealer requirements contained in California Corporations Code § 25206 in relation to certain offerings of California real property. None of the Units will be sold unless offers to purchase at least 46 Units (including equivalent cash from any loan by the Manager), together with the initial installments of the Unit purchase price and a properly completed subscription agreement therefore (in the form contained in this Private Placement Memorandum) are timely received. If all Units are not sold and the proceeds in cash therefrom are not received by the Minimum Funding Date of November 16, 2009 (including any permissible extension thereof to and including December 20, 2009 the principal amount of all subscriptions to date, without interest, will be returned to investors as soon as practicable and the offering will terminate. Such tendered funds will be held in an Escrow account with U.S. Bank Trust, One California St., Ste. 2100, San Francisco, CA 94111. CA. The securities sold hereby are Units of limited liability company interest, fully paid-up and entitled to all rights and privileges of participation, information, voting and dividends, and other privileges, without limitation, as other Units of the Company.

The Company specifically makes no representation of any intent to register its Units for public trading. Investors should assume that this investment will be illiquid over the life of the Company. In its sole discretion, the Company may sell fractional Units to a limited number of investors meeting the investor suitability standards, in order to provide for orderly closure of the offering.

Payment of initial compensation to the Manager and to California real estate brokers who have assisted in the sale of Units (Organization Fee, reimbursement of Company expenses) may be deferred if necessary to permit proceeds from sale of Units to be used entirely for purchase of the Property.

Directors and executive officers of the Manager, as well as Affiliates of the Manager, may purchase Units pursuant to the Offering.

The purchase price of each Unit is \$50,000. The minimum purchase by an investor is two Units. The Company reserves the right, in its sole discretion, to reject any subscription in whole or in part. The Manager of the company may, in its sole and absolute discretion, sell fractional Units to provide for an orderly close of the Offering.

INVESTOR SUITABILITY STANDARDS

THE PURCHASE OF UNITS INVOLVES CERTAIN RISKS AND IS NOT A SUITABLE INVESTMENT FOR ALL POTENTIAL INVESTORS. SEE “RISK FACTORS.” THE UNITS WILL BE SOLD ONLY TO PERSONS WHO MEET THE FOLLOWING SUITABILITY STANDARDS:

Minimum Income and Net Worth for Accredited Investors

The Company may sell Units to persons who qualify as “Accredited Investors,” defined by Regulation D promulgated under the Securities Act of 1933 as follows:

An Accredited Investor must satisfy the relevant definitions under Rule 501(a) of the Act and the relevant definitions of “excluded purchasers” or “accredited investors” under California securities laws. Generally, for an investor to be treated as an Accredited Investor, the person must meet at least one of the following standards:

1. Any private business development Company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;
2. 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 securities offered, with total assets in excess of \$5,000,000;
3. Any director, executive officer, or Manager of the issuer of the securities being offered or sold, or any director, executive, officer or Manager of that issuer;
4. Any natural person whose individual net worth or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;
5. Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
6. Any trust, with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as defined in Rule 506(b)(2)(ii) of Regulation D under the Securities Act of 1999;
7. Any entity in which all of the equity owners are accredited investors; and
8. The investor is an Employee Benefit Plan within the meaning of the Employee Retirement Security Act of 1974 in which the investment decision is made by a plan fiduciary (as defined in Section 3(21) of such Act), which is either a bank, savings and loan association, insurance company or registered advisor; or the

Employee Benefit Plan has total assets in excess of \$5,000,000, or it is a self-directed plan in which investment decisions are made solely by persons who are accredited investors.

Ability to Accept Limitations on Transferability

Holders of Units may not be able to liquidate their investment in the event of an emergency or for any other reason because there is not now any public market for the Units and at this time there can be no assurance that one will develop.

Other Requirements

THE FOREGOING SUITABILITY STANDARDS REPRESENT MINIMUM REQUIREMENTS, AND NEITHER THE SATISFACTION OF SUCH STANDARDS BY A PROSPECTIVE INVESTOR NOR THE ACCEPTANCE BY THE COMPANY OF A PROSPECTIVE INVESTOR'S SUBSCRIPTION NECESSARILY MEANS THAT THE UNITS ARE A SUITABLE INVESTMENT FOR THE INVESTOR. THE FINAL DETERMINATION AS TO THE SUITABILITY OF AN INVESTMENT IN THE COMPANY CAN BE MADE ONLY BY A PROSPECTIVE INVESTOR AND HIS OR HER ADVISORS, IF ANY.

An investor will be required to represent in the Subscription Agreement, which is included within Exhibit "B", that he or she satisfies the investor suitability standards above. The suitability for any particular investor of a purchase of Units will depend upon, among other things, such investor's investment objectives and ability to accept highly speculative risks, including the risk of total loss.

The Company has the right, in its sole judgment and discretion and at any time, to refuse any subscription for Units, in whole or in part, for any reason by written notice of such rejection accompanied by the return of any subscription funds deposited by such prospective investor without interest and without deduction.

RISK FACTORS

PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, ALONG WITH ALL OF THE OTHER INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM, THE FOLLOWING RISK FACTORS ATTENDANT TO THAT INVESTMENT, AND SHOULD CONSULT WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS WITH RESPECT THERETO:

Risk Associated With Operating History

The Company was formed in 2009 to purchase, develop, hold and manage certain improved real property in Berkeley, CA. The Business will require additional capital to be realized from a second-round private placement offering, construction financing and permanent financing in order to support projected development and management costs in future years. The Company has no operating history.

Limited Capitalization; Further Borrowing

Although the Company has made a good faith effort to provide for reasonably anticipated problems and expenses in the development of its business plan, there remains a risk that occurrences neither foreseen nor foreseeable could seriously increase the Company's need for capital. This may result from (for instance) unforeseen difficulties in obtaining planning approvals and other entitlements from the City of Berkeley, public agency charges not presently envisioned, overruns in construction costs, difficulties in raising a projected second round of equity capital, unforeseen difficulties in lease-up or lease rates, or uninsured risks. There is no assessment provision in the Company's Operating Agreement to provide for those eventualities, and the burden of such events would require either additional borrowing by the Company or the raising of additional equity or debt capital, possibly on unfavorable terms. Despite the fact that the Property is expected to derive lease revenue upon completion of the apartments, the Company may still not have revenues available nor be able to raise additional capital through additional offerings or borrowings, and therefore may not be able to complete implementation of its business plan. All real estate development activity is to one or another extent speculative and subject to market fluctuation, although apartment development in the core Bay Area historically less so due to the excess of demand over supply and the strength of the local Berkeley economy.

Limited Income; Fixed Expenses

Operating expenses and payments of the Company must be met in all events. These include, but are not limited to, loan principal and interest, real property taxes, insurance, utilities (to a limited extent), payments to outside professionals such as CPA's and lawyers and compensation to the Manager under the terms of the Company's Operating Agreement and Management Agreement. Control of expenses will rest with the Manager of the Company. The Company's income will be limited to revenues from apartment leasing of the Property. There is no assurance that the Property can be leased as quickly as the Manager predicts. The Company expects to have a limited supply of working capital. If the working capital is depleted, the Company may be required to rely on borrowed funds or take other actions which could have an

adverse affect on the Company's operations. Macroeconomic factors affecting the Company and the value and marketability of its real estate include the health of the national, state and regional economies and the cost and availability of future financing. There can be no assurance that these factors will move positively for the company and its investors.

Risks of the Development Approval Process

The Manager believes that the long experience and demonstrated skill of its personnel in navigating the development requirements of Berkeley is unique. At the same time, however, such familiarity does not assure an outcome. The Manager has sought to eliminate most possible objections to the project by incorporating a 15%-plus “very low income” element within the apartments, but even this will not result in assured project approval. Any material delay in the approval process may cause the project to become vulnerable to delay. Additionally, state law allows voter initiatives to challenge development projects and lawsuits can occasionally do the same. The Manager is unaware of such opposition at this time and believes that the project will gain widespread approval because it addresses a recognized need in Berkeley. Still, there can be no guarantee that opposition will not emerge.

Risks of Owning Development Property

The Company's future success will depend in part upon localized factors, including both its ability to “position” its real property investment for profitable sale in the future and also trends affecting the value of apartments in the San Francisco Bay Area and in Berkeley in particular. The first factor is mainly a product of the marketing skills of the Manager in representing the Property in the marketplace. The second factor is the product of the pace, intensity and direction of multi-unit residential development in the core San Francisco Bay Area. The Manager believes it likely that, particularly as the economic downturn ends, the trends will favor the proposed project.

Specific to the Company, the development process includes a number of risk factors wholly or largely outside the control of the Manager. These include but are not limited to severe disruption in the financial industry, unavoidable cost overruns, the availability of qualified contractors, subcontractors or suppliers, insolvency of such companies during the construction process, other legal disputes with contractors, the availability of construction materials (the aftermath of Hurricane Katrina being an excellent example), local or national strikes in the construction trades or supply industries and the availability of fuel or other forms of energy.

Risks Related to Financing and Leveraged Instruments

Until 2008, an abundance of choices existed for owners of multi-unit properties seeking to finance or refinance their assets. The economic calamity of 2008 eliminated many financing sources and severely constricted most others. Construction financing has been particularly hard-hit. The Manager is optimistic that construction and permanent financing can be found in this case, largely because of the track record of newer apartment properties in Berkeley in recent years, but also because the availability of financing is expected by many to again improve within the next two years. However, there can be no assurance that this will occur. Unavailability of

construction financing will stall a project for an uncertain period of time, perhaps sapping its reserves and making it less marketable for resale. Lack of permanent financing after completion of construction will at some point subject the project to risk of foreclosure, when the construction loan cannot be “taken out” (paid off). The cash flow expected to be generated by this vehicle may not materialize if at time of completion tenant demand lessens or if (as some economists contend will occur) high inflation within the next few years drives interest rates up dramatically. Loan costs, “points” and related charges all play roles in this calculus.

Certain other risks related to leveraged financing and property insurance should be noted. Apartment loans carrying fixed rates typically mature in three to ten years in order to hedge the rate risk to the lender. Such loans present the risks related to terms and availability of new financing found in all “balloon payment” loans. On the other hand, loans with longer terms tend to re-set their rates on a periodic basis according to a constant “spread” or margin over a variable index. While caps and other limitations can be negotiated at a price, such loans still present the risk that sudden increases in interest rates cannot be matched or offset by increases in rental rates. Apart from these risks, there are also risks related to potential casualty losses. Under the terms of the loan instruments secured against the property, an event causing significant damage to the Property will trigger significant rights of the lender with respect to both the application of casualty insurance proceeds and the terms under which the Property is repaired. In such cases, the new or repaired structure could conceivably be worth less than the one damaged earlier, and the length of time necessary to sort out the parties’ rights and to rebuild may in the end leave the insured party effectively underinsured. While the Manager will attempt to find the best coverage possible, such risks cannot be entirely avoided by the mere choice of insurer or terms of coverage. Finally, while the Manager will do its utmost to avoid the Property being underinsured, there is still the possibility that the Property could be underinsured for certain events or (less likely) that a significant uninsured casualty could occur.

In connection with financing, the Manager points out that it intends to mitigate risk by building on recent success in obtaining tax-exempt bond financing under similar circumstances through the program of the California Debt Limit Allocation Committee. The Manager intends to use this approach and its successful track record to obtain construction/permanent financing for the Property

Environmental Risks

Prospective investors should understand that environmental issues in the development of property are frequently found and that such factors frequently limit and occasionally prevent altogether development which would otherwise be available and desirable. Federal and state laws in this category are zealously enforced by various agencies and numerous “watchdog” environmental groups are active.

The Manager has performed its due diligence investigation on the Property, but such conditions as undetected underground tanks and hazardous chemicals in the soil from remote owners may still occur, any of which may cost the Company substantial sums of money to remediate, or perhaps worse, significant delay before a project can proceed. Additionally, factors such as increased traffic, increased ambient light, construction noise or noise from

permanent occupancy, shadows from the new structure or the cumulative effect upon the environment of a number of factors all fall within the definition of “environmental issues” which can be raised either by members of the general public or by specific “stakeholder” groups during the application and hearing process. Despite the Manager’s assessment that all known eventualities have been anticipated and dealt with, there can be no absolute assurance that a new concern will not be brought forth, with the result that the project may be delayed or become unexpectedly expensive.

Risks of Rent Control

The City of Berkeley’s Rent Stabilization Ordinance (a rent control measure) does not apply to any new rental housing constructed after 1980. Additionally, California law provides “vacancy decontrol” protections for rental rates when tenants vacate their “rent-controlled” units. However, the Company and its Members have no absolute protection against local attempts to limit property owners’ rights in this or potentially other areas of concern.

Reliance on Key Personnel

The success of any venture is dependent upon the availability of skilled personnel, and the appropriate management philosophy and personalities for each phase of development. Onsite property management is a particularly important area which will require that the most appropriate staff be recruited and hired. There can be no assurance that the Company will be able to retain key people and continue to attract qualified personnel in the future. Lack of qualified personnel could damage the Company’s ability to realize its goals under the business plan.

Skill of Management

The success of the Company depends on the skills and abilities of several key principals of the Manager, particularly Messrs. Ali Kashani, Mark Rhoades and Ali Eslami. If these individuals were to cease to be involved with the Company for any reason (including, but not limited to, death or termination of employment), the success of the Company would depend in part on the ability of the Company to engage new people of at least equivalent skill. There is no assurance that the Company will be able to replace any departed key employee or principal of Manager.

Concentration of Control

Following the completion of this offering, the Manager will remain in absolute control of the Company. The Manager, by and through its members, exercises virtually total control over all aspects of the Company's business operations and procedures, save and except for a small number of voting decisions requiring the assent of owners of a two-thirds majority of Units. This means that purchasers of the Units will invest subject to the risks associated with not having control of the Company.

The Manager of the Company has complete discretion concerning all aspects of the Company, including almost complete control of business plans, project design, selection of contractors, financing, hiring and firing of consultants or professional advisors and ongoing business operations. The members of the Manager will continue to follow accepted business procedures and use their best efforts to implement this business plan. However, they retain complete discretion to modify this business plan or abandon it altogether, should business conditions or opportunities dictate.

Further, there is the possibility that unexpected negative events concerning either the Property or the economy in general would alter investment conditions to the extent that dilution of existing investors is required in order to raise necessary capital. While the Manager has the right to loan additional capital to the Company, the Manager may not be in a position to do so. In such event, there can be no assurance that the current management team would remain in place or that the Company's business plan would not materially change as a result of a shift in control.

Repayment of Certain Distributions

Under the terms of the terms of the Beverly-Killea Limited Liability Company Act (“LLC Act”), California Corporations Code Section 17000 and following, and in particular Section 17355, a Member who receives the return of any part of his capital contribution even though the return was given in compliance with the terms of the Operating Agreement and with California law, may be required at a later time to pay back all or any part of the capital so returned to the extent necessary to discharge the Company's liability to creditors who had extended credit to the Company prior to the return of capital contributions. A distribution to a Member is deemed to be a return of his contribution under the LLC Act to the extent that it reduces his share of the value of the Company's net assets below the amount of his returned contribution.

Contingent Liabilities of Key Persons

The members of the Manager will, in addition to their responsibilities to the Company, have responsibilities to other investment programs and personal investments which may involve loan obligations to lenders, guarantees of loans and other contractual commitments. If the assets of the Company are insufficient to meet its obligations, creditors may look to the members of the Manager to provide either performance or credit support. If the resources of these persons were at any time inadequate to satisfy their creditors either in relation to this investment program or another, the integrity and security of the Company's position with its lender(s) may be significantly compromised. There can be no assurance that events arising from an unrelated covenant of Manager personnel would not damage the Company's security or equity.

Competition with Other Ventures of the Manager and its Members

The Manager and its members own and/or sponsor other real estate investment properties and programs. These activities may compete for the time and resources of the Manager's personnel. Additionally, certain of the properties may compete with the Property for tenants.

The Company will not have the legal right to compel the Manager's personnel to allocate their time in the Company's favor, nor to forego opportunities for the sale of the Company's interests.

Agreement Not at Arms' Length

As described under "Compensation and Fees of the Manager and its Affiliates", the Manager will be paid certain fees and other compensation by the Company for services rendered and to be rendered in the future to it. The magnitude of these fees and the time and manner of their payment have been determined without the benefit of arms'-length bargaining. However, in the opinion of the Manager, the fees and charges to be paid to the Manager and its Affiliates under the circumstances presented are no less favorable than the charges which would be paid to independent contractors under the same or similar circumstances in the San Francisco Bay Area.

No Market for Units

There is presently no market for the Units and none is anticipated. There are substantial restrictions upon the sale of Units. The Company's exit strategy anticipates the ability to sell its Property, but it may take longer to liquidate them than anticipated. There can be no absolute assurance of the final liquidation date of the Company, nor a particular date upon which investments will be returned.

Units Eligible for Future Sale

The Units offered hereby are "restricted securities" as that term is used in the Securities Act of 1933, as amended (the "Act"). Such Units of stock are not eligible for sale to the public unless registered under the Act (and applicable state securities laws) or if sold in accordance with Rule 144 under the Act or pursuant to another exemption from registration. In general, under Rule 144, a person (or person whose securities holdings are required to be aggregated) who has beneficially owned such securities for at least one year, including a person who may be deemed an affiliate of the Company as the term "affiliate" is defined under Rule 144, is entitled to sell restricted securities. An "affiliate" may sell within any three-month period a number of Units that does not exceed the greater of one percent of the then outstanding Units of the same class of securities during the four calendar weeks preceding such sale. A person (or persons whose Units are aggregated) who is not deemed an "affiliate" of the Company (and has not been such for at least three months prior to the sale) and who has beneficially owned Units for at least one year is entitled to sell Units under Rule 144 without regard to the volume limitations described above.

Prior to this offering there has been no established market for the securities of the Company, and no prediction can be made as to the effect, if any, that market sales of Units or the availability of Units for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of Units of the Company in the marketplace or otherwise could adversely affect prevailing market prices of the Units, including the prices of the Units offered hereby.

No Registration under Securities Act of 1933

This offering has not been registered under the Act. The Company is relying on certain exemptions from federal securities laws in making this offering. There is no assurance that the offering presently qualifies or will continue to qualify for the exemptions upon which the Company relies due to, among other things, the adequacy of disclosure and the manner of distribution or change in any securities law regulation governing this offering which is retroactive in its effect. If and to the extent that claims or suits for rescission are brought and successfully prosecuted for failure to register this offering or for acts or omissions constituting offenses under the federal securities laws or securities laws of any state, both the capital and assets of the Company could be adversely affected, jeopardizing the ability of the Company to operate successfully. Further, the capital of the Company could be adversely affected by its need to defend an action by enforcement authorities of the federal or state securities agencies, even if the Company is ultimately exonerated.

Arbitrary Offering Price

The offering price of \$50,000 per Unit and the number of Units offered hereby have been determined arbitrarily by the Company. No independent opinion or other appraisal has been obtained in the determination of the value of the Company or offering price.

Summary of Federal Income Tax Risks

There are substantial risks associated with the federal income tax aspects of investment in the Company. This Memorandum (see "Tax Consequences") is not intended as a substitute for careful tax planning, particularly since the income tax consequences of an investment in the Company are complex and certain of them (including the implications of newly-enacted tax legislation and of proposals for further legislative and administrative tax changes) will not be the same for all taxpayers. **THE COMPANY HAS NOT OBTAINED A LEGAL OPINION CONCERNING THE TAX IMPLICATIONS OF AN INVESTMENT IN THE COMPANY.** Accordingly, prospective purchasers of Units are strongly urged to consult their tax advisors as to their own tax situation prior to investment in the Company. The cost of such consultation could, depending on the amount thereof, materially increase the cost of investment in the Company and decrease any anticipated yield on the investment.

Risk of Audit

The Company's federal information returns may be audited by the IRS. Such audit may result in the challenge and disallowance of some of the deductions or increase in the taxable income described in such returns. No assurance or warranty of any kind can be made with respect to the deductibility or taxability of any such items in the event of either an audit or any litigation resulting from an audit.

Tax Classification of the Company

The Manager intends for the Company to be taxed as a partnership for federal income tax purposes. If the Company were to be treated for tax purposes as a corporation, the tax benefits

associated with an investment in the Company, if any, would not be available to the Members. The Company would, among other things, pay income tax on its earnings in the same manner and at the same rate as a corporation, and losses, if any, would not be passed through to, and deductible by, the Members. See "FEDERAL INCOME TAX DISCUSSION - Tax Consequences Regarding Company - Status as Partnership."

Unrelated Business Taxable Income

The Property is improved with a commercial building and in the future is intended to be improved with apartments which will in all cases be rented out, producing rental income. The Company may, particularly when operating apartments, generate unrelated business taxable income at a material level. Such unrelated business taxable income could have an adverse tax effect upon IRA's Keoghs, SEP plans and other tax-exempt entities. Local economic conditions could potentially change in ways which are not presently foreseen, accelerating and increasing the amount of rental income to the Company. *Tax-exempt entities are strongly advised to consult with their own tax experts regarding potential issues affecting them.* See "FEDERAL INCOME TAX DISCUSSION – Investment By Qualified Plans and Individual Retirement Accounts – Unrelated Business Taxable Income."

USE OF PROCEEDS

The table below should be read together with the Statements of Projected Income and Cash Flow on the following page. The table below presents results as of the Offering Termination date, and represents the Company's best estimate of the use of proceeds from this offering if all Seventy (70) Units are sold and alternatively if the minimum of forty-six (46) Units are sold.

ESTIMATED SOURCES AND USES OF PROCEEDS AS OF OFFERING TERMINATION DATE				
<u>I. PRE-CONSTRUCTION PHASE:</u>	<u>42 Units Sold</u>		<u>46 Units Sold</u>	
	<u>Dollar Amount</u>	<u>Percentage of Proceeds</u>	<u>Dollar Amount</u>	<u>Percentage of Proceeds</u>
<u>Sources</u>				
Proceeds - Initial Investments	2,144,566	51%	2,273,403	54%
Deferred Manager's Fee	128,837	3%		
Land Acquisition Loan	1,900,000	45%	1,900,000	45%
Office Rental Income from Manager	52,500	1%	52,500	1%
Total Sources of Funds Phase I	4,225,903	100%	4,225,903	100%
<u>Uses</u>				
Property Purchase Price	2,800,000	66%	2,800,000	66%
Offering + Origination Expenses	86,000	2%	86,000	2%
Acquisition-related Expenses	70,000	2%	70,000	2%
Interest and Operating Reserves (3 Yrs)	617,812	15%	617,812	15%
Manager's Acquisition Fee	56,000	1%	56,000	1%
Entitlements Costs	338,417	8%	338,417	8%
Manager's Fee for Entitlements	257,674	6%	257,674	6%
Total Uses of Funds Phase I	4,225,903	100%	4,225,903	100%

These financial projections are not promises or representations of particular economic returns, but are merely Manager's estimates of reasonable economic outcomes based upon information known at the date of the offering.

ESTIMATED SOURCES AND USES OF PROCEEDS AS OF OFFERING TERMINATION DATE				
<u>II. CONSTRUCTION / PERMANENT PHASE</u>	<u>22 Units Sold</u>		<u>24 Units Sold</u>	
	<u>Sources</u>	Dollar Amount	Percentage of Proceeds	Dollar Amount
Proceeds - Balance of Maximum Offering	1,078,366	7%	1,245,854	7%
Deferred Manager's Fees	167,488	1%		1%
Third Party Office Rental Income		0%		0%
Construction/Perm Loan	13,662,014	92%	13,662,014	92%
Total Sources of Funds Phase II	14,907,869	100%	14,907,869	100%
<u>Uses</u>				
Secure Building Permits	482,122	3%	482,122	3%
Architectural & Engineering, Legal	295,596	2%	295,596	2%
Hard Construction Costs	8,456,933	57%	8,456,933	57%
Financing Costs	1,117,016	7%	1,117,016	7%
Impact Fees, Utility Fees, Permits	707,292	5%	707,292	5%
Manager's Fees	334,976	2%	334,976	2%
Hard and Soft Contingencies	906,096	6%	906,096	6%
5% Preferred Returns + 8% Redemptions	707,838	5%	707,838	5%
Pay off Land Loan	1,900,000	13%	1,900,000	13%
Total Uses of Funds Phase II	14,907,869	100%	14,907,869	100%

These financial projections are not promises or representations of particular economic returns, but are merely Manager's estimates of reasonable economic outcomes based upon information known at the date of the offering.

ESTIMATED SOURCES AND USES OF PROCEEDS AS OF OFFERING TERMINATION DATE				
<u>Summary of Sources and Uses</u>				
<u>Sources</u>	<u>64 Units Sold</u>		<u>70 Units Sold</u>	
	Dollar Amount	Percentage of Proceeds	Dollar Amount	Percentage of Proceeds
Proceeds - Maximum Offering	3,222,932	19%	3,519,257	20%
Deferred Manager's Fee	296,325	2%		
Office Rental Income	52,500	0%	52,500	0%
Construction/Permanent Tax- Exempt Bond Loan	13,662,014	79%	13,662,014	79%
Total Sources of Funds	17,233,772	100%	17,233,772	100%
Property Purchase Price	2,800,000	16%	2,800,000	16%
Offering + Origination Expenses	86,000	0%	86,000	0%
Acquisition-related Expenses	70,000	0%	70,000	0%
Interest and Operating Reserves (3 Yrs)	617,812	4%	617,812	4%
Manager's Acquisition Fee	56,000	0%	56,000	0%
Entitlements Costs	338,417	2%	338,417	2%
Manager's Fee for Entitlements	257,674	1%	257,674	1%
Secure Building Permits	482,122	3%	482,122	3%
Architectural & Engineering, Legal	295,596	2%	295,596	2%
Hard Construction Costs	8,456,933	49%	8,456,933	49%
Financing Costs	1,117,016	6%	1,117,016	6%
Impact Fees, Utility Fees, Permits	707,292	4%	707,292	4%
Manager's Fees	334,976	2%	334,976	2%
Hard and Soft Contingencies	906,096	5%	906,096	5%
5% Preferred Returns + 8% Redemptions	707,838	4%	707,838	4%
Total Uses of Funds	17,233,772	100%	17,233,772	100%

These financial projections are not promises or representations of particular economic returns, but are merely Manager's estimates of reasonable economic outcomes based upon information known at the date of the offering.

BUSINESS OF THE COMPANY

Background of Manager

CityCentric/ Dwight and Fulton, LLC, a California limited liability company, organized in 2009, is the sole Manager of the Company (“Manager”). The members of Manager are Ali Kashani (manager), Mark Rhoades and Ali Eslami.

Organization

The Company is a limited liability company organized under California law. As organized, the Company provides the “pass-through” tax attribute characteristics of a partnership, while limiting the liability exposure of investors to the amounts invested in the same manner as a corporation. Effectively all management decisions and operational control of the Company are vested in the Manager (see section entitled “Management”). The Manager will be compensated through a Management Contract with the Company (see section entitled “Management Compensation”).

Investment Strategy

The overall investment objective is to acquire the Property, obtain development approvals from the City of Berkeley and construct 33 or more apartment units in a five-story structure which will be held for long-term investment. It is anticipated that over 15% of the apartments will meet the criteria for the category of “below market rate” housing (“BMR”) termed “very low income.” The Property is presently vacant, but will be marketed for lease for commercial purposes with the intention of keeping it leased during the development approval process.

The Property

The Property consists of approximately 27,000 square feet of land improved with a one-story brick structure of approximately 20,000 square feet, located at 2201 Dwight Way, Berkeley, corner of Fulton St (Alameda County APN # 055-1889-014). The parcel is under written purchase agreement between the sellers, Sklar and Weinstein, and three members of the Manager, Ali Kashani, Mark Rhoades and Ali Eslami. These individuals will assign their contract rights to the Company prior to the scheduled closing date.

The total purchase price of the Property is Two Million Eight Hundred Thousand Dollars (\$2,800,000), all cash at closing. The Property will be conveyed free and clear of all encumbrances or title defects of record with the exception of the normal continuing lien of real property taxes. The remainder of the purchase price will be financed by a purchase-money first loan made by a bank to the Company, now under negotiation. The principal amount of the loan is expected to be approximately \$1,900,000 for a term of approximately five years, at a competitive rate of interest (approximately 6½%), with two points payable as loan charges (“points”) and a holdback equaling approximately three years of interest and operating reserves. The remainder of the loan proceeds in excess of the sums necessary to close escrow and for loan costs and holdbacks will be kept in the Company’s reserves for application in accordance with

the table of Uses of Proceeds set forth earlier. The escrow holder for the real estate purchase is Old Republic Title Co., San Rafael, CA. Under the terms of the purchase agreement, the contract buyers advanced a \$50,000 initial deposit, which was released to the sellers as “non-refundable” and representing “liquidated damages” in the event that the purchasers fail to close escrow without legal justification. The purchase contract provides that closing costs will be shared as follows: escrow costs and City of Berkeley transfer taxes are split 50-50; the seller pays recording costs and documentary transfer tax; the buyers will pay for their policy of title insurance and all desired endorsements; and all other closing costs are to be split according to local custom and practice. The Property will be purchased “as-is.” The Manager’s investigations and due diligence on the Property have enabled it to conclude that it was appropriate to waive inspection contingencies. The Manager obtained a JCP Report reflecting all known databases of disclosable information, and the JCP Report disclosed no materially negative information concerning the Property. The purchase contract specifies a November 22, 2009 closing date. The entire brokerage commission will be paid from sellers’ funds to Colliers International.

