CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

America360, LLC

Limited Liability Company Units
10,000 Units at $5,000 Per Unit
Minimum Purchase: 5 Units ($25,000)
Minimum Offering Amount: $1,000,000
Maximum Offering Amount: $50,000,000

America360, LLC, a Delaware limited liability company (the “Company”), has been formed for the principal purpose of acquiring and developing primarily self storage facilities located throughout the United States which provide the potential to generate income and/or appreciation through value added opportunities for the Company (the “Projects”). This Memorandum will be supplemented with a Project Supplement which will include information regarding any material Project identified by the Manager during the term of the Offering as likely to be acquired by the Company using Offering proceeds. The Company generally expects to hold and operate the Projects for approximately 7 to 10 years. The Company is offering for sale up to 10,000 units of membership interests in the Company (the “Units”) at a purchase price of $5,000 per Unit (the “Offering”) upon the terms and conditions set forth in this Confidential Private Placement Memorandum (the “Memorandum”). The purchasers of the Units will become the members of the Company (the “Members”). Dahn America360 Manager, LLC, a Delaware limited liability company will act as the manager of the Company (the “Manager”). You should read this Memorandum in its entirety before making an investment decision.

The proceeds of the Offering (the “Offering Proceeds”) are intended to capitalize the Company with an amount sufficient, when coupled with proceeds from anticipated loans, to acquire the Projects. The Units are being offered until the earlier of (i) the Maximum Offering Amount is sold, (ii) July 31, 2015, which date may be extended until July 31, 2016 in the sole discretion of the Company or (iii) the Company terminates the Offering at an earlier date in its sole discretion (the “Offering Termination Date”). The purchase price for the Units is payable in full with the delivery of the purchaser’s Subscription Agreement, a form of which is attached as Exhibit B. All Subscription Payments received for Units prior to receipt and acceptance by the Company of Subscription Payments for the Minimum Offering Amount of $1,000,000 will be held in an escrow account (the “Depository Account”) by First Republic Trust Company (the “Escrow Agent”). If the Minimum Offering Amount is not sold by January 31, 2015, which date may be extended until July 31, 2015 in the sole discretion of the Company (the “Minimum Offering Termination Date”), the Offering will be terminated and all amounts held in the Depository Account will be returned to the subscribers.

The principal objectives of the Company are to (i) preserve the Members’ capital investment, (ii) realize income through the acquisition, operation, management and sale of the Projects, (iii) within 7 to 10 years from the date of acquisition of each Project, realize income taxable at capital gain rates on the sale of the Project and (iv) provide quarterly cash distributions from cash generated by operations of the Projects. There can be no assurance that any of these objectives will be achieved.

Units offered hereby are speculative and an investment in Units involves substantial risks including, but not limited to, risks associated generally with the start-up nature of the Company, the Company is a newly formed entity with no operating history, lack of liquidity, high sensitivity of the self storage industry to the local housing markets and economies, operating and financing the Projects, potential lack of diversity of investment, the Manager is newly formed and has no experience managing funds, the Manager has limited capital, reliance on the Manager to select the Projects, reliance on the Manager to manage the Company, reliance on America360 Management, Inc., an Affiliate of the Manager (the “Property Manager”), to manage the Projects, potential environmental risks, uncertainty as to the Projects to be acquired, using leverage to acquire the Projects, uncertainty as to the amount and type of leverage used to acquire the Projects, lack of liquidity of the Projects, development risks, risks associated with the contribution of property in exchange for Units, competition, the Members have limited voting rights with respect to the Company’s operations, risks associated with the use of general solicitation in connection with the Offering, lack of any binding financing commitments, substantial fees and distributions payable to the Manager and its Affiliates, the existence of various conflicts of interest between the Manager and its Affiliates and the Company and tax risks. See “Risk Factors” and “Conflicts of Interest.”

Capitalized but undefined terms used herein have the meanings set forth in the America360, LLC Limited Liability Company Agreement (the “Operating Agreement”), a copy of which is attached hereto as Exhibit A. The mailing address of the Company is 18552 MacArthur Boulevard, Suite 495, Irvine, CA 92612 and the telephone number is (949) 752-1282.

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended (the “Securities Act”), applicable state securities laws, pursuant to registration or exemption therefore, and the Operating Agreement. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

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<th>Price to Investors</th>
<th>Selling Commissions and Expenses(1)</th>
<th>Proceeds to Company(2)</th>
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<tr>
<td>Per Unit(3)</td>
<td>$5,000.00</td>
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<tr>
<td>Minimum Offering Amount(4)</td>
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<td>Maximum Offering Amount</td>
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This Memorandum is dated August 1, 2014
Offers and sales of Units will be made on an “all-or-none minimum, best-efforts maximum” basis by broker-dealers (the “Selling Group Members,” and collectively the “Selling Group”) who are members of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Orchard Securities, LLC a Utah limited liability company (“Orchard”), a member of FINRA, will act as the “Managing Broker-Dealer.”

(a) With respect to sales made by the Selling Group Members, Orchard will receive selling commissions (the “Selling Commissions”) in an amount up to 7% of the purchase price of the Units sold by the Selling Group Members (collectively, with all other sales of Units, the “Total Sales”), which it will re-allow to the Selling Group Members; provided, however, that this amount will be reduced to the extent a lower commission rate is negotiated with a Selling Group Member and the commission rate will be the lower agreed upon rate. As a result, certain investors may acquire their Units net of Selling Commissions. Some registered representatives may acquire Units in lieu of cash for a portion of the Selling Commissions paid to them. Orchard will also receive a non-accountable marketing and due diligence allowance of up to 1% of the Total Sales attributable to sales made by the Selling Group Members which Orchard may re-allow, in whole or in part, to the Selling Group Members. Orchard will also receive a placement fee up to 1% of the Total Sales attributable to sales made by the Selling Group Members, some of which may be re-allowed to certain wholesalers (some of which may be internal to the Manager and its Affiliates). Orchard may also sell Units as part of the Selling Group, thereby becoming entitled to Selling Commissions. Orchard will also receive up to 1% of the Total Sales attributable to sales made by the Selling Group Members which will be re-allowed, in whole or in part, to certain wholesalers, some of which are internal to the Manager and its Affiliates. Orchard will also receive a fee equal to 10% Selling Commissions and Expenses paid to them. However, in the event that the Manager or its Affiliates conducts additional offerings of securities simultaneously with the sale of Units by the Company, Orchard will apportion the payment of the fee among the offerings conducted by the Manager and its Affiliates. In addition, Orchard will receive a fee equal to 10% of the Manager Promote (as defined below), all or a portion of which will be re-allowed to the wholesalers. The total aggregate amount of commissions, allowances, expense reimbursements and placement fees, exclusive of the base fee described above, (the “Selling Commissions and Expenses”) will not exceed 10% of the Total Sales attributable to sales made by the Selling Group Members (exclusive of the allocation of wholesaler fee to be paid by the Company as an additional fee to Orchard and the portion of the Manager Promote paid to Orchard).

(b) With respect to sales made to an investor who invests in the Company as a result of sales referred to the Company outside of the Selling Group or where there is a property contribution where Orchard is the broker-dealer of record, Orchard will receive Selling Commissions in an amount equal to 1.25% of the purchase price of the Total Sales attributable to such sales. Orchard will also receive a non-accountable marketing and due diligence allowance of up to 1% of the Total Sales attributable to such sales which Orchard will retain. Orchard will also receive a placement fee up to 1% of the Total Sales attributable to such sales, some of which may be re-allowed to certain wholesalers (some of which may be internal to the Manager and its Affiliates). Orchard will also receive up to 1% of Total Sales attributable to such sales which will be re-allowed, in whole or in part, to certain wholesalers, some of which are internal to the Manager and its Affiliates and Orchard will pay the wholesaler fee described above. The Total Selling Commissions and Expenses will not exceed 4% of Total Sales attributable to sales made through general solicitation by the Company (exclusive of the allocation of wholesaler fee to be paid by the Company as an additional fee to Orchard). The Company intends to utilize the 6% Selling Commission and Expense reduction to pay for general solicitation costs.

The Company will be responsible for paying all Selling Commissions and Expenses. In addition to the Selling Commissions and Expenses, Orchard will receive a one-time fee and a monthly administrative fee which will be paid by Dahn America360, LLC and not by the Company.
(2) Amounts shown are proceeds after deducting Selling Commissions and Expenses, but before deducting other expenses incurred in connection with the Offering and the organization of the Company (the “Organization and Offering Expenses”), including legal, accounting, printing, general solicitation costs and other costs and expenses directly related to the Offering. The Company anticipates that the Organization and Offering Expenses will be approximately $20,000 if the Minimum Offering Amount is sold (approximately 2% of the Minimum Offering Amount), and approximately $1,000,000 if the Maximum Offering Amount is sold (approximately 2% of the Maximum Offering Amount), exclusive of any additional amounts the Company will utilize to pay such expenses from the reduction of Selling Commissions and Expenses as described in (1) above. In the event that the Organization and Offering Expenses plus Selling Commissions and Expenses exceed 8% of the aggregate Offering Proceeds with respect to the purchase of Units by any Member, the Manager will be responsible for paying such amounts over 8%.