The Development Project

The proposed project is a 33 or more unit student-oriented rental housing project consisting of six 2-Bedroom / 2 Baths, two 3-Bedroom / 2 Baths and twenty-five 4-Bedroom / 3 Bath units for a total of 118 bedrooms at 2201 Dwight Way at Fulton Street. The project is ideally located just four blocks south of the University of California at Berkeley and four blocks from the heart of downtown Berkeley (including Berkeley City College and BART). 2201 Dwight Way provides a unique combination of extremely high demand coupled with a very high barrier to market entry. This combination has created demand for rental units to far exceed the current and foreseeable supply.

The site consists of an approximately 27,000 square foot lot with an existing 20,000+ square foot office building (including approx. 5,000 sq ft of mezzanine) and 28 parking spaces. The proposal includes preservation of most of the existing building and the parking area. The project’s key components include the following:

- 33 or more dwelling units (most with balconies) on five floors with a total of 118-126 bedrooms;
- approximately 37,000 square feet net rentable, @48,000 square feet gross floor area;
- Retention of 28 on-site parking spaces;
- High percentage of units with premium San Francisco Bay or Berkeley Hills/Campus views;
- Sufficient below market rate units (currently five units) to meet the Berkeley Inclusionary Requirement;
- High quality and context sensitive architectural design;
- Well designed on-site open spaces with panoramic Bay views; and
- An internal resident “village” that includes ample bicycle and personal item storage, resident lounge with wi-fi, leasing office, and laundry facilities located around an inviting and transparent entry atrium.

The final determination of the number of below market rate units required for the project will be a product of the combined application of both California law and Berkeley ordinances in relation to the design proposal for this project.

Bond Financing for 2201 Dwight Way

Tax-Exempt Bonds are an attractive financing source for developers because they typically allow for larger loan amounts at lower interest rates than conventional loans. The California Debt Limit Allocation Committee (“CDLAC”) administers the tax-exempt private activity bond program, which has a maximum annual issuance amount based on a statutory per capita dollar amount. The 2009 maximum issuance amount for California is \$3,308,099,940. There are several housing categories that qualify for CDLAC tax-exempt bond financing. The Project at 2201 Dwight Way would be eligible under the Qualified Residential Rental Project program. This program assists developers of multifamily rental housing in the acquisition and construction of new units. The tax-exempt bonds lower the interest rate paid by developers and the developers are in turn required to include a certain percentage of units for low and very low income households, which is also required by the City of Berkeley and will be satisfied by Manager’s designation of fifteen percent or more of project units for low and very low income families and individuals.

Additional Members of Project Team (subject to Manager’s discretion)

Architect

Name: Mikiten Architecture
Contact Person: Erick Mikiten, AIA, Principal
Address: 2415 Fifth Street, Berkeley, CA 94710

Structural Engineer

Name: Yu/Strandberg
Contact Person: Peter Yu
Address: 410 12th Street, Suite 200, Oakland, CA 94607

LEED/Green Building

Name: KEMA Services
Contact Person: Elaine Hsieh
Address: 155 Grand Avenue, Suite 500, Oakland, CA, 94612

Mechanical/Electrical/Plumbing Engineers

Name: Guttman & Blaevot
Contact Person: Mehran Khazra
Address: 2351 Powell Street, San Francisco, California, 94133

A general contractor has not been chosen at the date of this Private Placement Memorandum.

The Market

The Manager believes that 2201 Dwight Way's location near campus and the downtown insure high market rents and occupancies insuring long-term stability in occupancy and cash flow. Berkeley's high barriers to market entry (entitlement process) insure that local housing demand will continue to significantly outpace the development of new housing supply. Some recent data to support this conclusion include:

- In 2008 the Berkeley apartment market continued to outperform most markets in the Bay Area, reporting 99% to 100% occupancies for comparable properties built after 2000.
- The Class A core apartment product in Berkeley experienced 7% to 8% effective rent growth in 2008 and is expected to outpace most Bay Area apartment markets over the near term.
- There is a limited pipeline of development projects over the next several years, particularly in the Southside and the Downtown and the Berkeley market is forecast to remain one of the most fundamentally sound in the Bay Area.
- Strong enrollment figures over the next several years for UC Berkeley and Berkeley City College will place upward pressure on rents and further constrain apartment occupancy in Berkeley. The combined enrollment of both schools is 39,000 students with an expectation of growth of more than 5,300 students by 2015. There are only 7,400 beds provided by UC Berkeley.
- Apartments constructed after 2000 achieved sales premiums equivalent to 3.75% to 4.25% cap rates, some of the highest ever recorded for apartment sales outside San Francisco.

Berkeley Population Demographics, Income and Trends

Berkeley has a well established land use pattern and is centrally located in the East Bay. Berkeley is home to the University of California's flagship campus. UC Berkeley has more than 30,000 students and provides more than 13,500 workers (+ 9,900 student employees).

Housing and population remained fairly constant in Berkeley over the last 30 years but Berkeley experienced a significant increase in the number of jobs. In 1970, Berkeley had about 51,000 total jobs. Estimates for the number of jobs in Berkeley in 2000 vary between 70,000 and 77,000. This figure includes approximately 65,000 wage and salaried jobs and between 5,000 and 10,000 non-wage earning jobs and self-employed residents. The increasing number of jobs and the fairly constant supply of housing have resulted in increased demand for the limited housing and an increase in the number of people commuting into the city on a daily basis.

Current data for 2007 suggests an increase of 4.4% over the 2000 population (102,700 to 107,200). The population of Berkeley is aging, with a doubling of the 55-64 age groups from 1990 to 2007 both in size and as a proportion of the total population. The population of Berkeley is also becoming wealthier. There was a 5.8% increase in the number of households earning more than \$100,000 per year between 2000 and 2007 (20.8% to 26.4%). At the same time households earning less than \$40,000 per year decreased by 5.7% (46.3% to 40.6%). Berkeley's

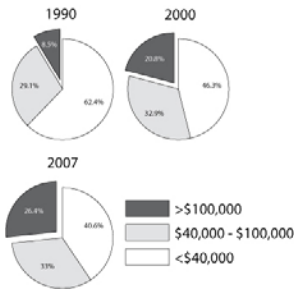
population is primarily white (63%). Asian, Native Hawaiian/Pacific Islanders make up 17% of the population and Black or African-Americans comprise 11%.

Every seven years the State of California allocates housing growth targets for each region of the state. The regional governing body then allocates those units to each local jurisdiction. Because of Berkeley's excellent transit access and projected job growth it was allocated a higher proportion of housing development than cities such as Piedmont or Albany. Berkeley's current regional fair-share housing allocation for the time period of 2007 to 2014 is 2,431 units.

Berkeley Historical Population Growth: 1890-2007		
Year	Total Population	% Change
1890	5,101	-
1900	13,214	159.0%
1910	40,434	206.0%
1920	56,036	38.6%
1930	82,109	46.5%
1940	85,547	4.2%
1950	113,805	33.0%
1960	111,268	-2.2%
1970	116,716	4.9%
1980	103,328	-11.5%
1990	102,724	-0.6%
2000	102,743	0.0%
2005-2007	107,268	4.4%

Age Distribution of Berkeley, 1990, 2000 and 2007							
Age (years)	% of Total		% of Total		% of Total		% Change 1990 to 2007
	1990	Pop.	2000	Pop.	2007	Pop.	
Under 15 years	12,405	12.1%	12,115	11.8%	11,036	10.3%	-11.0%
15 to 24 years	25,317	24.6%	24,557	23.9%	28,816	26.9%	13.8%
25 to 34 years	19,433	18.9%	18,360	17.9%	14,127	13.2%	-27.3%
35 to 44 years	17,580	17.1%	14,310	13.9%	14,295	13.3%	-18.7%
45 to 54 years	10,439	10.2%	14,325	13.9%	13,823	12.9%	32.4%
55 to 64 years	6,298	6.1%	8,592	8.4%	13,093	12.2%	107.9%
65 to 74 years	6,085	5.9%	4,993	4.9%	6,687	6.2%	9.9%
75+ years	5,167	5.0%	5,491	5.3%	5,391	5.0%	4.3%
Total	102,724	100.0%	102,743	100.0%	107,268	100.0%	4.4%

Source: U.S. Census, 1990 and 2000, ACS 3-year estimates 2005-2007



Race	Ethnicity of Population for Berkeley, 1990-2000							
	1990		2000		2007		% Change, 1990-2007	
	Number	Percent	Number	Percent	Number	Percent		
White	63,833	62.1%	60,797	59.2%	67,766	63.2%	6.2%	
Black or African-American	19,281	18.8%	14,007	13.6%	11,831	11.0%	-38.6%	
Asian, Native Hawaiian/Pacific Islander	15,178	14.8%	16,963	16.5%	17,917	16.7%	18.0%	
Other Races, Including American Indian	4,432	4.3%	5,231	5.1%	5,362	5.0%	21.0%	
Two or more races	n/a	n/a	5,725	5.6%	4,298	4.0%	n/a	
Total	102,724	100.0%	102,743	100.0%	107,268	100.0%	4.4%	
Hispanic Latino	8,589	8.4%	10,001	9.7%	10,706	10.0%	24.6%	

Core Bay Area Multi-Family Housing Market

As of 2007 the population of the Bay Area is approximately 7.1 million. It is the 12th largest metropolitan area in the United States. The Berkeley-Oakland MSA has become the hub of the region with a population of nearly 2.5 million. The population of the Bay Area is projected to grow by an additional 1.2 million people by 2015.

The core Bay Area multi-family housing market remains one of the most robust in the United States. The San Francisco Bay Area has long been recognized as the financial and cultural center of the West. The Bay region is home to a knowledge-based economy that boasts the world's largest concentrations of technology and venture capital firms. The nine-county Bay Area, with 4.4 million jobs and a population of 7 million residents, is the fifth largest metropolitan market in the United States with a gross regional product in excess of \$400 billion, making it the world's 15th largest economy.

The Bay Area has a tremendous concentration of wealth. With a median annual income of \$73,760, it is 1.5 times higher than the U.S. median. The Association of Bay Area Governments (ABAG) predicts that the average annual household income will increase by 10% between 2005 and 2010.

Other Pending Developments

A proposed 44-unit project, also student-oriented, is located in the same general market area at 2526 Durant Ave., Berkeley. Nine units are BMR units. The project is on a 10,377 square foot lot with 29,855 square feet of gross residential floor area and 2,483 square feet of non-residential floor area. The average unit size is 679 square feet. The developer is Rue-Ell Enterprises.

Entitlements (Development Approvals)

Manager's members have significant depth of experience with Berkeley's complex entitlement processes. As Berkeley's former City Planning Manager for 10 years, Mr. Rhoades developed Berkeley's existing large project processes, and is intimately familiar with the role that state laws can play to expedite them. As a long time Berkeley developer, Mr. Kashani has successfully navigated these same processes in the design, construction and lease up of over a dozen large projects during the last 20 years. CityCentric is familiar with the expectations of Berkeley's decision-makers. CityCentric just recently completed entitlements for a major (98 unit) project in less than 14 months. Similar sized projects in Berkeley have not been completed in less than 30 to 36 months previously.

CityCentric's development strategy is rooted in a set of core values that aim at maximizing equity and value for its investors and for the community. Our understanding of community preferences and context sensitivity avoids many of the time intensive pitfalls that many development projects are subjected to. For instance, the project will include slightly deeper affordability than the City requires. This is welcomed by the City's decision-makers while at the same time it triggers certain state law protections for the project.

Financing

Mr. Kashani's 20+ years of relationships with major financial institutions facilitated closing on an \$8.5 million construction/permanent loan for a similar student-oriented housing in the South Campus area in July 2009. Mr. Kashani has used tax-exempt bond financing and closed on many similar construction/permanent loans in the Bay Area. The same lender has toured the subject property and expressed strong interest in providing financing for our proposed project.

Construction and Completion

The Manager believes that it has the capacity and experience to bring this project to successful construction completion. Mr. Kashani has built several hundred dwelling units in Berkeley and the greater East Bay over the last 25 years. He has intimate knowledge of the construction industry and long-term relationships with many of the Bay Area's best general contractors. The timing of construction and completion is expected to correspond with the beginning of UC Berkeley's Academic year.

The current economic climate is providing unique challenges and opportunities for development. CityCentric's local financing relationships and the stable Berkeley housing market positions us uniquely to proceed with this project. Construction pricing is at its lowest point in years and CityCentric's construction relationships allow us to set realistic targets. The Company's budget is not based on current low prices, but rather is stabilized to anticipate bidding prices in 2011.

Lease-Up and Management

In 1995, Mr. Kashani launched the property management arm of Affordable Housing Associates and quickly made it a profit center. This provided him with first-hand experience in setting up adequate financial management and reporting systems, marketing and lease-up, repair, maintenance and property management personnel, and finally tenant/owner challenges, particularly in acquisition/rehab projects in Berkeley (new construction projects are substantially exempt from provisions of the Berkeley Rent Stabilization Ordinance).

A student-oriented housing project poses unique management challenges. Mr. Kashani has leased and managed more than 900 dwelling units in over 20 projects during the last 25 years. Under his direction, CityCentric currently manages a number of residential and commercial properties in the East Bay. CityCentric's property management knowledge and tools will insure that cost control and a quality housing experience by our residents are both optimized.

Like the construction phase, lease up is keyed to UC Berkeley's academic calendar. We expect the project to be completely leased up within two to three months of the start of the academic year. The project's superb location and design amenities should insure a quick lease up period.

Program Timing and Key Facts

The total costs of the development project are currently estimated at approximately \$17.2 million, of which, at build-out, approximately \$3,500,000 is projected to be the Company's cash equity and the remainder of \$13.6 million a construction/permanent tax-exempt bond loan which is available to projects with a "BMR" component of a minimum of 10% of the total number of units. Only \$52,500 in office rental income is projected which will be the rent the Manager will pay by occupying approximately 1,500 square feet of the building. Though it is likely that the Company will receive additional office rental income, the Manager has not included that income in its projections. The Company is arranging acquisition loan financing at approximately 65% of the purchase price of the Property for an estimated amount of \$1.9 million at 6.500% interest per annum for a 5-year term with no prepayment penalty after three years. This loan will fund interest, property taxes, insurance and other operating cost reserves for three years.

Approximately \$2,300,000 of cash equity, mainly from this Offering, is required in order to fund the acquisition, and entitlements for the project, a phase of the project cycle which is expected to take 24 to 31 months. From that point to the issuance of building permit and closing of construction financing will be approximately another year, at an additional equity requirement of about \$1.2 million.

Expected Second-Round Offering and Liquidity Feature

The Manager presently expects to raise the additional cash equity required to construct the project from a second offering of interests in the Company to take place after approval of entitlements. In connection with the proposed second-round offering, the Manager has agreed under certain conditions to make available to Members a partial liquidity feature. This partial liquidity feature would be available upon three conditions: (i) the attainment of development entitlements from the city of Berkeley on materially the same terms as proposed by the company; (ii) an MAI appraisal for the Property post-entitlement which will support pricing of the second-round offering Units adequate for these purposes; and (iii) no more than 49% of the aggregate interests in Net Profits of the Company may be transferred (the maximum permitted without triggering a "deemed dissolution" of the Company). Members tendering their Units for redemption under those conditions will agree to accept an eight percent per annum (8%) simple return on their investments from date of acceptance to date of payment.

Site diagrams, photos and architectural renderings are provided at Exhibit C-2.

ALLOCATIONS AND DISTRIBUTIONS

Admission of Members

Members will be admitted to the Company initially upon sale of 46 Units, and will begin to receive allocations of Net Profits and Net Losses beginning on the date which they are admitted. Thereafter, Members will be admitted at intervals no more often than monthly.

Distributable Cash from Operations

Distributable Cash from operations of the Property will not occur before completion and lease-up of the apartments. Any Distributable Cash from operations, refinancing or sale shall be allocated in accordance with Percentage Interests owned in the Company, but subject in any event to sums owed the Manager under the Operating Agreement and/or Management Agreement.

Net Profits and Net Losses

Net Profits from Company operations shall be allocated among the Manager and the Members in proportion to the cash distributed to them, to the extent thereof. If no cash is distributed during the year in question, Net Profits shall be allocated in proportion to their Percentage Interests.

Resale or Other Assignment of Units

Resale or assignment of Units by Members is prohibited by Article 7 of the Operating Agreement except where the resale or assignment is approved in advance by the Manager, in its sole and absolute discretion. The Economic Interest in Units may be assigned but such assignees shall receive only rights to cash flow, Net Profits and Net Losses and not voting rights or any other rights held by Members.

MANAGEMENT COMPENSATION

(See Management Agreement for Full Description of Terms and Timing)

<u>Recipient / Type of Payment</u>	<u>Amount / Timing / Terms</u>
	<u>Acquisition Stage</u>
Manager – Reimbursement of purchase and Offering Expenses	Actual out-of-pocket ³
Manager – Real Estate Acquisition Fee	Upon property purchase---\$56,000

³ Legal, accounting, engineering, Property deposit and other similar charges directly incurred in connection with contracting for the Property and preparing this Offering.

<u>Recipient / Type of Payment</u>	<u>Amount / Timing / Terms</u>
	<u>Operation Stage</u>
Manager—Development Fee	An aggregate \$592,651, earned in four stages: <ul style="list-style-type: none"> • \$257,674 payable one-half during course of entitlement (development application) period and the remainder at close of period; • \$103,070 payable one-half during course of plan check and permit set period and remainder at close of period; • \$180,372 payable one-half at construction loan closing and the other half during the course of construction; and, • \$51,535 at conversion of construction loan to permanent financing.
Manager – Reimbursement of Certain Expenses	Expenses of management directly incurred ⁴
Manager – Property Management Fees	Monthly charge ⁵
Manager – Lease-up Fee	\$600 per dwelling unit, as and when leased ⁶

Liquidation Stage

Manager – Real Estate Disposition Fee	2 ½ to 6% of sale price of Property ⁷
Manager – Subordinated Profit Participation	40% of Distributable Cash after return of Capital Contributions

OPERATION OF THE COMPANY

Operation of Company Property

The Manager will manage the Company and its Property. Management compensation will be paid as described above. Company expenses will be paid by the Company according to Article 5 of the Operating Agreement.

⁴ See Management Agreement, Section 3.

⁵ Customary, competitively-priced charges for property management.

⁶ See Management Agreement Section 6;

⁷ See Management Agreement, Section 8; sliding scale based upon degree of Manager or Affiliate participation; subject to overall cap of 6% on all commissions and similar charges.

Reserves

The Company intends to maintain a prudent reserve account for unbudgeted expenses.

Closed-End, Self-Liquidating Company

The Company is a closed-end venture which will not reinvest the proceeds of refinancing or sale in additional real property. It will wind up and liquidate when its Property is sold.

Meetings of Members and Voting Rights

The Company will report regularly to its Members (investors) at appropriate intervals, expected to be not less than annually. The Company's annual meeting will take place in May of each year, at which time the results of the prior year will be reviewed and the business plan for the current year will be described. Members (investors) have limited voting rights, restricted to the following categories of decisions all by 2/3 vote of Percentage Interests: removal of the Manager (limited to instances of gross negligence or willful wrongdoing); election of a new or additional Manager; change of Company's business purpose; amendment of the company's Operating Agreement (requires Manager approval); and, dissolution of the Company.

Operating Budget of Company and Manager

As depicted in these materials, the Company's operating budget is defined and limited. The Manager will be entitled to be reimbursed for the formation expenses of the Company (including legal, accounting, engineering, filing and similar costs).

Accounting Matters

The Company will maintain the books and records on such basis as the Manager may determine, in its sole and absolute discretion. The Manager may either capitalize or deduct the Company's expenses as applicable tax laws may allow, in its sole and absolute discretion. Members are advised that, broadly speaking, costs of developing the property, including also construction period interest and taxes, will be capitalized and not deducted under applicable law. The Manager expects that, after lease-up, to the extent that the Property's rental income generates Distributable Cash which would be taxable to Members, the cost recovery (depreciation) deductions realized from the new apartments and their components will at least partially offset the effect of the taxes.

Reports to Members

The Members and any holders of Economic Interests will receive unaudited annual reports and K-1's within 90 days after the close of the Company's tax (calendar) year.

Distributions

Distributable Cash, if any, will be distributed solely when the Manager determines distribution to be prudent.

Rights of Members

Members may not take part in the control or operation of the Company; however, they may vote upon some matters affecting the structure of the Company, including but not limited to replacement of the Manager in certain limited instances, dissolution of the Company and ratification of certain contracts submitted by the Manager for approval. Certain actions of Members require a Super-Majority vote.

Conflicts of Interest

The Company will be subject to various conflicts of interest arising out of its relationship with the Manager and with other undertakings in which the Manager are or may become involved. These conflicts may include the following:

Competition with Other Ventures of Manager or Members

The Manager and/or its Members sponsor and will continue to sponsor other investment programs involving the acquisition, ownership, rental and sale of real property. These activities may be in competition with the activities of the Company, and may generate conflicting demands upon the time and efforts of the Manager. There may be, in addition, conflicts of interest on the part of the Manager and its members between the Company and the other investment programs at such time as the Company attempts to rent or sell real property, to employ resident managers, and under other circumstances.

Agreement Not at Arm's Length

The Manager will be paid certain fees by the Company for services, including, particularly, management. The magnitude of these fees and the time and manner of their payment have been determined without the benefit of arm's length bargaining. However, in the opinion of the Manager, the fees to be paid by the Company are competitive with and no less favorable to the Company than charges which would be made by independent third parties under the same or similar circumstances in the San Francisco Bay Area.

No Separate Counsel

Legal counsel to the Manager may also serve as counsel for the Company. Conflict of interest is expressly waived for this purpose.

Compensation of Counsel

Should a dispute arise in the future between the Company and the Manager, or should there be a necessity in the future to negotiate and prepare contracts and agreements between the Company and the Manager other than those existing on the effective date of this offering, the Manager shall cause the Company to retain separate legal counsel for such matters.

MANAGEMENT

Executive Officers and Key Personnel

The executive officers, and key employees of the Company's Manager, and their positions as of the date of this Private Placement Memorandum are as follows:

CITYCENTRIC / DWIGHT AND FULTON, LLC

<u>Name</u>	<u>Position</u>
Ali Kashani	Member and Manager
Ali Eslami	Member
Mark Rhoades	Member
Mia Perkins	Assistant Project Manager

Background and Experience

Ali Reza Kashani (51): Ali R. Kashani has 25 years experience in the construction and development industries in the Bay Area. As founding Executive Director of Affordable Housing Associates (www.ahainc.org), Mr. Kashani oversaw acquisition, design, financing, construction and property management of over 1,000 housing units in the Bay Area between 1993 and 2004. He has extensive knowledge of the development process and the Bay Area real estate markets. During the last five years, Mr. Kashani led the acquisition, rehabilitation and conversion of six properties totaling \$30 million, four of which are in Berkeley.

After completing his Bachelor of Science in Civil Engineering at the University of California, Berkeley, in 1984, Mr. Kashani worked as Project Engineer, Cost Estimator and Project Manager for general contractors and developers in the greater Bay Area. In 1990, he completed his Master of Nonprofit Administration at the University of San Francisco, and continued his real estate development work in both the nonprofit and the private sectors.

In 2007, Mr. Kashani and Mr. Mark Rhoades launched CityCentric Investments, LLC, a private real estate development firm specializing in in-fill mixed-use projects in the greater Bay Area. As partner in CityCentric, Mr. Kashani brings expertise in housing finance, entitlements, construction and property management.

Mr. Kashani serves on the board of directors of Bay Area Community Services (www.bayareacs.org), and on the advisory board of the Berkeley Metro YMCA.

Mr. Kashani, his wife, Gabrielle, and four children live in Berkeley. Outside of work, Mr. Kashani enjoys bicycling, swimming and cooking.

Ali Eslami: Mr. Eslami has been a real estate developer, builder and investor in Berkeley since 1993. During that time he has developed over a dozen residential and commercial properties. Mr. Eslami currently operates and manages income properties worth over \$35 million in

Berkeley, Oakland and Emeryville. He has extensive entitlement and construction process experience with the City of Berkeley. At the present time, Mr. Eslami is working on five development projects that are entitled and are in various stages of construction work. In addition, Mr. Eslami currently owns and operates the Missouri Lounge & Café in Berkeley, and is in the construction process of two new businesses - Muse Art-House and Mint Café in Berkeley; and Tribu Café in Oakland.

From 1981-1993 Mr. Eslami was a member of the Application Engineering Group of the Bechtel Research and Development Department. In that role he developed and conducted diagnostic tests to troubleshoot the cause of failure, or to determine operational integrity of a variety of plant systems – ranging from nuclear and fossil power plants to refineries and micro-electronics manufacturing facilities. In this capacity Mr. Eslami traveled to over 55 job sites, where he performed and managed various field diagnostic tests for many energy-producing projects with major utility companies in the United States and abroad, including Pacific Gas & Electric (PG&E), Southern California Edison (SCE), Arizona Public Service (APS), Consumers Power of Michigan, Arkansas Power & Light, Iowa Electric & Light, Montana Power, Alabama Power, Georgia Power, Pennsylvania Power & Light, Philadelphia Electric, Washington Power, Korean Electric and Taiwan Power. Mr. Eslami also worked with the United States Army and the United States Air Force while working on Ground Base Laser Facility (White Sands, NM), and Solid Motor Assembly Building (Cape Canaveral AFS, Florida) projects.

Mark A. Rhoades, AICP (42): Mark Rhoades has 20 years of experience as a land use planner in both public and private sectors. He obtained his B.A. degree in Political Science and Urban Studies from U.C. Riverside in 1990 and pursued graduate study at Cal Poly Pomona 1991-2. From 1998 until August 2007, he served as the City Planning Manager for the City of Berkeley, overseeing the review and processing of development proposals during a period of unprecedented development activity and increasing politicization of land use in Berkeley. Mr. Rhoades has been acknowledged for his professional leadership by the City of Berkeley and by the American Planning Association (APA) which awarded him with the California State Chapter Award for Distinguished Leadership in 2003. He has lectured at UC Berkeley for graduate courses in planning and real estate.

As the City's Land Use Planning Manager and Zoning Officer, Mr. Rhoades was responsible for both land use policy development and implementation. During his tenure in Berkeley, his major policy efforts revolved around fulfilling the City's goals for new housing development while achieving a high degree of responsiveness to neighborhood issues and concerns. Approximately 2,000 housing units were built or approved during Mr. Rhoades' tenure in Berkeley's Planning Department.

In the summer of 2007, Mr. Rhoades joined Ali R. Kashani and founded CityCentric Investments, LLC. As partner in CityCentric, Mr. Rhoades brings expertise in design, planning, and community outreach. Mr. Rhoades is currently a member of the Board of Directors of the Berkeley Chamber of Commerce and of Berkeley Design Advocates.

Mr. Rhoades, his wife, Erin, and two children live in Berkeley. Outside of work he enjoys chasing his two boys, photography, orchid cultivation and fly-fishing.

Mia Perkins: Mia Perkins has over seven years of experience in land use and real estate. Her background includes real estate law, specifically, in land use and development. Prior to joining CityCentric Investments, she worked for John Laing Homes in the San Francisco Bay Area Division as a sales counselor and project manager. Ms. Perkins worked as a realtor for three years at Hammond Residential in Brookline, Massachusetts, prior to which she was employed by the law firm of Case Bigelow Lombardi in Honolulu.

She joined CityCentric in March 2009 and has enjoyed working on both affordable and market-rate urban infill developments.

Ms. Perkins was born and raised in Hawaii and earned a Bachelor of Arts (American Studies + Art History) from Occidental College and a Juris Doctorate (2001) from the University of Hawaii at Manoa.

The CityCentric Team: Focus and Mission

CityCentric Investments, LLC, the affiliated venture of the Manager, is a real estate development company founded by Messrs. Kashani and Rhoades in 2007, focusing primarily on development projects in Berkeley, California. The founders combined 35 years of experience in development and planning in the City of Berkeley. Prior to forming their partnership, they had direct roles, collectively, in over 20 development projects in Berkeley. Mr. Kashani and Mr. Rhoades' relationship began when they discovered their shared vision for a more sustainable, equitable and prosperous Berkeley. They met when Mr. Kashani was the Executive Director of Affordable Housing Associates and Mr. Rhoades was Berkeley's Land Use Planning Manager. Along with their families, they have had a personal friendship for over 6 years. Their spouses both grew up in Berkeley.

In the late 1990's when Messrs. Rhoades and Kashani met, Berkeley was experiencing a substantial increase in new development after 25 years of little or no new development. A period of pitched disagreement in the community over the topic of development followed, in which the two found common cause. Recently, the political dialogue has become somewhat less contentious as it is generally agreed that Berkeley has fallen behind in economic opportunity, environmental sustainability and community progress. In 2008, Berkeley's Climate Action Plan and the creation of a new Downtown Plan, in addition to other plans and transit improvements, are helping to foster more support of the potential environmental, social and economic benefits of using our land as efficiently as possible. Locating housing near public transit is recognized as the most important way to reduce oil consumption and greenhouse gas emissions. Bay Area residents are looking to live a less car-dependent lifestyle. Home to the UC Berkeley campus, a 20 minute bus or BART ride to San Francisco, and its vibrant culture and recreational opportunities makes Berkeley the ideal city in the Bay Area for investment in new housing.

CityCentric was formed to create high-quality developments in Berkeley that respond to the needs above and also meet housing, economic and sustainable development needs that reflect Berkeley as the home of a world-class university in the center of the San Francisco Bay Area, one of the most desirable places to live in the United States. CityCentric seeks to optimize economic as well as community benefits in all of its projects.

Berkeley has many great qualities as a city including its architectural heritage, unique neighborhoods and social diversity. Mr. Kashani and Mr. Rhoades place a high importance on high-quality architecture that will positively impact streets and neighborhoods while providing housing opportunity to all segments of the population.

In addition to the necessary areas of expertise they each bring to the partnership, Mr. Kashani and Mr. Rhoades' public-minded values strengthen their working relationship both between them as well as with the community at large. Their depth of experience as leaders in the private, non-profit and public sectors brings a unique set of skills, resources, relationships and values that are well-matched with Berkeley and the challenging development environment it presents. As residents of Berkeley and active members in the community, they are a part of the local planning and development community, business and financial community, non-profit organizations and local institutions.

Fiduciary Responsibilities of the Manager

Duties Generally: The Manager is accountable to the Company and its individual Members as a fiduciary and must exercise good faith and integrity in handling Company affairs. Members who have questions concerning the duties of the Manager should consult with their counsel.

Limitation of Liability and Indemnification: As permitted by the California Corporations Code, Company's Operating Agreement and the operating agreement of the manager provide that neither the Manager nor any of its members or employees will be personally liable to the Company, its Investors or the Manager for monetary damages for breach of fiduciary duty in that capacity except: (i) for any breach of the duty of loyalty to the Company, the Manager or their Members; (ii) for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law; (iii) unlawful payments of dividends or unlawful stock repurchases or redemptions; or (iv) for any transaction from which that person derives any improper personal benefit. In addition, the Company's Operating Agreement and the operating agreement of the Manager provide that the Company or the Manager, as the case may be, shall indemnify any such person and may indemnify any such person, to the fullest extent permitted by California law, who was or is a party or is threatened to be made a party to any action or proceeding by reason of his or her services to the Company.

There is no pending litigation or proceeding involving a director or officer of the Company as to which indemnification is being sought, nor is the Company aware of any pending or threatened litigation that may result in claims for indemnification by the Manager or any of its officers or directors.

Limitation on Indemnity

The described indemnification provisions may include by implication indemnification for liabilities arising under the Securities Act of 1933. In the opinion of the Securities Exchange Commission, such indemnification is contrary to public policy. All indemnification against these liabilities is unenforceable.

Legal

Certain legal matters in connection with the validity of the Units offered hereby will be passed upon for the Company by Tobin & Tobin, a Professional Corporation, San Francisco, California. Counsel's scope of engagement was limited, and the firm did not participate in preparation of financial projections or pro-formas contained in this Private Placement Memorandum.

Accounting

The Company's accountants are Mowat Mackie and Anderson, LLP, of Oakland, California. The firm did not participate in preparation of financial projections or pro-formas contained in this Private Placement Memorandum.

Project Experience

The following is a tabular presentation of the development projects in which Messrs. Kashani and Rhoades have materially participated (development approval, construction or ownership) during their professional careers. For convenience, for-profit and non-profit projects are separately designated.

Project Experience: For Profit Development

Longs Drugs/99C Only Mixed Use

1931-1941 San Pablo, Berkeley
Acquired, rehabilitated and repositioned
2002
18,000 sqft retail with 8 apartments
Financing: Own and Investor Equity;
Washington Mutual
Estimated TDC: \$6 million

Everett & Jones BBQ

1955 San Pablo, Berkeley
Acquired and repositioned **2005**
Existing Popular Restaurant
Financing: Own and Investor Equity
Bank of Alameda
Estimated TDC: \$1.5 million

Humboldt Apartments

2425 Humboldt Avenue, Oakland
Acquired and rehabilitated **2005**
13 units for small families
Financing: Own and Investor Equity
Pacific National Bank

Estimated TDC: \$2 million

2443 Humboldt Avenue, Oakland

Acquired for redevelopment **2005**
Single-Family Home on 25,000 sqft lot
Financing: Own and Investor Equity
Bank of America Mortgage

Warm Springs Professional Offices

200 Brown Road, Fremont
22,000 sqft office building
Acquired and rehabilitated **2006**
Financing: Own and Investor Equity
Citibank
Estimated TDC: \$5 million

Claremont Colby Offices

5800 Colby Street, Oakland
Acquired and rehabilitated **2006**
3,300 sqft office
Financing: Own and Investor Equity
Bank of Alameda
Estimated TDC: \$1.2 million

Ashby Arts

1200 Ashby Avenue, Berkeley
Acquired vacant land late **2007**, entitled mixed use 98 residential units; 10,000 sqft retail, early 2009

Financing: Own and Investor Equity

First Republic Bank

Estimated TDC: \$32 million

McKevitt Volvo Berkeley

2700 Shattuck Avenue, Berkeley
Acquired property with McKevitt as tenant **2007**

1.5 acre site with dealership improvements
Planning 150 unit mixed-use development
2012

Project Experience: Non Profit Development**Adeline Lofts**

1131 24th Street, Oakland
Adaptive reuse completed in February **2002**
38 live/work units for artists and entrepreneurs

1, 2, and 3 bedroom units

Financing: Tax Credits, City of Oakland

Estimated TDC: \$9 million

Alcatraz Apartments

1900 Alcatraz, Berkeley
Purchased and rehabilitated in **1995**
9 units for families

Studio, 1 bedroom units, and commercial space

Financing: Berkeley Housing Trust Fund

Estimated TDC: \$2.5 million

Allston Commons

828-836 Allston Way, Berkeley
Purchased and rehabilitated in **1994**

12 units for families

1 and 2 bedroom units

Financing: Berkeley Housing Trust Fund

Estimated TDC: \$1.5 million

Financing: Investor Equity, First Republic Bank

Estimated TDC: \$50 million

Berkeley Honda

2598-2600 Shattuck Avenue, Berkeley
Entered into existing Partnership for entitlement & development **2008**

1.5 acre site with dealership improvements
160 unit with 20,000 sqft retail in entitlement phase 2009

Financing: Investor Equity; Washington Mutual

Estimated TDC: \$60 million

Allston House

2121 7th Street, Berkeley
Acquisition/Rehabilitation
Purchased in January **2007**
48 units

1, 2 and 3 bedroom units

Financing: Tax Exempt Bonds, Berkeley Housing Trust Fund, Tax Credits

Estimated TDC: \$10 million

Ashby Apartments

1303-1311 1/2 Ashby Avenue, Berkeley
Purchased and rehabilitated in **1995**

12 units for families

1 and 2 bedroom units

Financing: Berkeley HTF

Estimated TDC: \$1.5 million

Ashby Court Apartments

1222-1228 Ashby Avenue, Berkeley
Purchased and rehabilitated in **1998**

20 units for small families

Studio units

Financing: Berkeley Housing Trust Fund

Estimated TDC: \$2.5 million

Ashby Lofts

2919 9th Street, Berkeley
New construction completed in **2007**
54 units for families
Studio, 1, 2, and 3 bedroom units
Financing: 9% Tax Credits
Estimated TDC: \$20 million

Bancroft Senior Homes

2320 55th Avenue, East Oakland
New construction completed in **2001**
61 units for seniors
1 bedroom units
Partnership with Christian Church Homes of
Northern California
Financing: HUD Sec. 202
Estimated TDC: \$18 million

Hearst Studios

950 Hearst Avenue, Berkeley
Purchased and rehabilitated in **1994**
8 units for small families
Studio units
Financing: Berkeley HTF
Estimated TDC: \$1 million

Hillegass Avenue Commons

250 Hillegass Avenue, Berkeley
Purchased and rehabilitated in **2001**
19 units for families
Studios, 1, and 2 bedroom units
Financing: Berkeley HTF
Estimated TDC: \$3 million

Hookston Senior Homes

80 West Hookston Road, Pleasant Hill
Purchased and rehabilitated in **1999**
100 units for seniors
1 and 2 bedroom units
*Financing: Tax Exempt Bonds, 4% Tax
Credit*
Estimated TDC: \$12 million

Oak Street Terrace

1109 Oak Street, Oakland
New construction completed in **2005**
39 units for seniors

Studio and 1 bedroom units
Financing: 9% Tax Credit
Estimated TDC: \$14 million

Peter Babcock House

2350 Woolsey Street, Berkeley
Purchased and rehabilitated in **1996**
5 units for residents with special needs
Single room occupancy
Financing: HUD Sec. 8
Estimated TDC: \$2 million

Prince Street Apartments

1534 Prince Street, Berkeley
Purchased and rehabilitated in **1997**
6 units for families
1 and 2 bedroom units
Financing: Berkeley Housing Trust Fund
Estimated TDC: \$1 million

Sacramento Garden Apartments

3240 Sacramento Street, Berkeley
Purchased and rehabilitated in **1997**
7 units for families
1 and 2 bedroom units
Financing: Berkeley Housing Trust Fund
Estimated TDC: \$1.5 million

Sacramento Senior Homes

1501 Blake Street, Berkeley
New construction completed October **2006**
40 units for seniors
Studio, 1, and 2 bedroom units
*Financing: Tax Exempt Bonds, 4% Tax
Credit*
Estimated TDC: \$15 million

Shattuck Senior Homes

2425 Shattuck Avenue, Berkeley
New construction completed in **2000**
27 units for seniors
Studio and 1 bedroom units
Financing: 9% Tax Credit
Estimated TDC: \$8 million

Sierra Garden Apartments

150-170 Sierra Drive, Walnut Creek
Purchased and rehabilitated in **1996**
29 units for families
1, 2, 3, and 4 bedroom units
*Financing: City of Walnut Creek Housing
Trust Fund*
Estimated TDC: \$8 million

University Neighborhood Apartments
1719 University, Berkeley
New construction completed in **2005**
27 units of universally designed family
housing
1, 2, and 3 bedroom units
*Financing: Tax Exempt Bonds, 4% Tax
Credit*
Estimated TDC: \$12 million

Wesley Student Housing
2398 Bancroft Way, Berkeley
Provided Development Consulting to non-
profit **2008**
10,000 sqft lot; redeveloped to 20,000 sqft
of student housing and offices
Completed entitlements and construction
loan closing 2009
Estimated TDC: \$8.8 million

FEDERAL INCOME TAX DISCUSSION

The following discussion applies only to persons purchasing Units directly from the Company. Prospective purchasers of Units should not view the following analysis as a substitute for careful tax planning, particularly since the income tax consequences of an investment in limited liability companies such as the Company are often uncertain and complex. Also, the tax consequences will not be the same for all taxpayers. The following discussion necessarily condenses or eliminates many details that might adversely affect some prospective purchasers of Units. Also, the following discussion is not a legal opinion and may not be relied upon by any prospective investor.

No assurance can be given that the tax positions described in this section would be sustained by a court, if contested, or that legislative or administrative changes or court decisions will not be forthcoming that would significantly modify the statements and opinions expressed herein. Any such changes may or may not be retroactive with respect to transactions prior to the date of such changes.

The discussion of the tax aspects contained in this Memorandum is based on law presently in effect. Nonetheless, investors should be aware that new legislative, administrative or judicial action could significantly change the tax aspects of the Company. Congress is currently analyzing and reviewing proposed changes to the Federal income tax laws. The extent and effect of any such changes, if any, is uncertain.

Counsel will not prepare or review the Company's income tax information return, which will be prepared by management and independent accountants for the Company. The Company will make a number of decisions on such tax matters, such as the expensing or capitalizing of particular items, the proper period over which capital costs may be depreciated or amortized, and the allocation of acquisition costs between real property improvements and personal property. Such matters will be handled by the Company, often with the advice of independent accountants retained by the Company, and will not usually be reviewed with counsel.

As of the date of this Private Placement Memorandum, the legislative climate is volatile and there are a variety of proposals to amend the Internal Revenue Code. It is impractical to attempt to list them or to predict which may be enacted into law, and prospective investors are cautioned to consult their own tax advisors on specific questions concerning pending or proposed legislation. This pertains to, among other things, the tax rates attributable to ordinary and capital gain. For that reason, we do not discuss the topic. Because of this uncertainty, which affects certain of the tax aspects discussed herein, there can be no assurance that some of the deductions claimed or positions taken by the Company will not be challenged by the IRS. An audit of the Company's information return may result in an increase in the Company's gross income, in the disallowance of certain deductions and in an audit of the income tax returns of the Members, which could result in adjustments to non-Company items of income, deduction or credit. Final disallowance of such deductions could adversely affect the Members. In addition, state tax authorities may audit the Company's tax returns, which could result in unfavorable adjustments for Members. Investors should not purchase Units for the purpose of obtaining tax

shelter for income from sources other than the Company because it is unlikely that the Company will provide any such tax shelter. The amount invested will be allocated to the purchase of both land and improvements which, to the extent of land, is not depreciable for income tax purposes. Prospective purchasers of Units are urged to consult their own tax advisors as to the tax consequences to them of purchasing Units.

Tax Consequences Regarding the Company

Status as Partnership: Treasury Regulations have been issued which provide that a limited liability company will be classified as a partnership for federal income tax purposes as long as an election is not made to treat the limited liability company as an association taxable as a corporation. The Manager has represented that no such election has been or will be made. Therefore, the Manager believes that the Company will be treated as a partnership for federal income tax purposes. The Code, as amended to date, and current Treasury Regulations, could be amended in ways which could adversely affect the conclusion reached by the Manager. If the Company were treated as a partnership for federal income tax purposes, each Member would be required to include in income his distributive shares of income, gain, deductions and loss of the Company. Consequently, each Member would be subject to tax on his distributive share of Company income, whether or not the Company actually distributes cash in an amount equal to the income. If for any reason the Company were treated as a corporation for tax purposes, it is likely to be deemed to have contributed all of its assets subject to all of its liabilities to a newly formed corporation in exchange for the corporation's stock. The stock of the corporation is treated as being distributed to the Members in a complete liquidation of the Company. The income and deductions of the Company would be reflected only on its income tax return instead of being passed through to the Members, and the Members would be treated as corporate shareholders for tax purposes. In such event, the Company would be required to pay income tax at the corporate tax rates on its taxable income, thereby reducing the amount of cash available for distribution to Members. In addition, any distribution by the Company to the Members would be taxable to them as dividends, to the extent of current and accumulated earnings and profits, or treated as gain from the sale of their Company interests, to the extent such distributions exceeded both current and accumulated earnings and profits of the Company and the Member's tax basis for his Units.

Limitations on Losses from Passive Activities: Losses from passive trade or business activities generally may not be used to offset "portfolio income," i.e., interest, dividends and royalties, or salary or other active business income. Deductions from passive activities may generally be used to offset income from passive activities. Interest deductions attributable to passive activities are treated as passive activity deductions, and not as investment interest. Thus, such interest deductions are subject to limitation under the passive activity loss rule and not under the investment interest limitation. Credits from passive activities generally are limited to the tax attributable to the income from passive activities. Passive activities include: (1) trade or business activities in which the taxpayer does not materially participate which would include holding an interest as a Member; and (2) rental activities. Thus, a Member's share of the Company's Net Profits and Net Losses will constitute income and loss from passive activities and will be subject to such limitation.

Losses (or credits that exceed the regular tax allocable to passive activities) from passive activities that exceed passive activity income are disallowed and can be carried forward and treated as deductions and credits from passive activities in subsequent taxable years. Disallowed losses from an activity, except for certain dispositions to related parties, are allowed in full when the taxpayer disposes of his entire interest in the activity in a taxable transaction.

In certain instances involving material active participation of a taxpayer in real estate operations, there are exceptions to the above passive income rules that enable a taxpayer to benefit from the application of passive losses in excess of passive income. This is not expected to occur in the Company, as Members are limited in their participation rights under the Company's Operating Agreement.

It is quite possible that significant amounts of passive income will be generated by the Company under its business plan, and that a substantial portion of the passive losses will be carried forward to be realized as offsets to passive income in future years.

Allocations of Net Profits and Net Losses: Net Profits and Net Losses will be allocated as set forth in the Operating Agreement. Although such allocations are permitted under partnership law, the Code and Treasury Regulations require that such allocations satisfy certain requirements. Section 702 of the Code provides that, in determining income tax, a partner must take into income his or her "distributive share" of the Company's income, gain, loss, deduction or credit. The partners may specially allocate their distributive shares of such profits and losses, thus redistributing tax liability, by provision in the operating agreement. However, the IRS will disregard such an allocation, and will determine a partner's distributive share in accordance with the partner's interest in the Company, if the allocation lacks "substantial economic effect."

Treasury Regulations on the allocation of items of partnership income, gain, loss, deduction and credit under Section 704(b) of the Code are concerned with whether an allocation of partnership tax items has "substantial economic effect." Under the Treasury Regulations, an allocation has economic effect only if, throughout the term of the partnership, the partners' capital accounts are maintained in accordance with the Treasury Regulations, liquidation proceeds are to be distributed, generally speaking (but subject to payment of applicable fees) in accordance with the partners' percentage interests, and any partner with a deficit capital account following the distribution of liquidation proceeds is required to restore the amount of that deficit to the Company for payment to creditors or distribution to partners in accordance with their positive capital account balances. If the partners' obligation to restore deficit capital account balances is limited, the operating agreement must contain a "qualified income offset" provision, as described in the Treasury Regulations.

The Treasury Regulations also require that the economic effect of the allocation be "substantial." In general, the economic effect of an allocation is "substantial" if there is a reasonable possibility that the allocation will affect substantially the dollar amounts to be received by the partners from the partnership, independent of tax consequences. The economic effect of an allocation is not substantial, however, if, at the time the allocation becomes part of the operating agreement, (1) the after-tax economic consequences of at least one partner may, in present value terms, be enhanced compared to such consequences if the allocation were not

contained in the operating agreement, and (2) there is a strong likelihood that the after-tax economic consequences of no partner will, in present value terms, be substantially diminished compared to such consequences if the allocation were not contained in the operating agreement. In determining the after-tax economic benefit or detriment to a partner, tax consequences that result from the interaction of the allocation of such partner's tax attributes that are unrelated to the partnership will be taken into account.

The Treasury Regulations Provide that allocations of loss or deduction attributable to non-recourse liabilities of a partnership ("non-recourse deductions") cannot have economic effect because, in the event there is an economic burden that corresponds to such an allocation, the creditor alone bears that burden. Thus, non-recourse deductions must be allocated in accordance with the partners' interest in the partnership. Allocations of non-recourse deductions are deemed to be made in accordance with the partners' interests in the partnership if, and only if, the following conditions are satisfied:

(i) Throughout the full term of the partnership (here, the "Company"), the partners' (here, the "Members") capital accounts are maintained in accordance with the Treasury Regulations, and upon liquidation of the partnership, liquidating distributions are required to be made in accordance with the positive capital account balances of the partners;

(ii) Beginning in the first taxable year in which there are non-recourse deductions and thereafter throughout the full term of the partnership, the operating agreement provides for allocations of non-recourse deductions among the partners in a manner that is reasonably consistent with allocations, which have substantial economic effect, of some other significant partnership item attributable to the property securing non-recourse liabilities of the partnership;

(iii) Beginning in the first taxable year of the partnership in which the partnership has non-recourse deductions and thereafter throughout the full term of the partnership, the operating agreement contains a "minimum gain chargeback," as defined in the Treasury Regulations; and

(iv) All other material allocations and capital account adjustments under the operating agreement are recognized in accordance with the Treasury Regulations.

The Operating Agreement requires that the Members' Capital Account balances be maintained in accordance with the Treasury Regulations, and liquidation proceeds are to be distributed to the Members, in proportion to their positive Capital Account balances. The Operating Agreement contains a "minimum gain chargeback" provision and non-recourse deductions are to be allocated under the Operating Agreement in a manner that is reasonably consistent with allocations, i.e., in accordance with allocations of Net Profits. Members are required to restore a deficit capital account balance. The Operating Agreement also contains a "qualified income offset" provision. Therefore, the Manager believes that all requirements of the Code and Treasury Regulations are satisfied.

Transfers of Units: For federal income tax purposes, items of income, gain, loss, deduction or credit of a Company may be allocated to a Member only if they are received, paid

or incurred by the Company during that portion of the year in which the Member is treated as a member of the Company for tax purposes.

If any Member's interest in a Company changes at any time during the Company's taxable year, each Member's share of each item of Company income, gain, loss, deduction and credit is to be determined by using any method prescribed by Treasury Regulations that takes into account the varying interests of the Members in the Company during the taxable year, as chosen in the sole and absolute discretion of the Manager.

The legislative history concerning this provision indicates that a monthly convention should be used, pursuant to which Members admitted to the Company on or after the 16th day of a month would begin to be allocated Net Profits and Net Losses as of the first day of the following month, and those admitted to the Company prior to the 16th day would be allocated Net Profits and Net Losses as of the first day of the month. This is a general rule, however, and there are certain exceptions where, for instance, the nature of events suggests that there is a tax avoidance motive for picking a certain entry date.

When Units are transferred, the timing principle in the previous paragraph is also followed. A new or substituted Member or acquirer of a Member's Economic Interest will be required to realize and report Net Profits and Net Losses under the above principle whether or not there has been a corresponding distribution of cash by the Company to offset the effect of the allocation. Should transfers of Units, or issuance of new Units occur in the future, both the Manager and members should be mindful of the above.

Calculation of Member's Adjusted Basis: Each Member's adjusted basis in his Units will be equal to such Member's cash Capital Contributions increased by (i) the amount of his share of the Net Profits of the Company and (ii) his share of non-recourse indebtedness, if any, to which the Company property is subject. A Member's share of non-recourse liabilities is the sum of: (a) the Member's share of Company minimum gain; (b) the amount of any taxable gain allocated to the Member under Section 704(c); and (c) the Member's share of the excess non-recourse liabilities.

A Member's basis in his Units is reduced, but not below zero, by (x) the amount of his share of Company Net Losses and expenditures which are neither properly deductible nor properly chargeable to capital account and (y) the amount of cash distributions received by the Member from the Company. For purposes of calculating a Member's adjusted basis in his Units, any reduction in the amount of Company non-recourse indebtedness (if any) will be treated as a cash distribution to such Member in accordance with his allocable share of such indebtedness and accordingly will reduce the basis in such Member's Units.

The Treasury Regulations employ an economic risk of loss analysis to determine whether a Company liability is a recourse or non-recourse liability and to determine the Members' shares of any liability of the Company. Under the Treasury Regulations, a Company liability is a recourse liability to the extent that any partner or related person bears the economic risk of loss for that liability. A Member's share of any recourse liability of a Company equals the portion, if any, of the economic risk of loss for such liability that is borne by the Member.

A Member bears the economic risk of loss for a Company liability to the extent that the Member (or a related person) would bear the economic burden of discharging the obligation represented by that liability if the Company were unable to do so (reduced by any right of reimbursement). In the case of most limited liability companies, a member generally will not bear the economic risk of loss for any Company liability because the Member has no obligation to contribute additional capital to the Company.

If no Member bears the economic risk of loss for a Company liability, the liability is a non-recourse liability of the Company. An exception to this rule applies in the case of a Member (or related person) who makes a non-recourse loan to the Company. In such a case, the lending or related partner is considered to bear the economic risk of loss for such liability. Another exception applies, as here, to the extent that an assessment provision in the Operating Agreement is applied and Members contribute pursuant to an assessment demand.

To the extent that a Member's share of Company Net Losses exceeds the adjusted basis of such Member's Units at the end of the Company year in which such Net Losses occurs, such excess Net Losses cannot be utilized in that year by the Member for any purpose, but is allowed as a deduction at the end of the first succeeding Company taxable year, and subsequent Company taxable years, to the extent that the adjusted basis of such Member's Units at the end of any such year exceeds zero (before reduction by such excess Net Losses from a prior year).

Treatment of Cash Distributions from the Company: Distributions to a limited partner may take the form of either actual distributions or so-called "deemed distributions" arising from a reduction of his share of partnership liabilities that are included in his basis. A deemed distribution is treated as a cash distribution and generally can result from either a reduction in a limited partner's profits interest or from repayment by the partnership of all or a part of the liabilities that are included in the limited partner's basis. For example, Partnership income is generally allocated in accordance with cash distributions. Similarly, a deemed distribution would result from the reduction in Limited Partners' profit share that would follow from the admission of additional partners to the Partnership or the transfer of Partnership Units.

Distributions generally do not generate taxable income to a partner. However, if the amount of cash actually distributed or deemed to be distributed to a partner exceeds his basis in his partnership interest, the distribution is treated as a sale or exchange of his partnership interest, and the partner recognizes gain to the extent of the excess distributions. The character of this gain as capital or ordinary is governed by the rules applicable to the sale of a partner's interest but normally would qualify for taxation at long-term capital gain rates so long as all partners receive pro rata distributions. A distribution generally will not generate tax losses for the recipient unless it is a liquidating distribution.

An actual or deemed distribution could generate taxable income to a Limited Partner if prior Partnership losses and actual and deemed distributions had reduced his basis in his Units to a point that it was less than the actual or deemed distribution in question. Deemed distributions thus could create income for Partners even though no cash is actually distributed to them. Distributions generally create no deductions for the distributing partnership.

Net Profits in Excess of Cash Distributions: It is possible that a Member's share of the Company Net Profits may exceed cash distributed to him with respect to his Units and such Member's tax liability on that share may even exceed such distributions.

Treatment of Liquidating Distributions: The Manager is cognizant of "deemed liquidation" rules contained within the Code and will endeavor to avoid unintentional triggering of a partnership dissolution for tax purposes. Generally, upon liquidation or termination of the Company, gain will be recognized by a Member only to the extent that cash is distributed (including his share of any reduction in Company non-recourse liabilities) in excess of such Member's adjusted basis in his Units at the time of distribution.

Treatment of Gain or Loss on Disposition of Units: It is not expected that any public market will develop for the Units. Furthermore, Members may not be able to liquidate their Units promptly at reasonable prices since all assignees of Units may be admitted as Substitute Members only with the consent of the Manager.

Any gain or loss realized by a Member upon the sale or exchange of Units will generally be treated as capital gain or loss, provided that such Member is not deemed to be a "dealer" in such securities. However, any portion of the gain that is attributable to unrealized receivables (which includes, for these purposes, depreciation recapture attributable to the Property) or inventory items of the Company that have substantially appreciated in value will generally be treated as ordinary income. If the Member's holding period for the Units sold or exchanged is more than one year, the portion of any gain realized that is capital gain will be treated as long-term capital gain.

In determining the amount realized upon the sale or exchange of Units, a Member must include, among other things, his share of Company indebtedness. Therefore, it is possible that the gain realized on a Member's sale of Units may exceed the cash proceeds of the sale, and, in some cases, the income taxes payable with respect to the gain realized on the sale may exceed such cash proceeds.

Treatment of Gifts of Units: Generally, no gain or loss is recognized for federal income tax purposes as a result of a gift of property. However, in the event that a gift (including a charitable contribution) of a Unit is made at a time when a Member's share of the Company's non-recourse indebtedness exceeds the adjusted basis of his Units, such Member may recognize gain for income tax purposes upon the transfer. Such gain, if any, will generally be treated as capital gain except for the portion of any such gain attributable to any unrealized receivables (which includes, for these purposes, depreciation recapture attributable to the Company property) or inventory items of the Company that have substantially appreciated in value, which will generally be treated as ordinary income. Gifts of Units may also be subject to a gift tax imposed pursuant to the rules generally applicable to all gifts of property.

Sale or Other Disposition of Company Property: In general, if the Property constitutes a capital asset in the hands of the Company, any profit or loss realized by the Company on its sale or exchange (except to the extent that such profit represents depreciation recapture taxable as ordinary income) will be treated as capital gain or loss under the Code.

Capital gain will be taxed to individuals at varying rates based on length of holding period. If however, it is determined that the Company is a “dealer” in real estate for federal income tax purposes or that the assets sold constitute “Section 1231 assets” such assets are capital assets involuntarily converted and depreciable business property held for more than 12 months), the gain or loss will not be capital gain or loss.

In the event the Company is deemed a “dealer” and the Property is not considered to be capital assets or Section 1231 assets, any gain or loss on the sale or other disposition of such Property would be treated as ordinary income or loss. As a general rule, the holding of parcels of real property for investment is not the type of activity that would cause a person or entity to be considered a “dealer” in real property. However, to the extent that the Company undertakes subdivision of the Property there is some risk that the IRS may take the position that the Company has undertaken “dealer” activity. This risk will increase dramatically if subdivision is completed and individual lots are sold. To the extent that the Company is held to be a “dealer” the result would be the treatment of taxable gain as ordinary income rather than capital gain. The Manager intends to avoid this risk. The question of “dealer” status is a question of fact to be determined at the time of the sale of the Property. *The Company may obtain a condominium (subdivision) map on the project as part of the entitlement process, although not intending to sell the individual unit in the foreseeable future. To the extent that individual condominium units could be sold at a later time, the “dealer” issue may come under greater scrutiny. In this instance, it is important to plan adequately for future events and contingencies in order to avoid involuntary conversion of the gain upon liquidation from capital to ordinary in nature.*

In the event that assets sold or involuntarily converted constitute Section 1231 assets, a Member would combine his distributive share of Company gains or losses attributable to such assets with any other Section 1231 gains or losses realized by such Member in that year, and the resultant net Section 1231 gains or losses would be taxed as capital gains or constitute ordinary losses, as the case may be. This treatment may be altered depending on each Member’s disposition of Section 1231 property over several years. In general, net Section 1231 gains are recaptured as ordinary income to the extent of net Section 1231 losses in the five preceding taxable years.

In determining the amount realized upon the sale, exchange or other disposition of the Property, the Company must include, among other things, the amount of any liability to which the Property is subject. Furthermore, the Company may carry back purchase money obligations as part of the consideration for the sale of the Property. The Company may attempt to structure any such sale so as to qualify as an “installment sale” for federal income tax purposes, but there can be no assurance that any such sale could or would so qualify. Unless such sale qualifies as an “installment sale,” the Company would generally be deemed to have received as proceeds of such sale the fair market value of such purchase money obligations. Thus, the Company’s gain on the disposition of any such property may exceed the cash proceeds, if any, of such disposition, and in some cases the income taxes payable by the Members with respect to such gain may exceed the cash proceeds, if any.

Foreclosure: If the Property is later financed, and in the event of a foreclosure of a mortgage or deed of trust on the Property, the Company would realize gain, if any, in an amount

equal to the excess of the outstanding mortgage over the adjusted tax basis of the Property, even though the Company might realize an economic loss upon such a foreclosure. In addition, the Members could be required to pay income taxes with respect to such gain even though they receive no cash distributions as a result of such foreclosure.

Company Termination for Tax Accounting Purposes: The Company will terminate for tax purposes if, within a 12-month period, 50% or more of the capital and profits interests in the Company are sold or exchanged. Termination of the Company for tax purposes would not cause a Member to recognize gain unless such Member's share of the Company's cash (or cash deemed distributed as a result of relief of indebtedness) exceeded the adjusted basis of his Units. Nor would it cause a Member to recognize loss unless the Company's assets at the time of termination consisted solely of cash or certain unrealized receivables or substantially appreciated inventory and the Member's share thereof was exceeded by his adjusted basis. Article VII of the Company's Operating Agreement contains significant protections enabling the Manager to protect the Company and Members from such unintended consequences.

Dissolution: Dissolution of the Company pursuant to state law prior to expiration of its term should not by itself create tax consequences for the Members unless the dissolution is followed by a liquidation of the Company. Such dissolution and liquidation might create adverse tax and economic consequences for the Company. For example, if, as a result of dissolution, the Company were required to liquidate the Property during a limited period of time, the Company might sustain substantial economic losses based on the original cost of the Property. Nevertheless, the Company might realize substantial taxable gain on such disposition as a result of the use of borrowing in connection with acquisition of the Property. See "Sale or Other Disposition of Company Property" under this heading.

Tax Elections: The Company may make certain elections for federal income tax reporting purposes that could result in various items of Company income, gain, loss, deduction and credit being treated differently for tax and Company purposes than for accounting purposes.

The Code provides for optional adjustments to the basis of Company property for purposes of measuring both depreciation and gain upon distributions of Company property (Section 734) and transfers of Units (Section 743) provided that a Company election has been made pursuant to Section 754. The general effect of such an election is that transferees of Units are treated, for purposes of computing depreciation and gain, as though they had acquired a direct interest in the Company assets, and the Company is treated for such purposes, upon certain distributions to partners, as though it had newly acquired an interest in the Company assets and therefore acquired a new cost basis for such assets. Any such election, once made, is irrevocable without the consent of the IRS.

As a result of the complexities and added expense of the tax accounting required to implement such an election, the Manager does not presently intend to make such an election, although they are empowered to do so by the Operating Agreement. Therefore, any benefits which might be available to the Members by reason of such an adjustment to basis will be foreclosed. In addition, a Member may have greater difficulty in selling Units since the purchaser will obtain no current tax benefits from the investment to the extent that such

investment exceeds his allocable share of the Company's basis in its assets and may be required to recognize taxable income to the extent of such excess, even though the purchaser does not realize any economic profit.

Deductibility, Capitalization and/or Amortization of Interest and Start-Up Expenses

Interest will accrue and be payable on any loan used to acquire, and secured by, the Property. The deduction of such interest is limited by the rules limiting the deductibility of passive losses, discussed above. See "Limitations on Losses and Credits from Passive Activities" under this heading.

The IRS takes the position that, under Section 263 and applicable Regulations, costs incurred by the Company which are directly or indirectly connected with the construction of new improvements must, during the construction period, be capitalized rather than deducted. This includes the actual costs of construction (materials and fully-loaded labor costs), as well as indirect costs broadly applicable to the development process, such as utilities, insurance, tools, administrative costs and design costs. Mortgage interest and real property taxes attributable to the actual construction period (beginning when site preparation physically commences and ending when the work of improvement concludes and the property is placed in service) must likewise be capitalized.

Section 195 of the Code provides taxpayers with an election to amortize start-up expenditures ratably over a period of at least 60 months commencing with the month in which the new business begins. A start-up expenditure eligible for such amortization must be paid or incurred in connection with investigating the creation or acquisition of an active trade or business or paid or incurred in connection with creating an active trade or business. Such amounts must also be of a type which, if paid or incurred in connection with the expansion to an existing trade or business in the same field, would be allowable as a current deduction in the year paid or incurred. In the case of a Company, the eligibility for the new election to amortize is made at the Company level.

Organization and Syndication Expenses

Expenses paid or incurred in connection with the organization and syndication of a partnership must be capitalized. Expenses of organizing a partnership may be amortized over a period of not less than 60 months. However, syndication expenses may not be deducted currently nor amortized. The determination as to whether expenses are organization or syndication expenses is a factual determination which will initially be made by the Company.

Depreciation and Cost Recovery

Current federal income tax law permits the Company, as an owner of improved real property, to take depreciation deductions based on its share of the entire cost of the depreciable improvements, even though such improvements are financed in part with borrowed funds. If however the purchase price of the Property and the nonrecourse liabilities to which the Property is subject are in excess of the fair market value of the Property, the Company will not be entitled

to take depreciation deductions to the extent that the deductions are derived from such excess. Under the Modified Accelerated Cost Recovery System enacted by Congress in 1986, the Property will be eligible to be depreciated on a 27.5-year basis using a straight line method. Certain components of the Property may be eligible for depreciation over shorter periods of time. The Manager will determine, in his sole discretion, which method on balance best suits the Company and its Members and will make any required election accordingly. Depreciation (cost recovery) taken in excess of straight line is generally subject to a 25% tax attributable to the “recaptured” amount upon sale.

Depreciation deductions can only be claimed for that portion of real property which is depreciable. Since land is not depreciable, an allocation must be made between the value of improvements on real estate and the underlying land. The allocation of purchase price between depreciable and non-depreciable items is a question of fact, and if the amount allocated by the Company to depreciable items is decreased and the amount allocated to non-depreciable items such as land is increased, Company losses for federal income tax purposes will be decreased. The Manager has not yet determined how to allocate the initial purchase price of the Property between land and improvements and will make this determination in the best interests of all Members. The Manager will likewise have a certain amount of discretion, subject to applicable law, in determining the reporting position of the Company related to the newly-constructed improvements, including, in addition to the basic decision between straight-line and accelerated cost recovery, whether to recover cost by asset classes rather than treating the improvements as a whole. Using the asset class approach, a stronger tax sheltering result can be achieved for Members in early years. However, cost recovery over straight line is recaptured at a higher rate than capital gains in the year of sale.

With respect to individual Members, there are penalties imposed by the IRS if there is a substantial value overstatement for the Property. The Manager does not anticipate making aggressive determinations on such matters and this topic, accordingly, should not be a matter of concern.

Tax-Exempt Use Property

Units may be sold to both taxable and certain tax-exempt entities. In relation to tax-exempt entities, the following discussion applies. Section 168(h)(6) of the Code provides that in certain instances where an entity taxed as a partnership has as partners both tax-exempt entities and persons or entities not exempt from taxation, a portion of the property owned by the Company, to the extent depreciable, will be deemed tax-exempt use property and will be required to be depreciated over the greater of 40 years or 125% of any long-term lease. Under Section 168(h)(6) of the Code, unless the Company's allocation of Company tax items is determined to be a qualified allocation, any property owned by the Company will be deemed to be tax-exempt use property to the extent of the tax-exempt entities' proportionate share of the Company. One of the requirements to have a qualified allocation is that the allocations of Company items in the Company must have substantial economic effect under Section 704(b)(2) of the Code. Based upon the nature of the investment program, it is unlikely that this risk will arise. However, if a portion of the Property is required to be depreciated over 40 years, depreciation deductions to all Members will be decreased accordingly.

Investment by Qualified Plans and Individual Retirement Accounts

Qualified plans (i.e., any pension, profit sharing or stock bonus plan that is qualified under Section 401(a) of the Code), tax exempt entities, including individual retirement accounts, although generally exempt from federal income taxation under Section 501(a) of the Code, nevertheless are subject to tax to the extent that their unrelated business taxable income ("UBTI") exceeds \$1,000 during any tax year. An allocation of income from property that is "debt financed property" will result in UBTI. Debt financed property is generally defined to mean any property as to which there is "acquisition indebtedness." The Company will likely generate UBTI as the purchase of the Property has been structured, and reference is made to the calculations of the Company's accountants provided herewith. Qualified plans (but not individual retirement accounts or other tax-exempt entities) may, under a special rule set forth in Section 514(c)(9)(E) of the Code, avoid the characterization of their distributive share of income from debt-financed property of an entity taxed as a partnership as UBTI unless any of the following factors apply: (1) the price for the acquisition or improvement of the real property is not a fixed amount determined as of the date of the acquisition or the completion of the improvements; (2) the amount of indebtedness or any other amount payable with respect to such indebtedness, or the time for making any payments of any such amount, is dependent, in whole or in part, upon any revenue, income, or profits derived from such real property; (3) the real property is at any time after its acquisition leased to the person selling such property or certain persons related to the seller; (4) the real property is acquired from, or is at any time after the acquisition leased to, certain related persons; (5) any person described in clause (3) or (4) provides financing in connection with the acquisition or improvements; or (6) none of the following is true: (a) all of the partners are "qualified organizations"; (b) each allocation to a partner which is a qualified organization is a "qualified allocation"; or (c) the "fractions rule" in Section 541(c)(9)(E) of the Code is met. A partnership or limited liability company treated as a partnership will still comply with the rules under Section 514(c)(9)(E) if financing is obtained from the seller of the property as long as the terms of the financing are on "commercially reasonable terms."

For certain other entities - charitable remainder trusts and charitable remainder unitrusts (as defined in Section 664 of the Code) - the receipt of any UBTI may have extremely adverse tax consequences. For example, if such a trust or unitrust received any UBTI during a taxable year, all of its taxable income from all sources will be taxable.

In considering an investment in the Company of a portion of the assets of a qualified plan, a fiduciary should consider the factors discussed in "Investments By Qualified Plans and Individual Retirement Accounts."

Company Tax Returns: The federal income tax returns of the Company may be audited by the IRS and such an audit may result in adjustments to the various items reported by the Company. For example, various deductions claimed by the Company on its returns of income could be disallowed in whole or in part on audit, thereby resulting in an increase in the Net Profits or a reduction in the Net Losses of the Company. The disallowance of such deductions in whole or in part could increase a Member's taxable income without the receipt of any additional cash distributions from the Company.

The IRS has shifted the focus of its audits from the partner level to the Company level. Members may be bound by actions taken by the Manager at the Company level during the course of an audit.

Payments to the Manager and Affiliates: The Manager and its Affiliates will receive various fees described elsewhere in this Memorandum. The tax treatment of the significant fees is set forth below.

The Manager will treat the expenses of the Offering as non-amortizable syndication cost, and these costs will be capitalized. These costs consist of selling costs, legal and accounting fees, engineering and other costs and expenses directly related to the Offering. Organization fees will either be capitalized or amortized over a 60 month period as maybe most advisable.

The Real Estate Acquisition Fee should be treated as a commission at purchase and therefore capitalized and added to the basis of the Property. The Subordinated Property Disposition Fee should be treated as a commission at sale and deducted.

The Development Fee May be subject to a certain degree of interpretation. The most conservative approach to the Development Fee is that it falls into that category of fees and charges which are intended to be capitalized as they reflect construction management, project management and entitlement services during the construction period. However, to the extent that they can be properly categorized as falling outside those categories, as for instance relating to member communications, publicity and advertising, an allocable portion of the Development Fee could be currently deductible. These determinations relate, however, to future events and cannot be accurately forecast at the present time.

Management and lease-up fees (attributable to ordinary short-term apartment leases) should be deductible as an ordinary and necessary business expense to the extent that the fee represents an ordinary and necessary expense and do not exceed the reasonable value of the services for which they are paid. Because the determination of whether these fees qualify as ordinary and necessary business expenses is inherently factual, there is no assurance that this determination may not be challenged by the IRS or that this determination would be upheld if challenged by the IRS. However, in the event the management fees are not currently deductible, they should be a capital expenditure related to the Property.

The Company will reimburse the Manager for actual costs incurred in furnishing certain administrative services and facilities to the Company according to the Management Agreement. The allocation of such costs between deductible expenses and nondeductible expenses will depend upon a determination to be made when such costs are actually incurred in the future, and counsel has expressed no opinion on the deductibility of such costs.

General Considerations

At-Risk Rules: A Member that is an individual or closely held corporation will be unable to deduct his distributive share of Company Net Losses, if any, to the extent such Net Losses exceeds the amount such Member has "at risk." A Member's initial amount at risk will

equal the sum of: (i) the amount of money invested by the Member in the Company; (ii) the basis of any property contributed by such Member to the Company; and (iii) the amount of borrowed funds used in Company activities to the extent that the Member is personally liable with respect to such indebtedness.

A Member can include in the amount at risk such Member's share of qualified non-recourse financing in the event the Company holds real property. The Company's loans secured by the Property may not be considered qualified non-recourse financing. Although conceptually the Loan does not violate the intent of the "at risk" rules, the uncertainty arises because in order to qualify as "qualified non-recourse financing," no person can be "personally liable." Since the Company is personally liable, the exception for qualified non-recourse financing may not apply to the Loan, and consequently, the Members may not be "at risk" for these Loans.

A Member's amount at risk will be reduced by the amount of any cash distributed to such Member and the amount of Net Losses allocated to such Member, and will be increased by the amount of Net Profits allocated to such Member. Net Losses not allowed under the at risk provisions may be carried forward to subsequent taxable years and used when the amount at risk increases.

Alternative Minimum Tax: Taxpayers may be subject to the alternative minimum tax in addition to the regular income tax. The alternative minimum tax applies to designated items of tax preference.

The laws on alternative minimum tax may change in Congress in the near future. For further information concerning tax preferences and the alternative minimum tax, prospective Members are strongly advised to consult their individual tax advisors.

Activities Not Engaged in for Profit: Under Section 183 of the Code, certain losses from activities not engaged in for profit are not allowed as deductions from other income. The determination of whether an activity is engaged in for profit is based on all the facts and circumstances, and no one factor is determinative, although the Treasury Regulations indicate that an expectation of profit from the disposition of property will qualify as a profit motive. Section 183 contains a presumption that an activity is engaged in for profit if income exceeds deductions in at least three out of five consecutive years. Although it is reasonable for a prospective Member to conclude that he can realize a profit from an investment in the Company as a result of cash flow and appreciation of the Company's property, there can be no assurance that the Company will be found to be engaged in an activity for profit due to the fact that the applicable test is based on the facts and circumstances existing from time to time.

The IRS is paying increased attention to the application of Section 183 to partnerships. Moreover, the Tax Court has accepted the argument by the IRS that Section 183 applies to the activities of a Company (rather than the partner) and that the provisions of Section 183 are applied at the Company level. The Company intends to conduct all operations in a businesslike manner in order to generate a profit from operations and sale of the Property. In the event Section 183 were applied with respect to the Units of a Member, a substantial portion of the tax benefits associated with this Offering would be eliminated.

General Limitations on the Deductibility of Interest: In addition to the limitations on the deductibility of interest incurred in connection with passive activities, the following is an additional restriction on the deduction of interest. The Company does not anticipate prepaying any interest, but it is possible that the Company, if it refinances a loan, will pay certain amounts commonly referred to as “points,” which may be considered prepayments of interest for federal income tax purposes. Interest prepayments (including “points”) must be capitalized and amortized over the life of the Loan with respect to which they are paid. See also “Accrual Method of Accounting” under this heading.

Tax Shelter Registration and Investor Lists

The organizer of a “tax shelter” must register the tax shelter with the IRS. The Manager believes that, based on the intended operations of the Company, the Company will not satisfy the definitional requirements for a “tax shelter” and will not be registered with the IRS. Consequently, the Company and the Members may be subject to penalty in the event the IRS determines that the Company was required to register as a tax shelter.

State and Local Taxes

In addition to the federal income tax consequences described above, prospective investors should consider the state tax consequences of an investment in the Company. A Member’s distributive share of the taxable income or loss of the Company generally will be required to be included in determining his reportable income for state and local tax purposes.

United States Income Tax Considerations for Foreign Investors

The federal income tax treatment applicable to a nonresident alien or foreign corporation investing in the Company is highly complex and will vary depending on the particular circumstances of such investor and the effect of any applicable income tax treaties. Each foreign investor should consult his own tax advisor as to the advisability of investing in the Company. This Memorandum does not address the United States income tax considerations for foreign investors. **THEREFORE, INVESTORS ARE URGED TO CONSULT THEIR OWN TAX COUNSEL REGARDING THE TAX CONSEQUENCES OF AN INVESTMENT IN UNITS.**

Qualified Plans and Individual Retirement Accounts – Additional Tax Issues

In considering an investment in the Company of a portion of the assets of a qualified plan, a fiduciary, taking into account the facts and circumstances of such qualified plan, should consider, among other things: (i) whether the investment is in accordance with the documents and instruments governing such qualified plan, (ii) the definition of plan assets under the Employee Retirement Income Security Act of 1974 (“ERISA”), (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA, (iv) whether, under Section 404(a)(1)(B) of ERISA, the investment is prudent, considering the nature of an investment in and the compensation structure of the Company and the fact that there is not expected to be a market created in which the fiduciary can sell or otherwise dispose of the Units,

(v) that the Company has had no history of operations, (vi) whether the Company or any affiliate is a fiduciary or a party in interest to the qualified plan and (vii) that an investment in the Company may cause the qualified plan to recognize UBTI. See "Federal Income Tax Consequences - Investment by Qualified Plans and Individual Retirement Accounts - Unrelated Business Taxable Income." The prudence of a particular investment must be determined by the responsible fiduciary (usually the trustee, plan administrator, or investment manager) with respect to each qualified plan, taking into account all of the facts and circumstances of the investment.

ERISA provides that Units may not be purchased by a qualified plan if the Company or affiliate is a fiduciary or party in interest (as defined in Sections 3(21) and 3(14) of ERISA) to the plan unless such purchase is exempt from the prohibited transaction provisions of Section 406 of ERISA. Under ERISA, it is the responsibility of the fiduciary responsible for purchasing the Units not to engage in such transactions. Section 4975 of the Code has similar restrictions applicable to transactions between disqualified persons and qualified plans or individual retirement accounts, which could result in the imposition of excise taxes on the Company, unless and until such a prohibited transaction is corrected.

In the case of an individual retirement account ("IRA"), if the Company or Affiliate is a disqualified person with respect to the IRA, the purchase of a Investor Unit by the IRA could instead cause the entire value of the IRA to be taxable to the IRA sponsor.

The Department of Labor ("DOL") has promulgated final regulations ("DOL Regulations"), 29 C.F.R. Section 2510.3-101, that define what constitutes "Plan Assets" in a situation in which a qualified plan invests in a limited liability company, or other similar entity. If assets of the Company are classified as Plan Assets, the significant penalties discussed below could be imposed under certain circumstances.

Under the DOL Regulations, if a qualified plan, invests in an equity interest of an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, its assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that the entity is an "operating company" or equity participation in the entity by benefit plan investors is not "significant."

The Units will not qualify as publicly offered securities and will not be issued by an investment company registered under the Investment Company Act of 1940.

Nonetheless, if one of the exceptions described below is satisfied, the Company's assets may avoid being classified as Plan Assets. The Company's assets may be excluded from Plan Assets under the DOL Regulations if the Company is considered an "operating company." The term "operating company" includes an entity that is a "real estate operating company," as defined in the DOL Regulations. Under the DOL Regulations, an entity is a "real estate operating company" if:

(i) for any day during a 90-day annual valuation period at least 50% of its assets, valued at cost (other than short-term investments pending long-term commitment or distribution to investors), are invested in real estate which is managed or developed and with respect to which such entity has the right to substantially participate directly in the management or development activities; and

(ii) the entity, in the ordinary course of its business, is engaged directly in real estate management or development activities. Example (8) in the DOL Regulations indicates that an entity may still qualify as a "real estate operating company" when management of the entity's real estate may be done by independent contractors if the entity retains certain control over the independent contractor and frequently consults with and advises the independent contractor.

The Manager cannot assure investors that the Company would satisfy the definition of an operating company because of the high degree of control exercised by the Manager pursuant to the Operating Agreement. Additionally, because this determination involves questions of fact regarding future activities, complete assurance on this issue cannot be provided. Further, it should be noted that it is possible the Company would not qualify as a real estate operating company in each year of their existence. That is, the fact that the Company satisfies the real estate operating company rules in one year has no bearing on its ability to satisfy such rules in later years.

If the Company is classified as a "real estate operating company," an investment by a qualified plan in the Company should be treated only as an investment in an equity interest in the Company and not as an investment in an undivided interest in each of the Company's assets.

If the Company does not qualify as an "operating company" under DOL Regulations, a qualified plan's investment in the Company will be treated as an investment in an equity interest in the Company, and not as an investment in an undivided interest in each of the underlying assets, only if equity participation in the Company by benefit plan investors (i.e., qualified plans and individual retirement accounts) is not "significant." Under the DOL Regulations, equity participation in the Company by benefit plan investors would be "significant" on any date if, immediately after the most recent acquisition of any equity interest in the Company, 25% or more of the total value of the Units is held by benefit plan investors. In determining whether the 25% benefit plan investors ownership is exceeded, the ownership of any person with discretionary authority with respect to Company assets is disregarded.

The Operating Agreement provides that less than 25% of the total value of the Units will be acquired by benefit plan investors. Therefore, assuming that less than 25% of the Units are in fact owned by benefit plans, the Company's assets should not be treated as Plan Assets. However, it is possible that future sales of Units will result in benefit plan investors owning 25% or more of the total value of the Units. In that event, the exemption from the DOL Regulations afforded to entities in which benefit plan participation is not "significant" would not be available.

In the event that the Company is deemed to hold Plan Assets, additional issues relating to the Plan Assets, and "prohibited transaction" concepts of ERISA and the Code arise. Anyone with discretionary authority with respect to the Company's assets could become a "fiduciary" of

the qualified plans within the meaning of ERISA. As a fiduciary, such person would be required to meet the terms of the qualified plan regarding asset investment and would be subject to prudent investment and diversification standards. Any such fiduciary could be a defendant in an ERISA lawsuit brought by the DOL, a qualified plan participant or another fiduciary to require that the Company's assets and the investment and stewardship thereof meet these and other ERISA standards.

In addition, if the Company is deemed to hold Plan assets, investment in the Company might constitute an improper delegation of fiduciary responsibility to the Manager and expose the fiduciary of a qualified plan investor to co-fiduciary liability under ERISA for any breach by the Manager of its ERISA fiduciary duties.

Section 406 of ERISA and Section 4975(c) of the Code also prohibit qualified plans from engaging in certain transactions with specified parties involving Plan Assets. Code Section 4975(c) also prevents IRAs from engaging in such transactions.

One of the transactions prohibited is the furnishing of services between a plan and a "party in interest" or a "disqualified person." Included in the definition of "party in interest" under Section 3(14) of ERISA and the definition of "disqualified person" in Section 4975(e)(2) of the Code are "persons providing services to the plan." If the Manager or certain entities and individuals related to the Manager have previously provided services to a benefit plan investor, then the Manager could be characterized as a "party in interest" under ERISA and/or a "disqualified person" under the Code with respect to such benefit plan investor. If such a relationship exists, it could be argued that the Affiliate of the Manager is being compensated directly out of Plan Assets rather than Company assets for the provision of services, i.e., establishment of the Company and making it available as an investment to the qualified plan. If this were the case, absent a specific exemption applicable to the transaction, a prohibited transaction could be determined to have occurred between the qualified plan and the Company.

If the Company's assets are treated as Plan Assets, a prohibited transaction would also occur if a party with whom the Company enters into a transaction is a "party in interest" or "disqualified person" with respect to a qualified plan.

Another type of transaction prohibited by ERISA and the Code is one in which fiduciaries of a qualified plan or the person who establishes an individual retirement account engage in self-dealing or in co-investment with the plan or account. Accordingly, Affiliates of the Manager are not permitted to purchase Units with assets of any benefit plan investor if they (i) have investment discretion with respect to such assets or (ii) regularly give individualized investment advice which serves as the primary basis for the investment decisions made with respect to such assets. In addition, no fiduciary of a qualified plan or owner of an individual retirement account should purchase Units both individually and with assets of the benefit plan investor. The Manager will take particular care to assure that it does not become a plan fiduciary.

If the Company's assets are treated as Plan Assets and if it is determined by the DOL that the acquisition of a Investor Unit or another transaction between the Company and a party in

interest by a qualified plan constitutes a prohibited transaction, then any party in interest, which may include a fiduciary or sponsor of a qualified plan, that has engaged in any such prohibited transaction could be required to: (i) restore to the qualified plan any profit realized on the transaction; (ii) make good to the qualified plan any losses suffered by the qualified plan as a result of such investment; (iii) pay an excise tax equal to 15% of the amount involved (i.e., the amount invested in the Company), for each year during which the investment is in place; and (iv) eliminate the prohibited transaction by reversing the transaction and making good to the Company any losses resulting from the prohibited transaction. Moreover, if any fiduciary or party in interest is ordered to correct the transaction by either the IRS or the DOL and such transaction is not corrected within a 90-day period, the party in interest involved could also be liable for an additional excise tax in an amount equal to 100% of the amount involved (i.e., the amount invested in the Company), for each taxable year commencing with the year in which the 90-day period expires and ending with the year in which the prohibited transaction is corrected. Also, the IDOL could assert additional civil penalties against a fiduciary or any other person who knowingly participates in any such breach.

With respect to an investing IRA, the tax-exempt status of the account could be lost if the investment constitutes a prohibited transaction under Section 408(e)(2) of the Code by reason of the Company engaging in the prohibited transaction with the IRA or the individual who established the IRA or his beneficiary. If the IRA were to lose its tax-exempt status, the entire value of the IRA would be considered to be distributed and taxable to the IRA sponsor. Finally, if the Company's assets were determined to be "Plan Assets," fiduciaries of such qualified plans and IRAs might under certain circumstances be subject to liability for actions taken by the Manager or its Affiliates. In addition, certain of the transactions described in the Memorandum in which the Company may engage, including certain transactions with Affiliates, might constitute prohibited transactions under the Code and ERISA with respect to such qualified plans and IRAs, even if the acquisition of Units did not constitute a prohibited transaction. Moreover, fiduciaries with responsibilities to qualified plans and/or IRAs subject to ERISA's fiduciary duty rules might be deemed to have improperly delegated their fiduciary responsibilities to the Manager in violation of ERISA.

OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC
A California Limited Liability Company

**OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC**

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OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC

THIS OPERATING AGREEMENT (“Agreement”) of 2201 Dwight Partners, LLC, is entered into as of _____, 2009 by and among the individuals and entities whose names are set forth at the end of this Agreement (who are hereinafter referred to individually as “Member” and collectively as “Members”).

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

1.1 “Acquisition Fee” shall have the meaning given it in Section 5.6.2 and Exhibit 2 of this Agreement.

1.2 “Act” shall mean the Beverly-Killea Limited Liability Company Act, Title 2.5 (commencing with Section 17000) of the California Corporations Code, and any and all amendments and successor statutes thereto.

1.3 “Affiliate” shall mean (i) any person directly or indirectly controlling, controlled by or under common control with another person, (ii) a person owning or controlling ten percent (10%) or more of the outstanding voting securities of another person, (iii) any officer, director, partner, member or employee of any person, and (iv) if a person, classified as an Affiliate by virtue of (i), (ii) or (iii) above, is an officer, director, partner, member or employee, any company for which such person acts in any such capacity.

1.4 “Agreement” or “Operating Agreement” shall mean this Operating Agreement of 2201 Dwight Partners, LLC, including any subsequent amendment or restatement.

1.5 “Approved by the Members” and “Approval of the Members” shall mean the consent of Members holding a Super-Majority in Interest, obtained in accordance with Section 5.9.

1.6 “Articles” shall mean the articles of organization of the Company, including any and all amendments thereto or restatements thereof, as properly adopted and filed with the California Secretary of State.

1.7 “Assign” or “Assignment” shall mean any sale, assignment, transfer, exchange, mortgage, pledge, grant, hypothecation, or other transfer, whether voluntary or involuntary and whether absolute or as security or encumbrance (including any disposition by operation of law).

1.8 “Assignee” shall mean an assignee of a Membership Interest who has not been admitted as a Substitute Member.

1.9 “Bankrupt” or “Bankruptcy” shall mean with respect to any person, (i) being subject of an order for relief under Title 11 of the United States Bankruptcy Code, or any successor statute or other statute in any foreign jurisdiction having like impact or effect, or (ii) initiating, in an original proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation, arrangement, composition, readjustment, dissolution, or similar relief.

1.10 “Business” shall mean the business conducted by the Company according to the Business Purpose set forth in Section 2.3.

1.11 “Capital Account” shall mean with respect to each Member, the account determined and maintained in accordance with Article 3.

1.12 “Capital Contribution” shall mean any money, property, or services rendered, or a promissory note or other binding obligation to contribute money or property, or to render services as permitted under the Act, which a Member contributes to the Company as capital in that Member's capacity as a Member.

1.13 “Cash Flow” shall mean the proceeds from the Company’s operation of the Business (including but not limited to leasing revenue) and from miscellaneous sources, without deduction for depreciation, amortization or similar noncash allowances, but after deducting amounts used to pay all Company expenses, including the Property’s periodic debt service, all compensation currently due the Manager hereunder pursuant to the Management Agreement (**Exhibit 2** to this Operating Agreement), capital improvements and replacements. The Term “Cash Flow” shall include, in addition to current net revenue as described above, the revenues of the Business net of loan payoffs and other obligations which are derived from capital events (including but not limited to sales) and financings of assets.

1.14 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.15 “Company” shall mean 2201 Dwight Partners, LLC, a limited liability company formed under the Act and otherwise under the laws of the State of California, and any successor limited liability company.

1.16 “Development Fee” shall have the meaning given it by Section 5.6.2 and Exhibit 2 of this Agreement.

1.17 “Distributable Cash” shall mean the Company's Cash Flow less amount set aside as reserves by the Manager.

1.18 “Distribution” shall mean a transfer of Property or Cash to a Member on account of a Membership Interest as described in Article 4.

1.19 “Dissolution Event” shall mean an event, the occurrence of which will result in the dissolution of the Company under Article 8 unless the Members agree to the contrary.

1.20 “Economic Interest” shall mean a Person’s right to share in the Net Profits, Net Losses, deductions, credits, gains and similar items of, and to receive Distributions from, the Company, but does not include any other rights of a Member including, without limitation, the right to vote or participate in management, or, except as provided in the Act, any right to information concerning the business and affairs of the Company.

1.21 “Escrow” shall mean the escrow account at U.S. Bank Trust, San Francisco, CA holding the proceeds from sale of Units pursuant to this Private Placement Memorandum, and pursuant to whose terms funds will be transferred to Old Republic Title Company for purchase of the Property.

1.22 “Management Fee” shall have the meaning given it by Section 5.6.2 and Exhibit 2 of this Agreement.

1.23 “Managing Member” or “Manager” shall mean CityCentric/Dwight and Fulton, LLC, a California limited liability company.

1.24 “Member” shall mean any Member, any Substitute Member or additional Member admitted to the Company pursuant to Article 7. Except where specifically stated otherwise, “Member” also includes Manager.

1.25 “Members’ Preferred Return” shall mean a non-subordinated accrued yield upon each Member’s cash Capital Contribution, from the time each investment is accepted, at the rate of five percent (5%) per annum simple, which adjusts to eight percent (8%) per annum simple at the time of conversion of the construction loan on the Property to permanent financing.

1.26 “Membership Interest” shall mean a Member’s rights in the Company, collectively, including the Member’s Economic Interest, the right to vote and participate in management, and the right to receive information concerning the business and affairs of the Company. The Membership interest of a Member is also expressed in Units.

1.27 “Minimum Funding Date” shall mean the earlier of (i) the date upon which subscriptions and funds for at least forty-six (46) Units (\$2,300,000) are received by the Company and deposited into Escrow, or (ii) November 16, 2009, unless extended by the Company in its sole discretion to a date not later than the Offering Termination Date.

1.28 “Minimum Offering Amount” shall mean the gross proceeds from the sale of forty-six (46) Units, including sums loaned by the Manager which will be converted to Unit ownership if not sold by the Offering Termination Date.

1.29 “Net Losses” shall mean the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the method of accounting adopted by the Company and as reported separately or in the aggregate, as appropriate, on the tax return of the Company filed for federal income tax purposes.

1.30 “Net Profits” shall mean the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the method of accounting adopted by the Company and as reported separately or in the aggregate, as appropriate, on the tax return of the Company filed for federal income tax purposes.

1.31 “Offering Termination Date” shall mean December 15, 2009, after which date no further Units in the Company shall be sold.

1.32 “Percentage Interest” shall mean the ownership percentage of each Member in Net Profits, Net Losses, Distributable Cash and other Distributions set forth opposite such Member’s name on **Exhibit 1** attached hereto.

1.33 “Person” shall mean an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company or other entity, whether domestic or foreign.

1.34 “Proceeding” shall mean any administrative, judicial, or other adversary proceeding, including, without limitation, litigation, arbitration, administrative adjudication, mediation, bankruptcy case or proceeding, and any appeal or review of any of the foregoing.

1.35 “Property” shall mean any real or personal property, whether tangible or intangible, including money and any legal or equitable interest in such property, but excluding services and promises to perform services in the future. The term Property specifically includes the improved real property at 2201 Dwight Way, Berkeley, CA whose acquisition and proposed development is described in the Private Placement Memorandum into which this Agreement is incorporated.

1.36 “Real Estate Disposition Fee” shall have the meaning given it by Section 5.6.2 and Exhibit 2 of this Agreement.

1.37 “Regulations” shall mean, except where the context indicates otherwise, the permanent, temporary, proposed, or proposed and temporary regulations of Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

1.38 “Subordinated Profit Participation” shall have the meaning given it by Section 5.6.2 and Exhibit 2 of this Agreement.

1.39 “Substitute Member” shall mean an Assignee who has been admitted to all of the rights of membership pursuant to Article 7.

1.40 “Super-Majority in Interest” shall mean Members including the Managing Member, owning in the aggregate more than sixty-six and two-thirds percent (66 2/3%) or more of the combined Percentage Interests.

1.41 “Taxable Year” shall mean the taxable year of the Company as determined pursuant to Section 706 of the Code.

1.42 “Term” shall mean the term of the Company as set forth in Section 2.4.

1.43 “Units” shall mean investment interests in the Company, each of which, when fully paid in, equals aggregate cash Capital Contributions to the Company of \$50,000. Each Unit shall be paid in according to a schedule set forth in the Subscription Agreement and Power of Attorney contained in the Company’s Private Placement Memorandum, which Subscription Agreement is fully incorporated herein by reference.

ARTICLE 2 FORMATION, PURPOSE AND TERM

2.1 Formation. The Members hereby agree to form and hereby form, a limited liability company pursuant to the provisions of the Act. The Manager has caused Articles of Organization (Form LLC-1) to be filed with the California Secretary of State in accordance with the provisions of the Act. In the event of any conflict between any terms of the Articles and any terms of this Agreement, the terms of the Articles shall prevail. To the extent not expressly provided for in this Agreement, the rights and liabilities of the Members shall be as provided in the Act.

2.2 Name. The name of the Company is 2201 Dwight Partners, LLC, and all business of the Company shall be conducted under that name or under any other name Approved by the Members and permitted by applicable law.

2.3 Business Purpose. The purpose and business of the Company is to purchase land, develop, hold, enhance the value of and lease out one or more parcels of real property for investment purposes. The Company exists only for the purpose specified in this Section 2.3, and may not conduct any other business without the Approval of the Members and the Managing Member. The authority granted to the Members hereunder to bind the Company shall be limited to actions necessary or convenient to this purpose and business, and each Member and the Manager hereby agrees to indemnify, defend and hold harmless the Company and each other Member from and against any and all indebtedness, liabilities and obligations incurred by them as a result of such Member exceeding such authority.

2.4 Term. Except as extended by Approval of the Members, the term of the Company shall commence on the date the Articles are filed with the California Secretary of State, and shall terminate on December 31, 2059, or earlier as provided in Section 8.1 of this Agreement.

2.5 Principal Office. The principal office of the Company shall be located at 5715 Claremont Ave., Berkeley, CA 94618 or at any other location in California so designated by the Manager.

2.6 Interest in Company. Each Member's Membership Interest in the Company, as well as any Assignee's Economic Interest in the Company, constitutes personal property of the Member or assignee. A Member or assignee has no interest in specific Company property.

2.7 Limited Liability. Except as otherwise required by law, no Member shall have any personal liability for any debts, liabilities or obligations of the Company.

2.8 Agent for Service of Process. The name and address of the initial agent for the service of process shall be W. Stephen Wilson, 500 Sansome Street, 8th Floor, San Francisco, California 94111. The Members may, from time to time, change such agent for service of process or address in the manner provided by applicable law; provided that the Company shall continuously maintain in California an agent for service of process on the Company. In the event the designated agent ceases to act as such for any reason or no longer resides in California, the Company shall promptly designate a replacement agent and file an amended statement (Form LLC-12) with the California Secretary of State.

2.9 Initial Members. The initial Members of the Company are set forth in **Exhibit 1** to this Operating Agreement. Members shall be admitted effective the last day of the calendar month in which their Capital Contributions are received.

2.10 Record Date. The record date for determining the Members entitled to receive Notice of any meeting, to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action, shall be the date set by the Manager or by a Majority of Members; provided that such record date shall not be more than 60 or less than ten calendar days prior to the date of the meeting and not more than 60 calendar days prior to any other action. In the absence of any action setting a record date, the record date shall be determined in accordance with California Corporations Code Section 17104(k).

ARTICLE 3 CAPITAL CONTRIBUTIONS AND ACCOUNTS

3.1 Capital Contributions; Reserve Account. The Members have contributed as capital to the Company cash in the amount and value described on attached **Exhibit 1**. The schedule of installment payments comprising each Unit is set forth in the Subscription Agreement and Power of Attorney accompanying this Operating Agreement and is fully incorporated herein by reference. The respective percentage or quantum of Membership Interest of each Member is likewise set forth on **Exhibit 1**, which shall be amended from time to time to reflect the admission of new members. The Manager has acquired its initial one percent (1%) Percentage Interest, including its Subordinated Profit Participation in 40% of the Company's Distributable Cash, by contribution of a combination of its appreciated contract right to acquire the Property, plus cash and/or a promissory note. The Company shall at all times maintain a

prudent reserve account, whose level shall be established in the reasonable judgment of the Manager.

3.2 Maintenance of Capital Account. An individual Capital Account for each Member shall be maintained in accordance with the requirements of Treasury Regulation Section 1.704-1(b)(2)(iv) and adjusted in accordance with the following provisions:

3.2.1 A Member's Capital Account shall be increased by that Member's Capital Contributions, that Member's share of Net Profits, and any items in the nature of income or gain that are specially allocated to that Member pursuant to this Agreement or otherwise.

3.2.2 A Member's Capital Account shall be increased by the amount of any Company liabilities assumed by that Member subject to and in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(c).

3.2.3 A Member's Capital Account shall be decreased by (a) the amount of cash distributed to that Member (exclusive of expense reimbursements and loan payments); (b) the fair market value of any property of the Company so distributed, net of liabilities secured by such distributed property that the distributee Member is considered to assume or to be subject to under Code Section 752; and (c) the amount of any items in the nature of expenses or Net Losses that are specially allocated to that Member pursuant to this Agreement or otherwise.

3.2.4 A Member's Capital Account shall be reduced by the Member's share of any expenditures of the Company described in Code Section 705(a)(2)(E), or which are treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i) (including syndication expenses and losses nondeductible under Code Sections 267(a)(1) or 707(b)).

3.2.5 If any Economic Interest (or portion thereof) is transferred, the transferee of such Economic Interest or portion shall succeed to the transferor's Capital Account attributable to such interest or portion.

3.2.6 The principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Company by the maker of the note shall not be included in the Capital Account of any Person until the Company makes a taxable deposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(d)(2).

3.2.7 Each Member's Capital Account shall be increased or decreased as necessary to reflect a revaluation of the Company's property assets in accordance with the requirements of Treasury Regulation Sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g), including the special rules under Treasury Regulation Section 1.701-(b)(4), as applicable. The provisions of this Agreement respecting the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with those Regulations.

3.3 Assignment of Membership Interest. In the event of an Assignment of all or any part of a Member's Membership Interest in the Company in accordance with the applicable provisions of this Agreement, the Capital Account of the assignor Member shall become the Capital Account of the Assignee, to the extent it relates to the portion of the Membership Interest assigned.

3.4 Compliance with Section 704(b) of the Code. The provisions of this Article 3 as they relate to the maintenance of Capital Accounts are intended, and shall be construed, and, if necessary, modified to cause the allocations of profits, losses, income, gain and credit pursuant to Article 4 to have substantial economic effect under the Regulations promulgated under Section 704(b) of the Code, in light of the distributions made pursuant to Articles 4 and 8 and the Capital Contributions made pursuant to this Article 3. Notwithstanding anything herein to the contrary, this Agreement shall not be construed as creating a deficit restoration obligation or otherwise personally obligate any Member to make any Capital Contribution in excess of such Member's initial Capital Contribution.

3.5 No Interest or Right to Withdraw Capital. Except as otherwise agreed to in writing by all Members: (a) no interest shall be paid by the Company on any Member's Capital Contributions or on the balance in any Member's Capital Account; (b) no Member shall have the right to withdraw such Member's Capital Contributions or to demand or receive a return of such Member's Capital Contributions; and (c) no Member shall have the right to demand or receive Property other than cash in return for its Capital Contributions. However, pursuant to a vote to dissolve and wind up under Section 8.1, the Members may also approve a plan of liquidation providing for distribution of tangible assets to members according to an equitable formula. Provided, however, that this Section 3.5 shall not apply to any additional or later offering of interests in the Company for the purpose of providing additional cash capital for the Business and/or providing a liquidity feature as an accommodation to Members.

3.6 Liquidating Proceeds. Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the company, or when any Member's Interest is liquidated, all Net Profits and Net Losses first shall be allocated to the Members' Capital Accounts under this Article 3, and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made as provided in Section 8 of this Agreement. The provisions of this Section 3.6 and Article 8 shall be construed in accordance with the requirements of Treasury Regulation Section 1.704-1(b)(2)(ii)(b)(2).

ARTICLE 4 ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations of Net Profits and Net Losses. The allocations of Net Profits, income, gains, Net Losses, and deductions set forth in the Agreement are intended to comply strictly with Regulations Section 1.704-1(b), Regulations Section 1.704-1T(b)(4)(iv), and Regulations Section 1.704-2, and are intended to have "substantial economic effect" within the meaning of those Regulations.

4.1.1 Allocation of Net Profits. Except as otherwise provided elsewhere under the Agreement and after first giving effect to the special allocations in Subparagraphs 4.1.3 through 4.1.12, Net Profits for any fiscal year shall be allocated to each Member in accordance with his, her or its Percentage Interest as set forth in Exhibit 1. Subject to any limitations described elsewhere in the Agreement including but not limited to Subparagraphs 4.1.13 and 4.1.14, the above allocation of Net Profits may be modified by subsequent agreement to conform to adjustments made to the Percentage Interest because of loans converted to Capital Contributions, any distributions of cash, any adjustment to Capital Account pursuant to Section 3.1.2 of this Agreement and any liquidating distribution. If a Member's Percentage Interest is not the same throughout a given fiscal year, the Members shall determine the allocation of Net Profits by taking into account the varying Percentage Interest during the year but such determination shall be in conformity with the requirements of Code Section 706(d) and the regulations thereunder. "Net Profits" as defined and used herein refers to all items of income (including all items of gain and including income exempt from tax) as properly determined for "book purposes". Net Profits shall be determined based on the "book value" of the assets of Company as set forth on the books of Company in accordance with the principles of Regulations Section 1.704-1(b)(2)(iv)(g). Otherwise Net Income and loss shall be determined strictly in accordance with Federal income tax principles (including rules governing depreciation and amortization), applied hypothetically based on values of Company assets as set forth on the books of Company.

4.1.2. Allocation of Net Losses. Except as otherwise provided under the Agreement and after giving effect to the special allocations in Subparagraphs 4.1.3 through 4.1.12, Net Losses for any fiscal year shall be allocated to each Member accordance with the Member's Percentage Interest set forth in Exhibit 1. Subject to any limitations described elsewhere in the Agreement including but not limited to Subparagraphs 4.1.13 and 4.1.14, the above allocation of Net Losses may be modified by subsequent agreement to conform to adjustments made to the Percentage Interest because of loans converted to Capital Contributions, any distributions of cash, any adjustment to Capital Account pursuant to Section 3.1.2 of this Agreement and any liquidation distributions. If a Member's Percentage Interest is not the same throughout a given fiscal year, the Members shall determine the allocation of Net Losses to the Member by taking into account his varying Percentage Interest in Net Losses during the year but such determination shall be in conformity with the requirements of Code Section 706(d) and the regulations thereunder. "Net Losses" as defined and used herein refers to all items of loss (including deductions) as properly determined for "book purposes". Net Losses shall be determined based on the value of the assets of Company as set forth on the books of Company in accordance with the principles of Regulations Section 1.704-1(b)(2)(iv)(g). Otherwise, Net Losses shall be determined strictly in accordance with federal income tax principles (including rules governing depreciation and amortization) applied hypothetically based on values of Company assets as set forth on the books of Company.

4.1.3. Allocation of Company Minimum Gain. The term "Company Minimum Gain" shall be defined and determined in accordance with Regulations Section 1.704-2(d). Notwithstanding any other provision of the Agreement, if there is a net decrease in Company Minimum Gain for a Company taxable year, then each Member shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) in proportion to, and to the extent of, an amount equal to the greater of (a) the portion of such Member's share of the net

decrease in Company Minimum Gain during such year that is allocable to the disposition of Company property subject to one or more Non-recourse Liabilities of Company and (b) the deficit balance in such Member's capital account at the end of such year. Such allocations shall be made before any other allocation of Company items for the year. For the purpose of this Section 4.1, the balance in a Member's capital account at the end of such year shall be determined with the adjustments prescribed by Regulations Section 1.704-1(b)(4)(iv)(e)(2). Such allocations shall be made in accordance with the provisions of Regulations Section 1.704-1(b)(4)(iv)(e).

4.1.4. Allocation of Member's Share of Minimum Gain. A "Member's share of Minimum Gain" shall be defined and determined in accordance with Regulations Section 1.704-2(d). Notwithstanding any other provision of the Agreement, if there is a net decrease during a Company taxable year in the Member's Share of Minimum Gain, then any Member with a share of the Minimum Gain at the beginning of such year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) in proportion to, and to the extent of an amount equal to the greater of (a) the portion of such Member's share of the net decrease in the Minimum Gain that is allocable to the disposition of Company property subject to such Member's Non-recourse Debt, and (b) the deficit balance in such Member's capital account at the end of such year. The items of Company income and gain allocated by this Section 4.1.4 shall not include any items of income or gain allocated pursuant to the Section above. The allocations under this Section 4.1.4 shall be made before any other allocation (except any allocations made pursuant to this Section 4.1 above) of Company items for the year. For the purpose of this Section 4.1.4, the balance in a Member's capital account at the end of such year shall be determined with the adjustments prescribed by, and the allocations hereunder shall be made in accordance with, the provisions of Regulations Section 1.704-1(b)(4)(iv)(h)(4).

4.1.5. Allocation of Net Profits and Gains Under Qualified Income Offset. Items of Net Profits and gain shall be specially allocated to each Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of the Member determined under Regulations Section 1.704-1(b)(2)(ii)(d) as quickly as possible in the event any Member unexpectedly receives any (1) distributions that, as of the end of such year, reasonably are expected to be made to a Member to the extent they exceed offsetting increases to such Member's capital account that reasonably are expected to occur during (or prior to) Company taxable years in which such distributions reasonably are expected to be made (other than increases pursuant to a minimum gain chargeback of the Agreement) or (ii) adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6). This subsection is intended to comply with Regulation Section 1.704-1(b)(2)(ii)(d) and should be so interpreted.

4.1.6 Allocation of Non-recourse Deductions. The term "Company Non-recourse Deductions" shall be defined and determined in accordance with Regulations Section 1.704-2(b) and (c). Company Non-recourse Deductions shall be allocated to the Member, if any, that bears the economic risk of loss for the Member Non-recourse Debt to which the Member Non-recourse Deductions are attributable. If more than one Member bears the economic risk of loss for a Member Non-recourse Debt, the Non-recourse Deduction attributable to such Member Non-recourse Debt shall be allocated among such Members in accordance with the ratios in which the Members share the economic risk of loss for such Non-recourse Debt. Otherwise,

Non-recourse Deductions shall be allocated in the same manner as, and be subject to the same restrictions imposed upon Net Losses. Member Non-recourse Debt shall be defined and determined in accordance with Regulations Section 1.704-2(b)(4).

4.1.7. Allocation of Income, Gains and Losses Related to Contributed Property. In accordance with Code Section 704(c) and the Regulation thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to Company for federal income tax purposes and its initial gross fair market value. In the event the initial gross fair market value of any Company asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its initial gross fair market value under one of the methods allowed under Code Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Members in any manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Subsection 4.1.7. are solely for purposes of federal, state, and local taxes and shall not affect or in any way be taken into account in computing, any member's Capital Account or share of Net Profits, Net Losses, or other items or distributions pursuant to any other provision of the Agreement.

4.1.8 Allocation of Gain and Loss from Sale or Other Disposition of Property Not Revalued. If, in connection with the admission of an additional Member to Company or the liquidation of a Member's Interest in Company, Company property is not revalued pursuant to Regulations Section 1.704-1(b)(2)(iv)(f) and the Members' capital accounts are not adjusted accordingly, then, upon any subsequent sale or other disposition of Company property, gain or loss recognized upon the sale or other disposition shall be allocated among the Members so as to take into account the variation between the adjusted basis of such property and its fair market value as of the date the additional Member was admitted or the date the Member's Interest was liquidated, as the case may be, in the same manner as under Code Section 704(c).

4.1.9 Allocation of Gains and Losses Related to Adjustments in Tax Basis. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 734(b) or 743(b) is required, pursuant to Regulations Section 1.704-1 (b)(2)(iv)(m), to be taken into account determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

4.1.10 Allocation to Avoid Adjusted Capital Account Deficit. Notwithstanding any other provision of this Article, no Member shall receive an allocation of Net Losses, net capital losses, Non-recourse Deductions as defined in Regulations 1.704-2(b) and (c), or any other item of loss or deduction that would create or increase an Adjusted Capital Account Deficit of the Member. Any loss, or item thereof, that cannot be allocated to a Member as a result of the foregoing limitation shall be allocated to all Members. Any loss, or item thereof, allocated to all Members pursuant to the preceding sentence shall be taken into account in computing subsequent allocations of Net Profits or Losses or Net Capital Gain or Loss so that the net amount of any items so allocated and the profits, losses and all other items allocated to each

Member shall, to the extent possible be equal to the net amount that would have been allocated to each Member if the allocations required by the preceding sentence had not been made.

4.1.11 Allocation of Gross Income to Restore Capital Account Deficit. In the event any Member has a distribution in his Capital Account at the end of any fiscal year which is in excess of the sum of (i) the amount the Member is obligated to restore pursuant to any provision of the Agreement, and (ii) the amount the Member is deemed to be obligated to restore pursuant to the penultimate sentences of Section 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, such Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this subsection shall be made only if and to the extent that such Member would have a Capital Account with a deficit balance in excess of such sum after all other allocations provided for in this Section 4.1 have been made as if Subsection 4.1.5 relating to allocations under a qualified income offset hereof and this subsection were not in the Agreement.

4.1.12 Allocation of Capital Event Adjustments and Subsequent Effects. To the extent the gross fair market value of any asset of Company is increased or decreased for a capital event as determined in the sound discretion of the Company's accountants, any resulting book gain or loss shall be allocated as required for capital account purposes and subsequent allocations of income, gain, loss or deduction with respect to such asset shall take into account any difference between the adjusted basis of such asset for federal income tax purposes and its gross fair market value.

4.1.13 Allocation of Net Profits and Net Losses Consistent with Distributions. Notwithstanding any other provision of the Agreement, the Net Profits and Net Losses shall be allocated in a manner that is consistent with the requirements for distributions of cash described elsewhere in the Agreement, the requirements for distribution of assets of Company upon its dissolution and winding up strictly in accordance with capital account balances determined in accordance with these procedures described below and the requirements for the allocations to comply with applicable Regulations under Code Section 704(b).

4.1.14 Allocation of Income, Gain, Losses, and Deductions to Comply with Regulations and Intentions of Members. If the allocations described above are not consistent with the manner in which Members intend to divide Company distributions, the Manager is hereby authorized to divide and allocate Net Profits, Net Losses, and other items among Members so as to prevent the allocations from distorting the manner in which the Members intend the Company distributions to be divided among Members pursuant to this Article 4, but in a manner consistent with the requirements of Regulations Section 1.704-1(b)(2)(v). In general, it is agreed that this division will be accomplished by specially allocating other Net Profits, Net Losses, and items of income, gain, loss, and deduction among the Members so that the net amount of the allocations and such special allocations to each such Member is zero. If, for whatever reason, the Manager determines that the allocation provisions of the Agreement are unlikely to be respected for federal income tax purposes, the Manager is granted the sole authority to amend the allocation provisions of the Agreement, to the minimum extent necessary to effect the plan of allocations and distributions provided in the Agreement. Further, the Manager may adopt and revise rules, conventions and procedures as it believes appropriate in any reasonable manner with respect to the admission of Members to reflect the Members' Interests in Net Profits, Net Losses and other items in Company at the close of the year.

4.1.15 Order for Applying Allocation Provisions. The allocation provisions of this Section 4.1 shall be applied in the following order from first to last:

- (i) Allocation of Company Minimum Gain as required by Subsection 4.1.3;
- (ii) Allocation of member's share of Minimum Gain as required by Subsection 4.1.4;
- (iii) Allocation of Net Profits and gains under qualified income offset as required by Subsection 4.1.5;
- (iv) Allocation of Non-recourse Deductions as required by Subsection 4.1.6;
- (v) Allocation of income, gains or losses related to contributed property as required by Subsection 4.1.7;
- (vi) Allocation of gain and loss from sale or other disposition of property not revalued as required by Subsection 4.1.8;
- (vii) Allocation of Net Profits as required by Subsection 4.1.1;
- (viii) Allocation of Net Losses as required by Subsection 4.1.2;
- (ix) Allocation of gains and losses related to adjustment in tax basis as required by Subsection 4.1.9;
- (x) Allocations to avoid Adjusted Capital Account Deficit as required by Subsection 4.1.10;
- (xi) Allocation of gross income to restore capital account deficit as required by Subsection 4.1.11;
- (xii) Allocation of capital account adjustments and subsequent effects as required by Subsection 4.1.12;
- (xiii) Allocation of Net Profits and Net Losses consistent with distributions as required by Subsection 4.1.13;
- (xiv) Allocation of Net Profits, income gains, Net Losses and deductions to comply with regulations and intentions of Members as required by Subsection 4.1.14.

4.2 Distributions of Distributable Cash; Manager's Share. Distributions of any Distributable Cash shall be made periodically as determined by the Manager, in its sole and absolute discretion. Members shall be distributed cash in direct proportion to their Percentage Interests as shown on **Exhibit 1**, but subject in any event to sums payable to the Manager or its Affiliates. Distributions shall be in cash. Prior to liquidation of the Company, a Member has no right to demand and receive any Distribution in any form other than cash, except pursuant to Section 4.4 below or pursuant to any additional offering of interests in the Company provided by the Manager as a liquidity feature to accommodate Members. The Management Agreement (**Exhibit 2**) reserves to the Manager certain payments which are made or reserved before calculation of Distributable Cash.

4.3 Limitations on Distributions. No Distribution shall be declared and paid if, after giving effect to the Distribution: (i) the Company would not be able to pay its debts as they became due in the ordinary course of business or (ii) the assets of the Company would be less

than the sum of the liabilities of the Company, excluding liabilities to Members on account of their Membership Interests. Notwithstanding anything in this Agreement to the contrary, a Member who votes for or receives a Distribution in violation of this Article 4 shall be personally liable to the Company for the amount of the Distribution that exceeds the amount that could have been properly distributed.

4.4 In-Kind Distributions. Assets of the Company (other than cash) shall not be distributed in-kind to the Members without the approval of the Manager and consent of a Super-Majority in Interest. If the Company at any time distributes any of its assets in-kind to the Members, the Capital Account of each Member shall be adjusted to account for the that Member's allocable share (as determined under Article 9 below) of the Net Profits or Net Losses that would have been realized by the Company had it sold the assets that were distributed at their respective fair market values immediately prior to their distribution, and the Members shall receive such assets in a legal form determined by Manager, with the advice of counsel, and in proportion to their respective Capital Accounts (after taking into account all Capital Account adjustments to the date of the distribution).

ARTICLE 5 COMPANY MANAGEMENT AND EXPENSES

5.1 Management. Subject to the provisions of Section 5.3, and other rights expressly granted to the Members or the Managing Member under the provisions of this Agreement, the overall management and control of the Company and the Business, and the right to enter into transactions on behalf of the Company shall reside with the Manager.

5.2 Manager. There shall at all times during the Term be one Manager. The Members hereby appoint CityCentric/ Dwight and Fulton, LLC, a California limited liability company, as the initial Manager, to serve in such capacity until the earlier of (i) the resignation of and appointment of a successor Manager by a Super-Majority in Interest; or (ii) such time as Manager no longer holds a Membership Interest in the Company. The Manager may resign upon not less than ninety (90) days written notice to the other Members. The Manager may be removed for good cause upon the vote of a Super-Majority in Interest, which shall be defined as gross negligence or willful wrongdoing. However, no such removal shall operate to decrease or forfeit the Manager's rights to the cash distributions, Net Profits, Net Losses or other incidences of ownership normally appertaining to the Manager's Percentage Interest. So long as Manager remains in that capacity, it shall be entitled to delegate among its officers, directors and employees all rights and responsibilities of the Manager enumerated herein, which shall include binding the Company in any manner not specifically prohibited hereby. The Manager has other business interests to which it devotes a portion of its time, and shall devote such time to the Business of the Company as Manager, in its good faith and discretion, deems necessary.

5.3 Authority of Manager. Subject to the provisions of Section 5.4, the Manager shall be responsible for managing the day-to-day operations of the Business, including without limitation:

5.3.1 Supervising and controlling the operation and management of the Business, to the same extent and subject to the same limitations as the board of directors of a corporation operating under the provisions of the California Corporations Code, except as such rights and limitations may be specifically augmented or limited under this Agreement;

5.3.2 Executing and delivering all instruments necessary or convenient in connection with the operation of the Business, including mortgages and other instruments related to secured and unsecured borrowing, construction contracts and all other documentation related to or arising from the improvement of the Property, instruments related to planning or zoning entitlements or approvals, all instruments in connection with investment decisions and decisions of the Business and instruments which initiate, extend, modify, sell, refinance or liquidate any investment of the Business;

5.3.3 Leasing the Property or any part of it, upon such terms and at such rates as the Manager may in its sole discretion determine;

5.3.4 Retaining or employing and coordinating the services of consultants, employees, professionals and other persons whom the Manager determines necessary or appropriate to carry out the Business;

5.3.5 Establishing one or more accounts with a bank, savings and loan or other financial institution chosen in the Manager's sole and absolute discretion, and to withdraw funds as necessary therefrom for the operation and maintenance of the Business;

5.3.6 Establishing and funding out of the Company's gross receipts or otherwise, an operating reserve account to the extent deemed necessary by the Manager;

5.3.7 Preparing or causing to be prepared, delivered, and when necessary filed, those reports and returns required under Article 6 of this Agreement;

5.3.8 Engaging in business, without limitation, with any person or entity who provides any services or goods to the Company or acquires them from the Company;

5.3.9 Engaging in any kind of activity and performing and carrying out such contracts of any kind necessary to, in connection with or incidental to the Business;

5.3.10 Selling or issuing additional Percentage Interests in the Company on terms determined appropriate by the Manager, in its sole and absolute discretion; and

5.3.11 Amendments to this Operating Agreement for purposes of internal consistency or for clarification provided that they meet the conditions set forth in Section 11.1 of this Agreement.

5.4 Restrictions on Authority of Members. In addition to any restrictions set forth elsewhere in this Agreement, no Member, including the Manager, shall, unless approved by a Super-Majority in Interest:

5.4.1 Do any act in contravention of this Agreement;

5.4.2 Enter into a transaction or related series of transactions that would obligate the Company in an amount in excess of Fifteen Million Dollars (\$15,000,000);

5.4.3 Possess Company property, or assign the Company's rights in Company property, for other than a purpose of the Company;

5.4.4 Confess a judgment against the Company;

5.4.5 Change or reorganize the Company into any other legal form or alter its business purpose in a manner inconsistent with Section 2.3;

5.4.6 Transfer, sell, exchange, convey, refinance or encumber any substantial part of the Business or its assets, other than in the ordinary course of business; or

5.4.7 Dissolve the Company.

5.5 Actions of the Manager. The Manager has the power to bind the Company, as provided in Section 5.3 above. No person dealing with the Company shall have any obligation to inquire into the power and authority of the Manager acting on behalf of the Company.

Notwithstanding anything in this Agreement to the contrary, the Manager agrees to conduct all business transactions and relations between the Company and any other business in which the Manager has an interest, in the same manner the Manager would conduct business transactions and relations with any other third party entity.

5.6 Compensation and Company Expenses.

5.6.1 Except as expressly set forth herein or in any services contract between a Member and the Company as Approved by the Members, or in the Management Agreement (**Exhibit 2**), no Member shall be paid or reimbursed by the Company for any salary, compensation, fringe benefits or overhead expenses, including rent and general office expenses. The Company shall pay all expenses of the Company and all pre-approved expenses of the Members directly relating to the business of the Company which may include, but are not limited to: (a) legal, audit, accounting, brokerage, and other professional fees; (b) fees paid to independent contractors, consultants and brokers; (c) the cost of insurance as required in connection with the business of the Company; (d) expenses of forming or dissolving the Company including, but not limited to, legal and accounting costs incurred in the preparation of this Agreement, and private placement memoranda, filing fees and other normal or customary expenses of offering; (e) expenses of preparing, amending or modifying this Agreement; and (f) expenses in connection with preparing and mailing tax returns and reports required to be furnished to the Members for tax reporting or other purposes.

5.6.2 Notwithstanding the foregoing, as compensation for services, the Manager and/or its Affiliates shall be entitled to the following items and categories of compensation, all more particularly set forth in the Management Agreement between Manager and the Company, executed contemporaneously herewith, attached hereto as **Exhibit 2** and incorporated by this reference:

- (a) Reimbursement of all direct expenses of formation and operation of the Company;
- (b) An “Acquisition Fee”, payable on account of efforts in acquisition of the Property;
- (c) A “Lease-Up Fee” for marketing and leasing up the newly constructed apartment units;
- (d) A “Management Fee”, for ongoing property management work throughout the company’s ownership of its Property;
- (e) A “Development Fee”, payable over three stages during the entitlement, plan check and construction phases of the Property’s development, upon the terms set forth in Exhibit 2;
- (f) A “Real Estate Disposition Fee”, payable on account of time and effort “positioning” and marketing the Company Property, qualifying and negotiating with purchasers and closing transactions; and
- (g) A “Subordinated Profit Participation” of forty percent (40%) of all Distributable Cash of the Company available after the return of (i) 100% of Capital Contributions to Members and (ii) the Members’ Preferred Return, but also subject to payment of the fees and distributions payable to the Manager.

The above descriptions are general in nature and are for purposes of illustration; the descriptions set forth in the Management Agreement are controlling. Each Member warrants that he or she has read and understands the Management Agreement and the descriptions of fees and charges of the Manager and Affiliates which it contains.

5.7 Interested Transactions.

5.7.1 A Member shall be entitled to enter into transactions and join other business organizations that may be considered to be competitive with, or a business opportunity that may be beneficial to, the Company, it being expressly acknowledged and agreed that each Member may enter into transactions that are similar to the transactions into which the Company may enter and such Member shall not have or incur any obligation to report the same to the Company or to the other Members or to offer any interest in such transactions to the Company or the other Members. Each Member shall promptly account to the Company and its members, and hold as trustee for the Company and its Members, any property, profit, or benefit derived by such

Member, without the Approval of the Members, in the conduct of the Business and winding up of the Business or from a use or appropriation by the Member of Company assets, including information developed exclusively for the Company and opportunities expressly offered to the Company.

5.7.2 A Member does not violate any duty or obligation to the Company merely because the Member's conduct furthers the Member's own interest. A Member may lend money to and transact other business with the Company, subject to the applicable provisions of this Agreement. The rights and obligations of a Member who lends money to or transacts business with the Company are the same as those of a person who is not a Member, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member or an affiliate of such Member has a direct or indirect interest in the transaction if either the transaction by way of Super-Majority Vote, is fair to the Company or the disinterested Members, in either case knowing the material facts of the transaction and the Member's interest, authorize, approve, or ratify the transaction, and neither the Company or any other Member shall have any right in or to any revenues or profits derived from such transaction by the Member or affiliate.

5.8 Officers. The Manager may, from time to time, designate a person or persons (who may be Members) to act as the Chairman, President, Chief Financial Officer, Secretary and/or such other officers of the Company, with such powers and duties as determined and designated by the Manager. Such officers shall act only under the direction and authorization of the Manager.

5.9 Meetings and Voting. A meeting of the Members may be called at any time by notice to the Manager by Members representing at least ten percent (10%) of Percentage Interests upon ten (10) days prior written notice to the other Members specifying the time and purpose of the meeting. Meetings may be held at the principal executive office of the Company or at such other location as may be designated by the Manager. Following the call of a meeting, the Manager shall give Notice of the meeting no less than ten or more than 60 calendar days prior to the date of the meeting to all Members entitled to Vote at the meeting. The Notice shall state the place, date, and hour of the meeting and the general nature of the business to be transacted. No other business may be transacted at the meeting. A quorum at any Meeting shall consist of a Majority of Percentage Interests of Members, represented in person or by proxy. The Members present in a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of a sufficient number of Members to leave less than a quorum, if the action taken, other than adjournment, is approved by the requisite Percentage Interests of Members as specified in this Agreement or the Act. This Agreement expressly provides that certain actions may be taken only with the approval of sixty-six and two-thirds percent (66 2/3%) or more of Percentage Interests (Super-Majority-in-Interest). This shall specifically include removal of the Manager on the terms set forth in Section 5.2, election of a new or additional Manager as set forth in Sections 5.2 and 8.1, a change in the business purpose set forth in Section 2.3, the dissolution of the Company as set forth in Section 8.1, or an amendment to the Articles pursuant to Section 11.1, including any required consent of Manager. Except for such decisions and those decisions expressly reserved to the Manager, any act or decision done or made at the meeting shall be by the affirmative vote

of Members holding a Super-Majority of the then-outstanding Percentage Interests. In lieu of an actual meeting, matters may be approved upon the written Approval of the Members.

5.10 Use of Proxies. At all meetings of Members, any adjournments thereof, or with respect to any action by written consent, a Member may vote in person or by proxy executed in writing by the Member or by the Member's duly authorized attorney-in-fact.

5.11 Approval or Ratification by Members. The Manager may submit any contract or act for approval or ratification by the Members, either at a duly constituted meeting of the Members, or by written consent pursuant to Section 5.9 hereof. If any contract or act so submitted is approved or ratified by a Super-Majority in Interest at such meeting or by such written consent, the same will be valid and as binding upon the Company and all of its Members as it would be if it were the act of its Members.

5.12 No Agency; Indemnification. No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and save harmless each other Member and the Company from and against any and all loss, cost, expense, liability or damage arising from or out of any claim based upon any action by such Member in contravention of the first sentence of this Section 5.12.

ARTICLE 6 BOOKS, RECORDS AND ACCOUNTING PRINCIPLES

6.1 Accounting Policy. The records and accounts of the Company shall be maintained on an accrual basis method of accounting on a consistent basis from year to year. The fiscal year of the Company shall be the calendar year.

6.2 Annual Financial Report. At the end of each fiscal year the books of the Company shall be closed and examined and statements reflecting the financial condition of the Company and its Net Profits or Net Losses shall be prepared, and a report thereon shall be issued by the Company's certified public accountants. Copies of the financial statements shall be given to all Members. The Manager shall deliver to each Member, within 120 days after the end of the fiscal year of the Company, a financial statement that shall include:

6.2.1 A balance sheet and income statement, and a statement of changes in the financial position of the Company as of the close of the fiscal year; and

6.2.2 A statement showing the Capital Account of each Member as of the close of the fiscal year and the distribution, if any, made to each Member during the fiscal year. Members representing at least 30 percent of the Members, by number, may request interim balance sheets and income statements, and may, at their own discretion and expense, obtain an audit of the Company books by certified public accountants selected by them; provided, however, that not more than one such audit shall be made during any fiscal year of the Company.

6.3 Income Tax Returns and Information.

6.3.1 Preparation and Filing. The Manager shall cause all federal, state and local income tax returns of the Company to be prepared and filed on or before the statutory date for filing. The Company's income and expenses shall be reported under the accrual basis method of accounting.

6.3.2 Information to Members. The Company shall send or cause to be sent to each Member or holder of an Economic Interest within ninety (90) days after the end of each taxable year: such information as is necessary for the Member or holder of an Economic Interest to complete its federal and state income tax or information returns.

6.3.3 Tax Elections. The Manager, in its sole and absolute discretion, may make any tax elections for the Company allowed under the Code or the tax laws of any state or other jurisdiction having taxing jurisdiction over the Company.

6.3.4 Tax Matters Partner. The Manager or a member of the Manager shall serve as the "Tax Matters Partner" of the Company pursuant to Section 6231(a)(7) of the Code. Any Member designated as Tax Matters Partner shall take such action as may be necessary to cause each other Member to become a "notice partner" within the meaning of Section 6223 of the Code.

6.4 Records.

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

(a) A current list of the full name and last known business or residence address of each Member and of each holder of an Economic Interest in the Company, set forth in alphabetical order, together with the contribution and share in profits and losses of each such person;

(b) A copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any Articles have been executed;

(c) Copies of the Company's federal, state and local income tax returns and reports, if any, for the six (6) most recent taxable years, or such shorter period of existence of the Company, if applicable;

(d) The original of this Agreement, and any amendments thereto, together with any powers of attorney pursuant to which this Agreement or any amendments thereto were executed;

(e) Copies of the financial statements of the Company for the six (6) most recent fiscal years, or such shorter period of existence of the Company, if applicable; and

(f) The books and records of the Company as they relate to the internal affairs of the Company for at least the current year and the past four (4) fiscal years, or such shorter period of existence of the Company, if applicable.

6.4.2 Right to Inspect and Copy. Each Member and holder of an Economic Interest shall have the right upon reasonable request, for purposes reasonably related to the interest of that person as a Member or holder of an Economic Interest, to inspect and copy during normal business hours any of the records required to be maintained pursuant to Section 6.4.1.

ARTICLE 7 ASSIGNMENT OF MEMBERSHIP INTERESTS; SUBSTITUTE AND ADDITIONAL MEMBERS

7.1 Generally. Each Member agrees that, other than as expressly provided in this Agreement, such Member shall not: (a) Assign all or any part of the Member's Membership Interest, except as permitted pursuant to the terms of this Article 7; (b) resign or withdraw from the Company; or (c) do any other act either causing the dissolution of the Company prior to expiration of the Term or resulting in a termination of the Company within the meaning of Section 708 of the Code. Any Member who violates this Section 7.1 shall be in material default under this Agreement and shall be liable to the Company and the other Members for any damages caused by such violation. Any Assignment of a Membership Interest as permitted pursuant to the terms of this Article 7 shall be effective only on the following conditions: (i) all requirements of this Article 7 and the Act shall have been satisfied; (ii) the Assignee shall pay (in advance if requested) any and all normal and typical expenses of the Company (including but not limited to legal, accounting and filing) in effecting such Assignment; (iii) such Assignment is effected in compliance with applicable state and federal securities laws; and (iv) an opinion of assignor and/or assignee's counsel in form and content satisfactory to the Company's counsel, in his sole and absolute discretion, is provided to the Company confirming compliance with all requirements of this Article 7. Any attempted Assignment of a Membership Interest, or any part thereof, not in compliance with this Article 7 shall be null and void and shall confer no rights on the assignee as against the Company or the Members.

7.2 Consent of Manager. Except as otherwise provided in this Agreement, a Member may not Assign all or any portion of the Member's Membership Interest, except with the prior consent of the Manager, which consent may be granted or withheld in the Manager's sole and absolute discretion. In the case of any permitted Assignment hereunder, the Assignee shall hold the assigned Membership Interest subject to all of the terms and provisions of this Agreement, including, but not limited to the restrictions and provisions of this Article 7, and no subsequent Assignment of all or any part of such Membership Interest may be made except if and to the extent permitted hereunder. A permitted Assignee of a Membership Interest shall become a Member of the Company only if the provisions of Section 7.5 are satisfied.

7.3 Assignment of Economic Interest Only. Notwithstanding the provisions of Section 7.2, a Member may Assign its bare Economic Interest without the consent of the other Members. Such an Assignment shall not of itself cause the dissolution of the Company or entitle the Assignee to vote, participate in the management and affairs of the Company or become or

exercise any rights of a Member. Upon the Assignment of all or part of an Economic Interest, the assignor Member shall provide the Company with the name and address of the Assignee, together with the details of the interest assigned. The Assignment of an Economic Interest shall not release the assignor Member from such Member's liability as a Member. In the case of an Assignment of an Economic interest during any fiscal year, the Assigning Member and the Assignee shall each be allocated the Economic Interest's share of Profits or Losses based on the number of days each held the Economic Interest during that fiscal year.

7.4 Rights of Assignees. An Assignee of a Membership Interest, including an Assignee of an Economic Interest, shall have no right to participate in the management of the business and affairs of the Company or to become a Member, unless and until such Assignee is admitted as a Substitute Member in accordance with the provisions of this Article 7. Until such time, the Assignee shall be entitled only to receive the Distributions and return of capital attributable to the Membership Interest assigned, and to be allocated the Net Profits and Net Losses attributable thereto. Net Profits and Net Losses shall be allocated between the assignor Member and the Assignee on the basis of the computation method which in the reasonable discretion of the Members is in the best interests of the Company, provided such method is in conformity with the methods prescribed in Section 706 of the Code and the Regulations. Distributions of Cash shall be made to the holder of record of the Membership Interest on the date of Distribution. The Assignee shall succeed to the Capital Account of the assignor Member to the extent it relates to the Membership Interest assigned; provided, however, that if such Assignment causes a termination of the Company pursuant to Section 708 of the Code, the Capital Accounts of all Members and the Assignee shall be redetermined as of the date of such termination in accordance with Regulations Section 1.704-1(b).

7.5 Admission of Substitute Members. An Assignee of a Membership Interest shall be admitted as a Member and admitted to all the rights of the Member who initially assigned the Membership Interest only with the consent of the Manager, and only upon the Assignee's agreement in writing to be bound by the terms of this Agreement and any amendments thereto. If so admitted, the Substitute Member shall have all the rights and powers and shall be subject to all the restrictions and liabilities of the Member originally assigning the Membership Interest. The admission of a Substitute Member, shall not release the Member originally assigning the Membership Interest from any liability of the assigning Member to the Company that may have existed prior to the approval of such admission.

7.6 Admission of Additional Members. A Person may be admitted as an additional Member at the sole and absolute discretion of the Manager and only upon the Person's agreement in writing to be bound by the terms of this Agreement and any amendments thereto.

ARTICLE 8 DISSOLUTION AND WINDING UP

8.1 Dissolution. The Company shall be dissolved and its affairs wound up, upon the first to occur of the following events ("Dissolution Events"):

- (a) The expiration of the Term;

- (b) The Approval of the Members;
- (c) The removal or resignation of the Manager, unless the business of the Company is continued with the Approval of the Members and election of a successor Manager within ninety (90) days after the occurrence of such event;
- (d) The sale of all or substantially all of the assets of the Company; or
- (e) The entry of a decree of judicial dissolution.

In connection with this Section 8.1, if certain assets remain in the Company and the end of its Term approaches, the Manager shall take such measures as are reasonably necessary and prudent in the best interests of both the Members and the communities being served by the Company through its investments, including but not limited to: (i) initiating a Member vote to extend the Term of the Company, and (ii) selling the remaining investments on a fair arm's-length basis to one or more third parties or Affiliates of the Company or Manager.

8.2 Effect of Dissolution; Certificate of Dissolution. Upon dissolution, the Members shall immediately proceed to the winding up of the affairs of the Company and shall give written notice of the commencement of winding up to all known creditors and claimants of the Company whose addresses appear on the records of the Company. The Members also shall file with the California Secretary of State a Certificate of Dissolution (Form LLC-3) in accordance with Section 17356 of the Act. The Company shall continue to exist solely for the purpose of winding up its affairs. During such winding up process, the Net Profits and Net Losses shall continue to be shared by the Members in accordance with this Agreement.

8.3 Distribution of Assets on Dissolution. Upon the winding up of the Company, the Company's assets shall be distributed in cash and/or Property, as determined by the Manager and a Super-Majority in Interest of Members, within ninety (90) days after the date of liquidation, in the following order:

- (a) To creditors, including Members who are creditors, in the order of priority and to the extent provided by law, in satisfaction of the Company's debts and liabilities;
- (b) To the establishment of any reserves which the Members winding up the affairs of the Company deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company. Such reserves shall be segregated for the purpose of disbursing such reserves in payment of any such liabilities or obligations. After the Manager determines that a reasonable period has passed and after any contingencies arising during that period have been resolved, the remaining balance of such reserves shall be distributed in the manner hereinafter provided;
- (c) The balance, first to Members to the extent of their accrued and unpaid Members' Preferred Return; and second, the remainder Forty percent (40%) to the Manager, to

the extent of its Subordinated Profit Participation and then to the Members in accordance with their respective Capital Accounts; and

(d) Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to all the Members shall be deemed to be Net Profits or Net Losses realized by the Company immediately before the distribution of the property and such Net Profits or Net Losses shall be allocated to the Members' Capital Accounts in the same proportions as Net Profits are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Members to the extent of the fair market value of the property less the amount of any liability secured by and related to the property. Nothing contained in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 8.3(d), "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the fair market value of such property and the Company's basis for such property.

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

8.5 Return of Distributions Post-Dissolution. Following dissolution of the Company, if a creditor of company or other third party brings an action against Manager or one or more Members on account of any matter for which Company would have been legally and financially responsible prior to dissolution, each Member shall, upon notice from Manager, return such Member's proportionate share of Distributable Cash or other Assets received from Company from time to time as would be necessary to meet the obligation. Such contribution shall not exceed the sum for which the Member would have been liable under California Corporations Code § 17355 (a).

ARTICLE 9 INDEMNIFICATION

The Company shall have the power to indemnify any Person who was or is a party, or who is threatened to be made a party, to any Proceeding by reason of the fact that such Person was or is a Member, Manager, officer, employee, or other agent of the Company, or was or is serving at the request of the Company as a director, officer employee, or other Agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by such Person in connection with such Proceeding, if such person acted in good faith and in a manner that such Person reasonably believed to be in the best interests of the company, and, in the case of a criminal Proceeding, such Person had no reasonable cause to believe that the Person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner that such Person reasonably believed to be in the best interests of the Company, or that the Person had reasonable cause to believe that the Person's conduct was unlawful.

To the extent that an agent of the Company has been successful on the merits in defense of any Proceeding, or in defense of any claim, issue, or matter in any such Proceeding, the agent shall be indemnified against expenses actually and reasonably incurred in connection with the Proceeding. In all other cases, indemnification shall be provided by the Company only if authorized in the specific case by a simple majority Percentage Interests of Members.

“Agent,” as used in this Article 9, shall include a trustee or other fiduciary of a plan, trust, or other entity or arrangement described in California Corporations Code Section 207(f).

“Proceeding,” as used in this Article 9, means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

Expenses of each Person indemnified under this Agreement actually and reasonably incurred in connection with the defense or settlement of a Proceeding may be paid by the Company in advance of the final disposition of such Proceeding, as authorized by the Managers who are not seeking indemnification or, if there are none, by a Majority of the Members, upon receipt of an undertaking by such Person to repay such amount unless it shall ultimately be determined that such Person is entitled to be indemnified by the Company. “Expenses,” as used in this Article 9, includes, without limitation, attorney fees and expenses of establishing a right to indemnification, if any, under this Article 9.

ARTICLE 10 INVESTMENT REPRESENTATIONS

10.1 Representations. Each Member hereby represents and warrants to, and agrees with, Manager and other Members and the Company that such Member is capable of evaluating the risks and merits of an investment in his or her Membership Interest and of protecting such Member’s own interests in connection with this investment because one or more of the following applies. Either the Member (1) has a preexisting personal or business relationship with the Company, its Manager or one or more of its principals, or (2) by reason of such Member’s business or financial experience, or (3) by reason of the business or financial experience of his or her financial advisor who is unaffiliated with and who is not compensated, directly or indirectly, by the Company or any affiliate or selling agent of the Company.

10.2 No Advertising. The Member has not seen, received, been presented with, or been solicited by any leaflet, public promotional meeting, newspaper or magazine article or advertisement, radio or television advertisement, or any other form of general advertising or general solicitation with respect to the sale of the Membership Interest.

10.3 Investment Intent. Each Member is acquiring the Membership Interest for investment purposes for his or her own account only and not with a view to or for resale in connection with any distribution of all or any part of the Membership Interest. No other person will have any direct or indirect beneficial interest in or right to the Membership Interest.

10.4 Purpose of Entity. If such Member is a corporation, partnership, Limited Liability Company, trust, or other entity, such Member was not organized for the specific purpose of acquiring the Membership Interest.

10.5 Economic Risk. Each Member is financially able to bear the economic risk of an investment in the Membership Interest, including the total loss thereof.

10.6 No Registration of Membership Interest. Each Member acknowledges that the Membership Interest has not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or qualified under the California Corporate Securities Law of 1968 or any other applicable state’s blue sky laws. Such Member further understands and acknowledges that the Membership Interest cannot be sold, transferred, assigned or otherwise disposed of except in compliance with the restrictions on transferability contained in this Agreement and in compliance with applicable federal and state securities laws, and that the Membership Interest will not be transferred of record except in compliance with this Agreement and such laws.

10.7 Membership Interest in Restricted Security. Each Member understands that the Membership Interest is a “restricted security” under the Securities Act in that the Membership Interest will be acquired from the Company in a transaction not involving a public offering and that the Membership Interest may be resold without registration under the Securities Act only in certain limited circumstances and that otherwise the Membership Interest must be held indefinitely. In this connection, such Member understands the resale limitations imposed by the Securities Act and is familiar with SEC Rule 144, as presently in effect, and the conditions which must be met in order for that Rule to be available for the resale of “restricted securities,” including among other things the requirement that the securities must be held for at least one year after purchase thereof (full payment) from the Company prior to resale and the condition that there be available to the public current information about the Company under certain circumstances. Such Member understands that the Company has not made such information available to the public and has no present plans to do so.

10.8 No Obligation to Register. Each Member represents, warrants and agrees that the Company and the Manager are under no obligation to register or qualify the Membership Interest under the Securities Act or under any state securities law, or to assist such Member in complying with any exemption from registration and qualification.

10.9 Investment Risk. Each Member acknowledges that the Membership Interest is a speculative investment which involves a substantial degree of risk of loss by him or her of his or her entire investment in the Company, that such Member understands and takes full cognizance of the risk factors related to the purchase of the membership Interest, and that the Company is newly organized and has no financial or operating history.

10.10 Investment Experience. Each accredited Member is an experienced investor in unregistered and restricted securities of limited liability companies, limited partnerships and other speculative and high risk ventures.

10.11 Restrictions on Transferability. Each Member acknowledges that there are substantial restrictions on the transferability of the Membership Interest pursuant to this

Agreement, that there is no public market for the Membership Interest and none is expected to develop, and that, accordingly, it may not be possible for him or her to liquidate his or her investment in the Company.

10.12 Information Reviewed. Each Member has received and/or reviewed all information he or she considers necessary or appropriate for deciding whether to purchase the Membership Interest. Such Member has had an opportunity to ask questions and receive answers from the Company and the Manager regarding the terms and conditions of the purchase of the Membership Interest and regarding the business, financial affairs, and other aspects of the Company and has further had the opportunity to obtain all information (to the extent the Company possesses or can acquire such information without unreasonable effort or expense) which such Member deems necessary to evaluate the investment and to verify the accuracy of information otherwise provided to such Member. The Company has answered all inquiries that such Member has made concerning the Company, its business or financial condition or any other matter relating to the operation of the Company and the offer and sale of the Membership Interests. No oral or written statement or inducement which is contrary to the information set forth in the written documents reviewed by such Member has been made by or on behalf of the Company to such Member.

10.13 No Representation by Company. Neither the Manager, any agent or employee of the Company or the Manager, or any other person has at any time expressly or implicitly represented, guaranteed, or warranted to such Member that such Member may freely transfer the Membership Interest, that a percentage of profit and/or amount or type of consideration will be realized as a result of an investment in the Membership Interest, that past performance or experience on the part of the Manager or their Affiliates or any other person in any way indicates the predictable results of the ownership of the Membership Interest or of the overall Company business, that any cash distributions from Company operations or otherwise will be made to the Members by any specific date or will be made at all, or that any specific tax benefits will accrue as a result of an investment in the Company.

10.14 Consultation with Attorney. Each Member has been advised to consult with such Member's own attorney regarding all legal matters concerning an investment in the Company and the tax consequences of participating in the Company, and has done so, to the extent such Member considers necessary.

10.15 Tax Consequences. Each Member acknowledges that the tax consequences to such Member of investing in the Company will depend on such Member's particular circumstances, and neither the Company, the Manager, the Members, nor the partners, shareholders, members, Manager, agents, officers, directors, employees, Affiliates, or consultants of any of them will be responsible or liable for the tax consequences to him or her of an investment in the Company. Such Member will look solely to, and rely upon, such Member's own advisers with respect to the tax consequences of this investment.

10.16 No Assurance of Tax Benefits. Each Member acknowledges that there can be no assurance that the Code or Regulations will not be amended or interpreted in the future in such a manner so as to deprive the Company and the Members of some or all of the tax benefits they

may now receive, nor that some of the deductions claimed by the Company or the allocation of items of income, gain, loss, deductions or credit among the Members may not be challenged by the Internal Revenue Service.

10.17 Indemnity. Each Member shall defend, indemnify and hold harmless the Company, the Manager, each and every other Member, and any officers, directors, shareholders, managers, members, employees, partners, agents, attorneys, registered representatives, and control persons of any such entity who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of or arising from any misrepresentation or misstatement of facts made by such Member including, without limitation, the information in this Agreement, against losses, liabilities, and expenses of the Company, each Member and the Manager, each and every other Member, and any officers, directors, shareholders, managers, members, employees, partners, attorneys, accountants, agents, registered representatives, and control persons of any such person (including attorney's fees, judgments, fines, and amounts paid in settlement, payable as incurred) incurred by such person in connection with such action, suit, proceeding, or the like.

ARTICLE 11 GENERAL PROVISIONS

11.1 Entire Agreement; Amendment. This Agreement, including all exhibits and any amendments hereto, constitutes the entire agreement between the Members and between the Members and the Company with respect to the subject matter hereof, and all prior or contemporaneous agreements, representations, negotiations and understandings of the parties hereto, oral or written, are hereby superseded and merged herein. Each party to this Agreement acknowledges and agrees that no representations, inducements, promises, or agreements have been made, orally or otherwise, by any party, or anyone acting on behalf of any party, which is not expressly embodied herein. No supplement, modification or amendment of this Agreement shall be binding unless Approved by the Members, and by the Manager, if so required. Each Member grants Manager a special and limited power of attorney to amend this Agreement in respect of any matter which is, by its nature, one of internal consistency or clerical in nature, provided that such amendment does not affect Manager compensation or reimbursements, allocation of Net Profits, Net Losses or Distributable Cash, or voting rights. No waiver shall be binding unless executed in writing by the party making the waiver. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

11.2 Governing Law; Venue. This Agreement is entered into in the State of California and shall be governed by and construed and interpreted in accordance with the internal laws thereof. Except to the extent that the Act is inconsistent with the provisions of this Agreement (in which case this Agreement shall apply to the extent legally permissible), the provisions of the Act shall apply to the Company hereby created. Subject to Section 11.9, each Member hereby irrevocably submits to the jurisdiction and venue of any state court sitting in Alameda County, California, in any action or proceeding brought to enforce or otherwise arising out of or related to this Agreement and irrevocably waives to the fullest extent permitted by law

any objection which such Member may now or hereafter have to the resting of such jurisdiction and venue in such forum, and hereby further irrevocably waives any claim that such forum is an inconvenient forum.

11.3 Severability. In the event any provision of this Agreement shall be declared by any court of competent jurisdiction to be invalid, illegal, or unenforceable, such provision shall be severed from this Agreement, and the remaining provisions hereof shall remain in full force and effect, as fully as if such invalid, illegal or unenforceable provision had never been part of this Agreement.

11.4 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement.

11.5 Construction. Titles and headings of sections of this Agreement are for convenience of reference only and shall not affect the constructions of any provision of this Agreement. All recitals set forth at the beginning of this Agreement are, by this reference, fully incorporated into this Agreement. All exhibits referenced in this Agreement are deemed fully incorporated herein, whether or not actually attached. As used herein: (i) the singular shall include the plural (and vice versa) and the masculine or neuter gender shall include the feminine gender (and vice versa) where appropriate; (ii) locative adverbs such as “herein,” “hereto,” and “hereunder” shall refer to this Agreement in its entirety and not to any specific section or paragraph; and (iii) the terms “include,” “including,” and similar terms shall be construed as though followed immediately by the phrase “but not limited to.” This Agreement shall be construed fairly and equally as to the Members, without regard to any rules of construction relating to the party who drafted a particular provision of this Agreement.

11.6 Notices. All notices and communications required or permitted to be given to any Member pursuant to this Agreement shall be in writing and may be delivered in person, by telecopy transmission, by overnight delivery service, or by United States first-class, registered or certified mail, postage prepaid, return receipt requested and addressed to each Member at such Member's address on the records of the Company. Any notice or other document (i) personally delivered shall be effective as of the time of such personal delivery, (ii) sent by telecopy transmission during normal business hours shall be effective on the date of such transmission, provided an original is deposited in first class mail addressed as set forth above, (iii) sent by overnight delivery service shall be effective on the first business day following delivery to such service, and (iv) sent by registered or certified mail as described above shall be effective on the earlier of the actual receipt as shown by the addressee's registry or certification receipt, or three (3) days following deposit in the United States mail, postage prepaid. Any reference in this Agreement to the date of delivery of the notice or other communication shall mean the date such notice or communication becomes effective. Any Member may change its agent or address for service of notice by giving written notice to the other Members in the manner set forth above.

11.7 Successors and Assigns. This Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the Members, and to the extent permitted by this Agreement, their respective heirs, executors, administrators, personal and legal

representatives, successors and permitted assigns. Any person acquiring or claiming an interest in the Company, in any manner whatsoever, shall be subject to and bound by all of the terms, conditions and obligations of this Agreement to which such person's predecessor in interest was subject or bound, without regard to whether such person has executed this Agreement or a counterpart hereof, or any other document contemplated hereby. No person shall have any rights or obligations relating to the Company greater than those set forth in this Agreement, and no person shall acquire any interest in the Company or become a Member except as permitted by the express terms of this Agreement.

11.8 Attorneys' Fees. In the event any litigation or arbitration proceeding is brought by one Member against any other Member to enforce, for the breach of, or arising out of any of the provisions contained in this Agreement or the subject matter hereof, the prevailing Member shall be entitled in such proceeding to recover such Member's reasonable attorneys' fees and experts' fees and the costs of such proceeding therein incurred.

11.9 Mediation and Arbitration of Disputes. Any dispute or controversy arising under, out of, in connection with or in relation to this Agreement, any amendments hereof or any breach hereof, or in connection with dissolution of the Company, shall be determined and settled by mediation or, to the extent not fully successful, by final and binding arbitration to be held in San Francisco, California under the exclusive jurisdiction of JAMS ADR or any successor organization, and under its procedural rules. If the parties cannot agree upon selection of a mediator and/or arbitrator, either party may apply to the chief administrative officer of JAMS ADR, San Francisco, for such appointment. The arbitration award shall be final and binding and there shall be no appeal therefrom. The party initiating mediation proceedings under this Section shall pay all costs of the mediator and all "forum fees" of JAMS ADR, for which there shall be no recoupment. The Arbitrator's fees and "forum fees" of JAMS ADR shall be equally divided and shall be subject to recoupment under Section 11.8. The prevailing party in any arbitration, as determined by the arbitrator, shall be entitled to an award of all expert witness charges and other outlays normally termed "costs of suit."

11.10 No Partnership Intended for Nontax Purposes. The Members have formed the Company under the Act, and expressly do not intend hereby to form a partnership under either the California Uniform Partnership Act or the California Revised Uniform Limited Partnership Act. The Members do not intend and shall not be deemed to be partners one to another, or partners as to any third party. To the extent any Member, by word or action, represents to another person that any other Member is a partner or that the Company is a partnership, except for federal and state tax purposes, the Member making such wrongful representation shall be liable to any other Member who incurs any personal liability by reason of such wrongful representations.

11.11 Rights of Creditors and Third Parties. This Agreement is entered into between the Members for the exclusive benefit of the Company, its Members, and their successors and Assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

11.12 Warranty of Authority. Each Member executing this Operating Agreement warrants that he possesses the legal authority and capacity to do so.

11.13 Further Assurances. The parties to this Agreement shall promptly execute and deliver any other documents, instruments, notices and other assurances, and shall do any and all other acts and things reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

11.14 Legal Counsel to the Company. Counsel to the Company may also be counsel to a Manager or any Affiliate of the Manager. The Manager may execute on behalf of the Company and the Members any consent to the representation of the Company that counsel may request pursuant to the California Rules of Professional Conduct or similar rules in any other jurisdiction (“Rules”). Each Member agrees that counsel to the Company does not represent any Member and owes no duties to a Member, in the absence of an express agreement whereby such counsel is retained by such Member.

11.15 Member’s Other Business. Except as expressly provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Members in the carrying on of their own respective businesses or activities.

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

Member

Member

(Members may sign counterpart signature pages)

**EXHIBIT 1
TO
OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC**

MEMBERS, INITIAL CAPITAL CONTRIBUTIONS AND PERCENTAGE INTERESTS

Member Name and Address:	Amount and Character of Initial Capital Contribution	Percentage Interest in Capital/Units
CityCentric/Dwight and Fulton, LLC	\$50,000 cash and \$50,000 note	1.4286%
Gabrielle & Ali Kashani	\$100,000	2.8571%
Ahmad Ali Eslami	\$100,000	2.8571%
<u>Additional Members</u>		

**EXHIBIT 2
TO
OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC
MANAGEMENT AGREEMENT**

This agreement is entered into effective _____, 2009 by and between 2201 Dwight Partners, LLC, a California limited liability company (“Company”), and CityCentric/Dwight and Fulton, LLC (“Manager”).

RECITALS

A. Company is engaged in a going business, as more particularly described in its Operating Agreement, executed contemporaneously herewith (the “Operating Agreement”). This Management Agreement is attached as Exhibit 2 to the Operating Agreement, and is incorporated therein by reference.

B. Company intends to employ Manager exclusively for those purposes and functions set aside for the Manager under the Operating Agreement.

C. For purposes of efficiency, this Management Agreement is separately executed by Company and Manager so that it may be amended from time to time without the necessity for amending the entire Operating Agreement.

WHEREFORE, Company and Manager agree as follows:

AGREEMENT

1. **Recitals True.** The recitals above, and each of them, are true and correct and are fully incorporated herein by this reference.

2. **Incorporation of Operating Agreement; Certain Definitions.** The Operating Agreement, as it may be amended from time to time, is incorporated herein by this reference as though fully set forth, including the use of certain defined terms, as they may appear.

3. **Additional Items to Be Reimbursed to Manager.** In accordance with Article 5 of the Operating Agreement, the following items of expense shall, to the extent previously incurred and paid directly by Manager from its own funds, be reimbursed to Manager by Company at the end of each month. It is intended that reimbursements shall be limited to direct expenses and not the indirect or overhead expenses of Manager:

- (i) The actual cost of goods and materials used for or by the Company in the course of its Business;

- (ii) All costs of borrowed money, taxes and assessments on the Company's assets, wherever located, arising from the ownership or operation of the Business;
- (iii) Consulting, legal, appraisal, engineering, audit, accounting, valuation, business consulting and other fees of similar nature or purpose payable to unaffiliated persons or entities in connection with the Company's Business at all stages of its existence, including but not limited to costs incurred in preparation of its Private Placement Memorandum and any related filings, cost of insurance in any form necessary for the Company's Business, costs related to the entitlement or development approval process, costs related to construction activity, to lease-up, rental operations and disposition of the Property;
- (iv) Expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents in connection with the Business of the Company; additionally, expenses and taxes arising from or related to the Company's registration or franchise;
- (v) All costs and expenses arising from or related to the development or construction of improvements upon the Property, without limitation, including those arising from the entitlement or development approval process, utilities services, offsite improvements, permits or licenses, new construction, renovation or upgrading of existing construction and obtaining certificate(s) of occupancy.
- (vi) Expenses in connection with the acquisition, disposition, financing, refinancing and operations of the Company's assets, according to normal and prevailing commercial standards for the locale or region, including but not limited to accounting, legal and valuation professionals;
- (vii) The cost of any errors and omissions insurance obtained by Manager or its officers and directors in connection with the operation of the Company's Business;
- (viii) Expenses of revising, amending, converting, modifying or terminating the Operating Agreement, including without limitation the normal and typical costs of raising additional equity or debt capital deemed necessary by the Manager in its sole and absolute discretion;
- (ix) The cost of preparing and disseminating information relating to the potential sale, refinancing or other disposition of the Company's assets;

- (x) Costs incurred in connection with any litigation or pre-litigation disputes in which the Company is involved, as well as in connection with any examination, investigation or other proceedings conducted by any regulatory agency with respect to the Company, including legal and accounting fees incurred in connection therewith;
- (xi) Expenses of professionals or consultants who, in Manager's judgment, are necessarily employed by or for the Company in connection with any of the foregoing, including but not limited to attorneys, accountants, consultants and professional representatives;
- (xii) Costs of preparation of federal, state and foreign income tax returns or other governmental filings of the Company; and
- (xiii) Costs of preparation of periodic reports and other communications to the Members to the extent performed by unaffiliated persons or entities.

4. **Acquisition Fee.** An Acquisition Fee of Fifty-six thousand Dollars (\$56,000) is payable by the Company to the Manager upon close of escrow for the Property at 2201 Dwight Way, Berkeley, CA.

5. **Development Fee.** The Development Fee is an earned charge of Five Hundred Ninety Thousand Three Hundred Seven Dollars (\$592,651) in the aggregate payable to the Manager at several benchmarks of the Company's life, as follows:

- a. Two Hundred Fifty-Seven Thousand Six Hundred Seventy Four Dollars (\$257,674), half of which is payable on a monthly basis at the rate of \$7,500/month during the entitlement phase. The other half is payable at the close of the entitlement (development application) period, defined as the conclusion of the final administrative hearing of the City of Berkeley related to project approval.
- b. One Hundred Three Thousand and Seventy Dollars (\$103,070), one-half of which is payable on a monthly basis at the rate of \$7,500/month during the building permit phase. The other half is payable at conclusion of the plan check and permit set phase for the Property (upon the city of Berkeley's confirmation that the building permit can be issued); and,
- c. One Hundred Eighty Thousand Three Hundred Seventy Two dollars (\$180,372), half of which is payable at construction loan closing and the other half payable during the course of construction at \$7,500/ month.
- d. Fifty One Thousand Five Hundred Thirty Five Dollars (\$51,535) payable at conversion of construction to permanent loan.

The Manager may accrue any part of its Development Fee at a rate of interest from time to time equal to Bank of America Prime (Reference) Rate for its best business customers plus 100 basis points.

6. **Lease-Up Fee.** The Manager or an Affiliate of the Manager shall be paid a Lease-Up Fee of \$600 per dwelling unit for marketing and lease-up of each dwelling unit, deemed earned upon move-in for each dwelling unit. For example, if the completed project contained 33 units, the aggregate Lease-up Fee would be \$19,800.

7. **Management Fee.** The Manager or an Affiliate of the Manager may serve as property manager for the Property commencing when dwelling units are leased, upon competitive arms'-length market rates and terms. The Manager or an Affiliate of the Manager may participate in any market-rate leasing commissions for the Property, which may be shared and negotiated with any cooperating broker, or if none, then to the extent of ordinary and customary leasing commissions for the Berkeley, CA market.

8. **Real Estate Disposition Fee.** The Real Estate Disposition Fee is an earned charge pertaining to the ongoing "positioning", market surveys, communications and other similar work undertaken for the Property throughout the life of the Company. The Real Estate Disposition Fee is calculated at a base or minimum of two and one-half percent (2 1/2%) of the gross sale price of the Property, and may in the sole and absolute discretion of the Manager be charged at as high as five percent (5%) depending upon the specific involvement of the Manager and its Affiliates in Property disposition. However, in no case shall the aggregate sales commissions and similar charges for any Property, including cooperating brokers, exceed six percent (6%) of the sale price.

9. **Subordinated Profit Participation.** The Subordinated Profit participation is an earned charge acquired by the Manager for, among other things, contribution to the company of an appreciated real estate contract and other assets. Once all Capital Contributions of Members and Members' Preferred Return have been fully returned and the other liabilities of the Company have been paid, a Subordinated Profit Participation of forty percent (40%) of all Distributable Cash available thereafter shall be paid to Manager, without regard to Manager's Percentage Interest. Manager may assign all or a portion of Subordinated Profit Participation to third parties and/or Affiliates.

10. **Manager's Right to Accrue Payments.** In the best interests of the Company and its Members, the Manager may defer all or any part of its above fees or Subordinated Profit Participation, or any part of its accrued reimbursements, to a point in time when it determines that the Company is better able to afford those distributions. Such deferred reimbursements and distributions shall not bear interest except as provided in relation to the Development Fee described in Section 5, above. No decision by the Manager to defer all or any part of a distribution shall be construed as a waiver or release of the Manager's right to any part of same. By the same token, the good-faith over-distribution of Distributable Cash to Members by Manager shall not operate to prejudice Manager's right to require an accounting and equitable redistribution of future Distributable Cash.

11. **Entire Agreement; Amendment.** This Management Agreement, including all exhibits and any amendments hereto, constitutes the entire agreement between the Company and Manager with respect to the subject matter hereof, and all prior or contemporaneous agreements, representations, negotiations and understandings of the parties hereto, oral or written, are hereby superseded and merged herein. Each party to this Management Agreement acknowledges and agrees that no representations, inducements, promises, or agreements have been made, orally or otherwise, by any party, or anyone acting on behalf of any party, which is not expressly embodied herein. No supplement, modification or amendment of this Management Agreement shall be binding unless executed in writing by Members holding at least a majority of the Percentage Interests. No waiver shall be binding unless executed in writing by the party making the waiver. No waiver of any of the provisions of this Management Agreement shall be deemed to constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

12. **Governing Law; Venue.** This Management Agreement is entered into in the State of California and shall be governed by and construed and interpreted in accordance with the internal laws thereof. Subject to Section 19, the parties irrevocably submit to the jurisdiction and venue of any state court sitting in Alameda County, California, in any action or proceeding brought to enforce or otherwise arising out of or related to this Agreement and irrevocably waive to the fullest extent permitted by law any objection which such party may now or hereafter have to the resting of such jurisdiction and venue in such forum, and hereby further irrevocably waive any claim that such forum is an inconvenient forum.

13. **Severability.** In the event any provision of this Management Agreement shall be declared by any court of competent jurisdiction to be invalid, illegal, or unenforceable, such provision shall be severed from this Management Agreement, and the remaining provisions hereof shall remain in full force and effect, as fully as if such invalid, illegal or unenforceable provision had never been part of this Management Agreement.

14. **Counterparts.** This Management Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Management Agreement.

15. **Construction.** Titles and headings of sections of this Management Agreement are for convenience of reference only and shall not affect the constructions of any provision of this Management Agreement. All recitals set forth at the beginning of this Agreement are, by this reference, fully incorporated into this Agreement. All exhibits referenced in this Management Agreement are deemed fully incorporated herein, whether or not actually attached. As used herein: (i) the singular shall include the plural (and vice versa) and the masculine or neuter gender shall include the feminine gender (and vice versa) where appropriate; (ii) locative adverbs such as “herein,” “hereto,” and “hereunder” shall refer to this Management Agreement in its entirety and not to any specific section or paragraph; and (iii) the terms “include,” “including,” and similar terms shall be construed as though followed immediately by the phrase “but not limited to.” This Management Agreement shall be construed fairly and equally as to the

parties without regard to any rules of construction relating to the party who drafted a particular provision of this Management Agreement.

16. **Notices.** All notices and communications required or permitted to be given to any party pursuant to this Management Agreement shall be in writing and may be delivered in person, by telecopy transmission, by overnight delivery service, or by United States first class, registered or certified mail, postage prepaid, return receipt requested and addressed to each party at such party's address on the records of the Company. Any notice or other document (i) personally delivered shall be effective as of the time of such personal delivery, (ii) sent by telecopy transmission during normal business hours shall be effective on the date of such transmission, provided an original is deposited in first class mail addressed as set forth above, (iii) sent by overnight delivery service shall be effective on the first business day following delivery to such service, and (iv) sent by registered or certified mail as described above shall be effective on the earlier of the actual receipt as shown by the addressee's registry or certification receipt, or three (3) days following deposit in the United States mail, postage prepaid. Any reference in this Management Agreement to the date of delivery of the notice or other communication shall mean the date such notice or communication becomes effective. Any party may change its agent or address for service of notice by giving written notice to the other party in the manner set forth above.

17. **Successors and Assigns.** This Management Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the parties, and to the extent permitted by this Management Agreement, their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns. Any person acquiring or claiming an interest in the Company, in any manner whatsoever, shall be subject to and bound by all of the terms, conditions and obligations of this Management Agreement to which such person's predecessor in interest was subject or bound, without regard to whether such person has executed this Management Agreement or a counterpart hereof, or any other document contemplated hereby. No person shall have any rights or obligations relating to the Company greater than those set forth in this Management Agreement.

18. **Attorneys' Fees.** In the event any litigation or arbitration proceeding is brought to enforce, for the breach of, or arising out of any of the provisions contained in this Management Agreement or the subject matter hereof, the prevailing party shall be entitled in such proceeding to recover reasonable attorneys' fees and experts' fees and the costs of such proceeding therein incurred.

19. **Mediation and Arbitration of Disputes.** Any dispute or controversy arising under, out of, in connection with or in relation to this Management Agreement, any amendments hereof or any breach hereof, or in connection with dissolution of the Company, shall be determined and settled by mediation or, to the extent not fully successful, by final and binding arbitration to be held in San Francisco, California under the exclusive jurisdiction of JAMS ADR or any successor organization, and under its procedural rules. If the parties cannot agree upon selection of a mediator and/or arbitrator, either party may apply to the chief administrative officer of JAMS ADR, San Francisco, for such appointment. The arbitration award shall be final

and binding and there shall be no appeal therefrom. The party initiating mediation proceedings under this Section shall pay all costs of the mediator and all “forum fees” of JAMS ADR, for which there shall be no recoupment. The Arbitrator’s fees and “forum fees” of JAMS ADR shall be equally divided and shall be subject to recoupment under Section 18. The prevailing party in any arbitration, as determined by the arbitrator, shall be entitled to an award of all expert witness charges and other outlays normally termed “costs of suit.”

20. **Warranty of Authority.** Each party executing this Management Agreement warrants that he possesses the legal authority and capacity to do so.

21. **Further Assurances.** The parties to this Management Agreement shall promptly execute and deliver any other documents, instruments, notices and other assurances, and shall do any and all other acts and things reasonably necessary in connection with the performance of their respective obligations under this Management Agreement and to carry out the intent of the parties.

COMPANY:
2201 DWIGHT PARTNERS, LLC

MANAGER:
CityCentric/ Dwight and Fulton, LLC

BY: CITYCENTRIC/DWIGHT AND FULTON, LLC,
MANAGER

By: _____
Its: _____

BY: _____
ITS: _____

BY: _____
ITS: _____

**EXHIBIT 3
TO
OPERATING AGREEMENT
OF
2201 DWIGHT PARTNERS, LLC**

CONSENT OF SPOUSE

I, _____, acknowledge that I have read the foregoing “Operating Agreement of 2201 Dwight Partners, LLC, a California limited liability company” (“Operating Agreement”), that I know its contents and that I agree that any beneficial interest I may have in 2201 Dwight Partners, LLC standing in the name of my spouse, _____, shall be subject to all the terms and conditions of said Operating Agreement.

I am aware that the Membership Interests are not freely transferable, either by my spouse or by any successor in interest to my spouse. I consent to these provisions. I agree that I will not make or cause to be made any transfer, other than to my spouse or to my spouse in trust as trustee for the benefit of my spouse and/or myself or my issue, of any interest in said shares, either prior to or at the time of my death, by will or otherwise, without compliance with the Operating Agreement, and that the residuary clause of my will shall not be deemed to apply to my community interests, if any, in said shares unless the same are bequeathed to my spouse or in trust as provided in this consent.

I further agree that this consent shall bind my successors, assigns (including but not limited to the trustee of any trust I may create), personal representatives, heirs and legatees.

For the purposes of said Operating Agreement, the interest held by the trustee of any trust I may create, or by my personal representative while my estate is open, or any successor to my interest, shall be treated as held in the name of my spouse.

Dated: _____, 2009.

(Signature)

THESE LIMITED LIABILITY COMPANY UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, OR THE SECURITIES LAWS OF ANY OTHER STATE. SUCH UNITS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME WITHOUT SUCH REGISTRATION AND QUALIFICATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER TO THE EFFECT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED. THERE ARE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFER, AS SET FORTH IN THE MEMORANDUM.

STRICTLY CONFIDENTIAL TO INVESTOR AND COMPANY

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

**2201 DWIGHT PARTNERS, LLC
a California limited liability company**

The undersigned hereby applies to become a Member of 2201 DWIGHT PARTNERS, LLC, a California limited liability company (the “Company”), and subscribes to purchase the number of Units (“Units”) herein indicated in accordance with the terms and conditions of the Operating Agreement of the Company (“Operating Agreement”), as amended, provided with this Subscription Agreement.

1. REPRESENTATIONS AND WARRANTIES. The undersigned represents and warrants as follows:

(a) I have received, read and fully understood the Operating Agreement and in making this investment I am relying only on the information provided in the Operating Agreement. I have not relied on any statements or representations inconsistent with those contained in the Operating Agreement.

(b) I have carefully reviewed and understand the risks of, and other considerations relating to, a purchase of the Units and the acquisition of the Investment Property, as that term is defined in the Operating Agreement (“Investment Property”).

(c) I and my representatives, if any, have been furnished all materials relating to the offering of the Units and the Company’s proposed activities in the Operating Agreement that I or they have requested, and have been afforded the opportunity to obtain any additional information necessary to understand the terms of my investment in Units and the Investment Property of the Company.

(d) The Manager of the Company has answered all my inquiries concerning the Company, the Investment Property and all other matters relating to the offering and sale of the Units.

(e) I understand that the Units have not been registered under the Securities Act of 1933, as amended (the “Act”), in reliance upon the exemptions from such registration requirements provided for under Section 4(2) of the Act and Rule 147 thereunder. In addition, I understand that the Units have not been qualified under the California Corporate Securities Law of 1968 (the “Law”), or under the applicable securities laws of any other state or foreign nation where purchasers of Units may reside, in reliance on the exemptions from such registration and qualification requirements for private offerings under Section 25102(f) of the Law and similar provisions of other securities laws. I acknowledge and understand that the availability of these exemptions depend in part upon the accuracy of the representations and warranties contained herein, which I hereby make with the intent that they may be relied upon by the Manager.

(f) Accredited Investors (Individuals): If you are an individual Investor, please initial which of the following, if any, is true:

- _____ My individual net worth, or my joint net worth with my spouse, at the time of purchase exceeds \$1,000,000 (the value of my home, furnishings and automobiles may be included for purposes of calculating my net worth).
- _____ My individual income exceeded \$200,000 in each of the two most recent years, and I have a reasonable expectation of reaching the same income level in the current year.
- _____ My joint income with my spouse exceeded \$300,000 in each of the two most recent calendar years, and we have a reasonable expectation of reaching the same income level in the current year.

(g) Accredited Investors (Entities): Please initial which of the following (if any) is true:

- _____ Investor is an entity or Individual Retirement Account (“IRA”) and all beneficial owners are individuals who are Accredited Investors (see above).
- _____ Investor is a trust with either (i) at least \$5,000,000 of total assets (regardless of liabilities), or (ii) a trustee that is a bank or registered investment advisor.
- _____ Investor is a corporation, partnership or LLC with either (i) at least \$5,000,000 of total assets (regardless of liabilities) or (ii) all the equity owners of which are Accredited Investors (see above).
- _____ Investor is a revocable grantor trust and the grantor meets the standards for being an Accredited Investor as set forth above.

(h) Accredited Investors (Pension or Retirement) Please initial which of the following (if any) is true:

- _____ A trust company or a pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or individual retirement account).

- _____ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (i) whose investment decision is made by a plan fiduciary as defined in Section 3(21) of such Act which is either a bank, savings and loan association, insurance company or registered investment advisor, or (ii) whose total assets exceed \$5,000,000, or (iii) if a self-directed plan, a plan whose investment decisions are made solely by persons who are accredited investors.

- _____ A plan with total assets in excess of \$5,000,000, which plan is established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, or the benefit of its employees.

(Remainder of page intentionally left blank)

(k) If I am executing this Subscription Agreement on behalf of a trust, employee benefit plan, corporation, partnership or limited liability company, I represent and warrant that such entity was not formed specifically to purchase Units.

(l) I am able to bear the economic risk of my purchase of the Units, including loss of the entire investment.

(m) I understand that the Units may not be sold or otherwise disposed of without the prior written consent of the Manager, which consent may be granted or withheld in its sole discretion. I have liquid assets sufficient to assure myself that (i) my investment in these Units will not cause me undue financial difficulty, and (ii) I can provide for my current and future cash needs, both anticipated and unanticipated. If I am the trustee of a trust, the lack of liquidity of the Units will not cause any difficulty for the trust in meeting the trust's obligations to make distributions to its beneficiaries in a timely manner.

(n) I am purchasing the Units solely for my own account and not with a view to or for a sale in connection with any distribution of Units.

(o) I am 18 years of age or older.

2. RESIDENCE INFORMATION.

(a) Please identify in the space provided below the state(s) in which you have maintained your principal residence during the past three years and the dates during which you resided in each state.

(b) Are you registered to vote in, or do you have a driver's license issued by, or do you maintain a residence in any other state? If yes, in which state(s)?

3. EDUCATION.

Please describe your educational background and degrees obtained, if any:

4. BUSINESS AND FINANCIAL EXPERIENCE.

(a) Please describe in reasonable detail the nature and extent of your business, financial and investment experience which you believe gives you the capacity to evaluate the merits and risks of the proposed investment and the capacity to protect your Shares. Specifically list experience in purchasing real estate, stocks, bonds, options, commodities, limited liability companies and limited partnerships, and list your investment in new or “start-up” corporations. Also list attendance at educational seminars concerning investments.

(b) Are you purchasing the securities offered for your own account and for investment purposes only? Yes _____ No _____

If no, please state for whom you are investing and/or the reason for investing.

5. POWER OF ATTORNEY. The undersigned hereby irrevocably constitutes and appoints the Manager as his, her or its true and lawful attorney-in-fact, with full power of substitution and with full power and authority for him, her or it and in his, her or its name, place and stead, to execute, acknowledge, publish and file:

(a) The Articles of Organization and the Operating Agreement of the Company and any amendments thereto or cancellations thereof required under the laws of the State of California;

(b) Any other certificates, instruments and documents as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Company is doing or intends to do business; and,

(c) Any documents which may be required to effect the continuation of the Company, the admission of an additional or substituted Member, or the dissolution and termination of the Company, all in accordance with the Operating Agreement.

The power of attorney granted above is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death of a Member or the delivery of an assignment of Units by a Member; provided, that where the assignee thereof has been approved by the Manager for admission to the Company as a substituted Member, such power of attorney shall survive the delivery of such assignment for the sole purpose of enabling the Manager to execute, acknowledge, file and record any instrument necessary to effect such substitution.

6. ACCEPTANCE. This Subscription Agreement will be accepted or rejected by the Manager within a reasonable period after receipt by the Company of good and valid funds. Upon acceptance, this subscription will become irrevocable, and will obligate the undersigned to purchase the number of Units indicated below. The Manager will return a countersigned copy of this Subscription Agreement to accepted subscribers, which copy (together with my canceled check) will be evidence of my purchase of Units.

7. PAYMENT OF SUBSCRIPTION PRICE. The minimum purchase of investment Units is two Units of \$50,000 per Unit, or \$100,000, payable upon subscription. Subscriptions are payable in cash or equivalent, concurrently with the delivery of this Subscription Agreement. The Manager may in its sole and absolute discretion accept a limited number of subscriptions at less than the minimum, or accept payments for fractional Units, to enable an orderly close of this Offering.

8. UNDERSTANDING OF LEGAL CONSEQUENCES. The undersigned acknowledges that it understands the meaning and legal consequences of the representations and warranties made by the undersigned herein, and that the Manager is relying on such representations and warranties in making their determination to accept or reject this subscription.

9. *The undersigned acknowledges that U. S. Bank National Association is acting only as an escrow agent in connection with the offering of the interests described herein, and has not endorsed, recommended or guaranteed the purchase, value or repayment of such interests.*

10. INDEMNIFICATION. THE UNDERSIGNED AGREES TO INDEMNIFY AND HOLD 2201 DWIGHT PARTNERS, LLC AND ITS MANAGER, MEMBERS, ATTORNEYS, ACCOUNTANTS AND OTHER AGENTS AND EMPLOYEES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LIABILITIES, AND DAMAGES (INCLUDING, WITHOUT LIMITATION, ALL ATTORNEYS' FEES WHICH SHALL BE PAID AS INCURRED) WHICH ANY OF THEM MAY INCUR, IN ANY MANNER OR TO ANY PERSON, BY REASON OF THE FALSITY, INCOMPLETENESS OR MISREPRESENTATION OF ANY INFORMATION FURNISHED BY THE UNDERSIGNED HEREIN OR IN ANY DOCUMENT SUBMITTED HEREWITH.

THE EFFECT OF THE FOREGOING PARAGRAPH IS THAT THE UNDERSIGNED WILL BE FINANCIALLY RESPONSIBLE FOR ALL LOSSES, DAMAGES, EXPENSES AND LIABILITIES INCURRED BY THE COMPANY AND/OR ITS MANAGER AS A RESULT OF A BREACH OF ANY OF THE REPRESENTATIONS AND WARRANTIES MADE BY THE UNDERSIGNED.

11. INVESTOR INFORMATION. (Please print or type)

Please complete the following, as applicable. Investments by more than one of the following entities, even if related to each other or controlled by the same person, require completion of separate Subscription Agreement.

Identifying Information for Investors or Beneficial Owners (held strictly confidential)

Individual(s):

Name: _____

Address: _____
_____, CA 9_____

Soc. Sec. No.: _____

Tel./E-Mail: _____

Name: _____

Address: _____
_____, CA 9_____

Soc. Sec. No.: _____

Tel./E-Mail: _____

LLC, Corporation, Trust or Other:

Trustee/Legal Officer : _____

Address: _____
_____, CA 9_____

Acct. No.: _____

Tel./E-Mail: _____

Contact Person: _____

12. SUBSCRIPTION. Investors subscribing for Units must complete the following:

The undersigned agrees to pay the total purchase price per Unit (\$50,000 per Unit),

\$ _____ Total Total Number of Units _____

IN WITNESS WHEREOF, the undersigned hereby agrees to become a Member in 2201 DWIGHT PARTNERS, LLC upon the terms and conditions set forth in the Operating Agreement.

Dated: _____, 2009

(Signature of Individual Investor or Beneficial Owner)

Individual Retirement Account (“IRA”), SEP, Pension or Profit Sharing Trust (“ERISA Plan”):

Trustee: _____

Address: _____
_____, CA 9_____

Acct. No.: _____

LLC, Corporation, Trust or Other:

Trustee: _____

Address: _____
_____, CA 9_____

Acct. No.: _____

ACCEPTANCE

The foregoing Subscription Agreement is hereby accepted by 2201 DWIGHT PARTNERS, LLC.

(a) Initial Subscription Amount: \$ _____.

Dated: _____, 2009

2201 DWIGHT PARTNERS, LLC,
a California limited liability company

By: _____
CityCentric/ Dwight and Fulton, LLC,
Manager

By: _____
Authorized Officer

5-Year Discounted Cash Flow Projection and Returns on Investment						Number of Units:	33	Number of Bedrooms:	118								
						August thru Dec					Total						
						2013	2014	2015	2016	2017	2018						
2201 Dwight Way, Berkeley, CA																	
Assume 100% Occupancy August 1, 2013 41.7%						1	2	3	4	5	6						
Market Rate Rent Growth						0%	3.5%	3.5%	3.5%	3.5%	3.5%						
Affordable Units Rent Growth						0%	3%	3%	3%	3%	3%						
Vacancy & Credit Losses						5%	5%	5%	5%	5%	5%						
Other Income Growth						3%	3%	3%	3%	3%	3%						
Operating Expenses/Capital Reserves Growth						3%	3%	3%	3%	3%	3%						
Property taxes/Assessments Growth						2%	2%	2%	2%	2%	2%						
Gross Scheduled Rental Income (GSRI) 28.00						\$ 713,551	\$ 1,772,460	\$ 1,834,496	\$ 1,898,703	\$ 1,965,158	\$ 2,033,939						
Affordable GSRI 5.00						\$ 29,566	\$ 73,088	\$ 75,280	\$ 77,539	\$ 79,865	\$ 82,261						
Gross Potential Rental Income						\$ 743,117	\$ 1,845,548	\$ 1,909,777	\$ 1,976,242	\$ 2,045,023	\$ 2,116,200						
Vacancy & Credit Loss						\$ (39,014)	\$ (92,277)	\$ (95,489)	\$ (98,812)	\$ (102,251)	\$ (105,810)						
Net Rental Income						\$ 704,103	\$ 1,753,270	\$ 1,814,288	\$ 1,877,430	\$ 1,942,772	\$ 2,010,390						
Other Income (Parking & Laundry)						\$ 37,389	\$ 92,426	\$ 95,198	\$ 98,054	\$ 100,996	\$ 104,026						
Total Income						\$ 741,492	\$ 1,845,696	\$ 1,909,486	\$ 1,975,485	\$ 2,043,768	\$ 2,114,415						
Total Operating Expenses						\$ (130,110)	\$ (321,633)	\$ (331,282)	\$ (341,220)	\$ (351,457)	\$ (362,001)						
Net Operating Income						\$ 611,382	\$ 1,524,063	\$ 1,578,204	\$ 1,634,264	\$ 1,692,311	\$ 1,752,415						
Reserves for Capital Replacement						\$ (6,188)	\$ (15,296)	\$ (15,754)	\$ (16,227)	\$ (16,714)	\$ (17,215)						
NOI After Reserves						\$ 605,194	\$ 1,508,768	\$ 1,562,450	\$ 1,618,037	\$ 1,675,597	\$ 1,735,200						
Ad Valorem Property Taxes						\$ (66,667)	\$ (163,200)	\$ (166,464)	\$ (169,793)	\$ (173,189)	\$ (176,653)						
Fess and Sp. Assessments						\$ (9,979)	\$ (23,951)	\$ (24,430)	\$ (24,918)	\$ (25,417)	\$ (25,925)						
Business License Tax & fees						\$ (7,180)	\$ (17,748)	\$ (18,281)	\$ (18,829)	\$ (19,394)	\$ (19,976)						
NOI After Property Taxes/Assessments						\$ 521,369	\$ 1,303,869	\$ 1,353,275	\$ 1,404,496	\$ 1,457,597	\$ 1,512,646						
Interest Payment						\$ (350,979)	\$ (834,937)	\$ (827,051)	\$ (818,661)	\$ (809,734)	\$ (800,237)						
Principle Payment						\$ (48,315)	\$ (123,367)	\$ (131,253)	\$ (139,644)	\$ (148,571)	\$ (158,068)						
Debt Service Coverage (DSC)						1.31	1.36	1.41	1.47	1.52	1.58						
Total Debt Service Amount						\$ (399,294)	\$ (958,305)	\$ (958,305)	\$ (958,305)	\$ (958,305)	\$ (958,305)						
Net Cash Flow						\$ 122,075	\$ 345,564	\$ 394,971	\$ 446,192	\$ 499,293	\$ 554,341						
Permanent Loan Balance						\$ 13,662,014	\$ 13,613,700	\$ 13,490,333	\$ 13,359,079	\$ 13,219,435	\$ 13,070,865	\$ 12,912,797					
Summary of Cash Flows:						August thru Dec											
						2013	2014	2015	2016	2017	2018						
Income							1,303,869	1,353,275	1,404,496	1,457,597	1,512,646						
Land Acquisition																	
Land Entitlements																	
Secure Building Permit																	
Secure Cert of Occupancy																	
Construction to Perm Conversion																	
Cash Flow						(17,233,772)	(3,629,812)	(417,264)	(471,423)	(4,625,735)	(8,089,538)						
Financing Activity:																	
Land Acq Loan Funding						1,900,000	1,900,000										
Office Rental Income						52,500	26,250	26,250									
Land Loan Buldge After Entitlements						-											
Land Loan Repayment						(1,900,000)		(1,900,000)									
Construction Loan Funding						13,662,014		1,900,000									
Debt Service on Permanent Loan																	
Permanent Loan Repayment																	
Total Financing Activity						13,714,514	1,900,000	26,250	26,250	-	11,762,014						
Project Net Cash Flow Before Equity						(3,519,257)	(1,729,812)	(391,014)	(445,173)	(4,625,735)	3,672,477						
Equity Contribution and Recapture:																	
Reversion - Property Sale at a cap rate of: 5.00%												30,252,916					
Less Costs of Sale 2.50%												(756,323)					
Less Permanent Loan Repayment												\$ (12,912,797)					
Net of Sale Proceeds												\$ 16,583,796					
8% Accrued Return for 49% of Investment Redemption						(146,919)	(24,269)	(10,180)	(3,114)			184,481	\$ 184,481				
5% Accrued Return for 51% of Investment due at Conversion						(95,572)	(20,773)	(12,298)	(2,026)			130,668	\$ 130,668				
5% accrued on new money after Redemption/Recap												200,619					
8% Accrued Preferred Return 8%										(281,541)	(281,541)	(281,541)	(281,541)	1,407,703	\$ 1,407,703		
Net Cash Flow from Operations 60%										207,338	236,982	267,715	299,576	332,605	\$ 1,344,216		
Equity Recapture & Profits													\$	9,105,656	\$ 9,105,656		
Net Cash Flows From/To Investors						(3,519,257)	(1,729,812)	(391,014)	(445,173)	(953,259)	515,769	207,338	236,982	267,715	299,576	10,845,964	\$ 12,172,724
Investors' Annual Return on Cash												5.89%	6.73%	7.61%	8.51%	308.19%	\$ (3,519,257)
Investors' Annual Return on Equity (includes 60% reduction in Principle amount of loan)												7.99%	8.97%	9.99%	11.05%	310.88%	\$ 8,653,467
Estimated Leveraged Internal Rate of Return						18.49%											

These financial projections are not promises or representations of particular economic returns, but are merely Manager's estimates of reasonable economic outcomes based upon information known at the date of Offering.

5-Year Discounted Cash Flow Projection and Returns on Investment						Number of Units: 33	Number of Bedrooms: 118				
2201 Dwight Way, Berkeley, CA	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>August thru Dec 2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	Total

Simple Annual Rate of Return:		
Preferred Interest		1,722,852
Cash Flow	\$	1,344,216
Profit From Sale	\$	9,105,656
Total		12,172,724
Less Return OF Capital		(3,519,257)
Remaining (Return ON Capital)		8,653,467
Simple Annual Rate of Return	9.083 yrs	27.07%

Compounded Rate of Return:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
First Capital Outlay in Nov 2009	(1,729,812)	(1,752,616)	(2,029,880)	(2,351,007)	(2,722,937)	(3,153,705)	(3,652,621)	(4,230,466)	(4,899,726)	(5,674,862)	
	(22,805)	(277,264)	(321,127)	(371,929)	(430,769)	(498,916)	(577,845)	(669,260)	(775,137)	(897,763)	
Total Principle + Return	(1,752,616)	(2,029,880)	(2,351,007)	(2,722,937)	(3,153,705)	(3,652,621)	(4,230,466)	(4,899,726)	(5,674,862)	(6,572,626)	
Second Capital Outlay 2010		(391,014)	(452,872)	(524,517)	(607,495)	(703,601)	(814,911)	(943,830)	(1,093,144)	(1,266,079)	
		(61,858)	(71,644)	(82,979)	(96,106)	(111,310)	(128,919)	(149,314)	(172,935)	(200,294)	
Total Principle + Return		(452,872)	(524,517)	(607,495)	(703,601)	(814,911)	(943,830)	(1,093,144)	(1,266,079)	(1,466,373)	
Third Capital Outlay 2011			(445,173)	(515,600)	(597,167)	(691,639)	(801,057)	(927,784)	(1,074,559)	(1,244,554)	
			(70,426)	(81,568)	(94,472)	(109,417)	(126,727)	(146,775)	(169,995)	(196,888)	
Total Principle + Return			(515,600)	(597,167)	(691,639)	(801,057)	(927,784)	(1,074,559)	(1,244,554)	(1,441,443)	
Fourth Capital Outlay 2012				(953,259)	(1,104,064)	(1,278,727)	(1,481,022)	(1,715,319)	(1,986,683)	(2,300,976)	
				(150,806)	(174,663)	(202,295)	(234,298)	(271,364)	(314,293)	(364,014)	
Total Principle + Return				(1,104,064)	(1,278,727)	(1,481,022)	(1,715,319)	(1,986,683)	(2,300,976)	(2,664,991)	
Compounded Interest Rate per Yr	15.82%										
Total	Total	(1,752,616)	(2,482,753)	(3,391,124)	(5,031,663)	(5,827,673)	(6,749,610)	(7,817,399)	(9,054,111)	(10,486,472)	(12,145,431)

Recap:		Loan-To-Value	60%
Total Development Costs	\$ 17,233,772	Term (Years)	35
Office Rental Income	52,500	APR on Loan	6.2125%
Loan Amount	\$ 13,662,014	Yield on Cost at Stabilized Yr 1	7.57%
Equity Required	3,519,257	Initial Cap Rate (Rounded)	7.57%
Total Equity Requirement	3,519,257	Exit Cap Rate (Rounded)	5.00%



2201 Dwight Way Location Information

2201 Dwight Way Development Concept



FULTON STREET ELEVATION



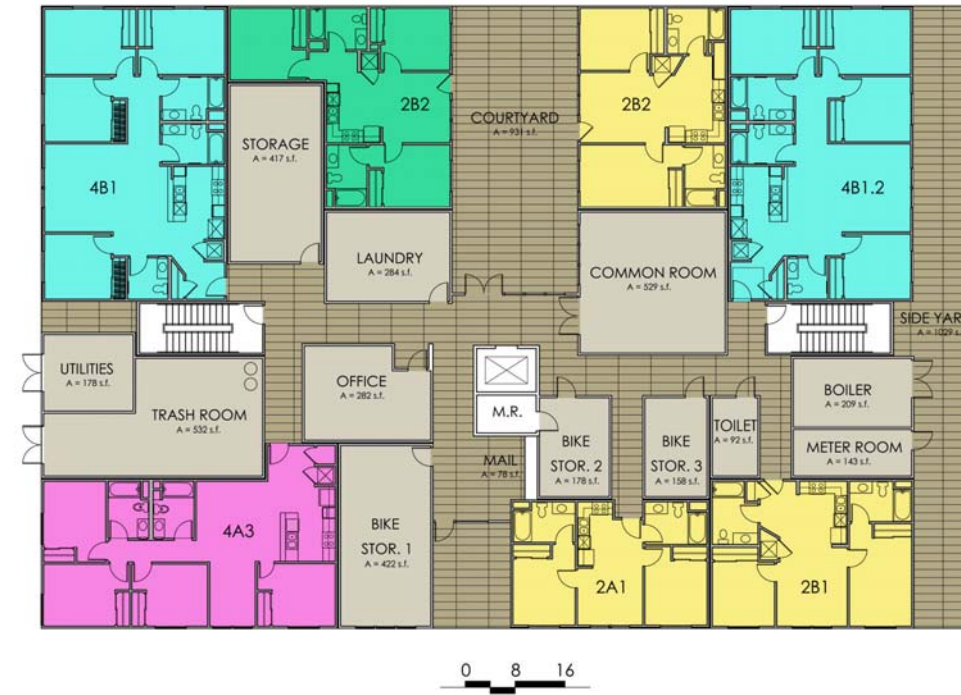
DWIGHT WAY ELEVATION



citycentric



SITE PLAN
2201 Dwight



GROUND FLOOR PLAN



SECOND FLOOR PLAN



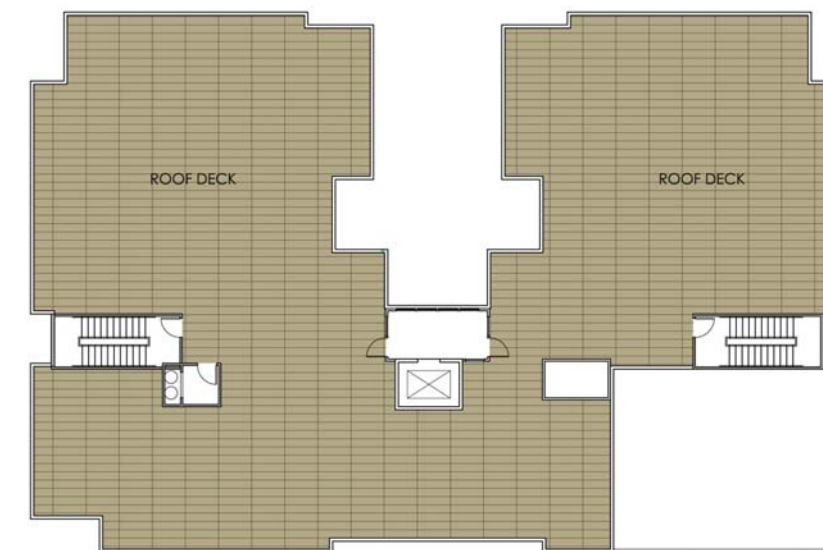
THIRD FLOOR PLAN



FOURTH FLOOR PLAN

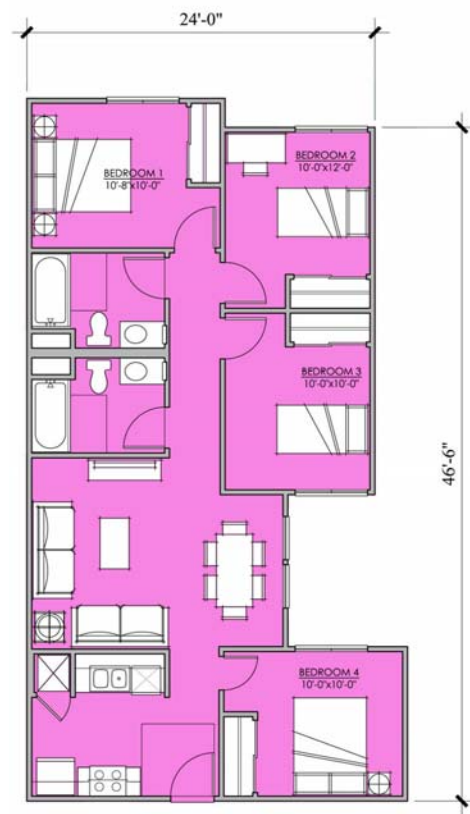


FIFTH FLOOR PLAN

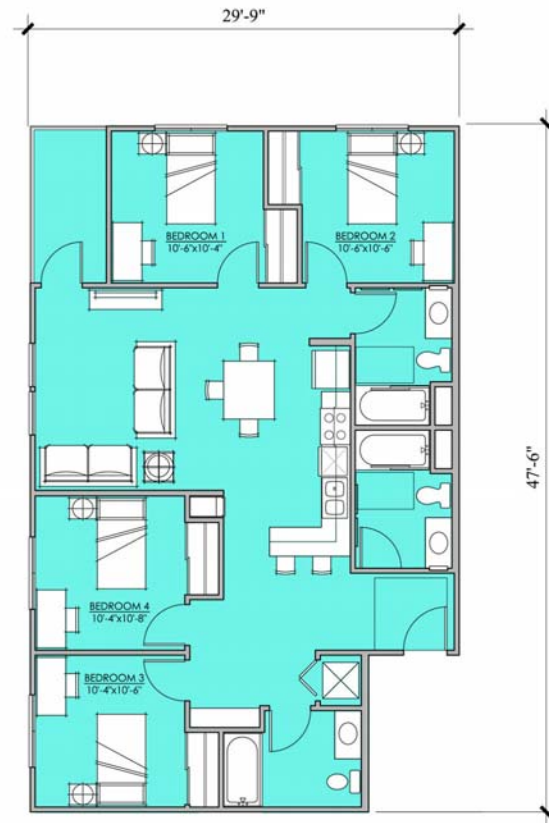


ROOF PLAN

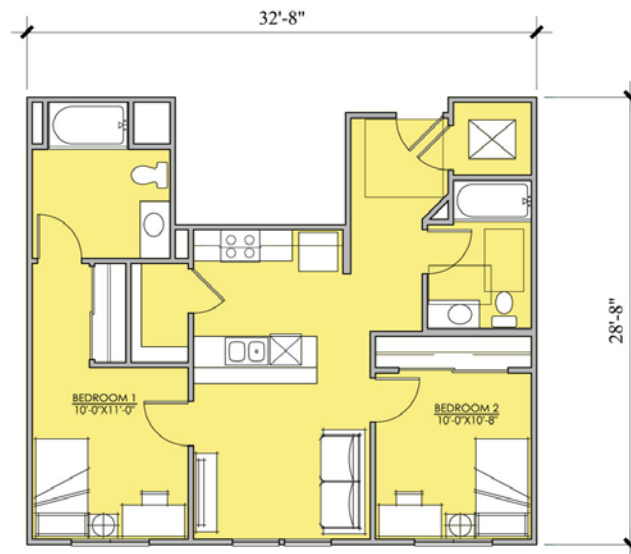




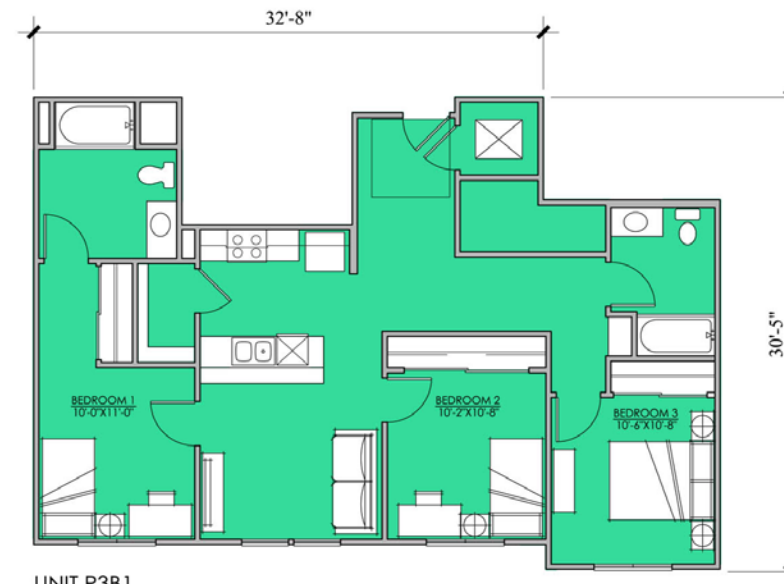
UNIT P4B2
1051 s.f.
(11)



UNIT P4A2
1215 s.f.
(8)



UNIT P2A
790 s.f.
(4)



UNIT P3B1
1053 s.f.
(1)



TYPICAL UNITS PLANS