(3) The minimum purchase is 5 Units for a total purchase price of $25,000, except that the Company may permit certain investors to purchase fewer Units, in its sole discretion.

(4) Subscription Payments received prior to the receipt of the Minimum Offering Amount of $1,000,000 will be held in the Depository Account by the Escrow Agent. The Company may be capitalized and Subscription Payments released to the Company from the Depository Account upon acceptance by the Company of subscriptions for the Minimum Offering Amount.

The purchase of Units involves substantial risks and an investment in the Units is speculative. Investors should read and carefully consider the discussion set forth under “Risk Factors.” This Memorandum contains forward-looking statements that involve risks and uncertainties. The Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed under “Risk Factors.” Risks of an investment in Units include, among others, the following:

1. The Company is a newly formed business entity with no history of operations and only limited assets. See “Risk Factors – Risks Relating to the Formation and Internal Operation of the Company – New Venture.”

2. Although principals of the Manager have experience owning and operating self storage facilities, the Manager is a newly formed entity and therefore has no experience owning or operating self storage facilities, no experience managing funds and has limited capital. See “Risk Factors – Risks Relating to the Formation and Internal Operation of the Company – No Experience of Manager.”

3. No public market exists for the Units and it is highly unlikely that any such market will ever develop. The Units are not freely transferable and there are substantial restrictions upon the transfer of the Units under federal and state securities laws. Furthermore, transfers of the Units are subject to certain limitations, including, but not limited to, the prior consent of the Manager. Units must be considered solely as long-term investments. See “Restrictions on Transferability,” “Summary of the Operating Agreement” and “Risk Factors – Risks Relating to Private Offering and Lack of Liquidity – Limited Transferability of Units.”

4. The Company intends to acquire Projects that have not yet been identified, which means potential investors will not have the opportunity to evaluate the Projects and must rely solely upon the Manager to select the Projects. See “Risk Factors – Real Estate Risks – Uncertainty as to Extent of Diversification.”

5. An investor’s return may be reduced if the Company is unable to identify and acquire Projects when, or soon after, the Company is funded. See “Risk Factors – Risks Relating to the Formation and Internal Operation of the Company – Potential Adverse Effects of Delay in Investment.”

6. There is no assurance that the investors will realize any return on their purchase of the Units or that the investors will not lose their investment completely. See “Risk Factors – Risks Relating to Private Offering and Lack of Liquidity – Speculative Investment.”
7. The self storage industry is highly competitive with relatively low barriers to entry. The Company will face intense competition from numerous national, regional, and local developers, owners and operators in the self storage industry, many of which will have greater capital resources, cash reserves and ability to borrow funds to acquire properties. See “Risk Factors – Real Estate Risks – Competitive Nature of Self storage Industry.”

8. Self storage operations are highly sensitive to local housing markets and economies. With short lease terms, occupancy and rental rates can fluctuate quickly and significantly. See “Risk Factors – Real Estate Risks – Risks of Self storage Operations.”

9. The Company may acquire Projects from the Manager and its Affiliates. Accordingly, the purchase agreements for such Projects will not be negotiated on a third-party, arm’s length basis. Some of the terms of the purchase agreements with the Manager and its Affiliates may not be on market terms. See “Risk Factors – Real Estate Risks – Affiliated Sellers.”

10. If less than all of the Units are sold by the Offering Termination Date, the number of Projects may be limited and, as a result, the Company’s investments may not be diversified. In addition, even if the Maximum Offering Amount is sold, the Company will only have limited diversification as to the property it owns. See “Risk Factors – Real Estate Risks – Limited Diversification.”

11. It is likely that the acquisition of the Projects will require the Company to obtain loans. Thus, it is anticipated that the Projects will be leveraged. The Company anticipates that the aggregate loan-to-value ratio for all of the Projects acquired will be 50% to 75% based on the purchase price of the Projects; provided, however, the Company may obtain financing that is less than or exceeds such loan-to-value ratio in its sole discretion. See “Risk Factors – Financing Risks – Leverage.”

12. While the Company anticipates that the Company will obtain financing to acquire the Projects, the Company has not obtained any financing commitments for the acquisition of the Projects. In the event that the Company is unable to obtain financing for the acquisition of the Projects, the Company may not be able to acquire any Projects or may only be able to acquire a limited number of Projects. In such case, the return to the Members would be materially reduced. See “Risk Factors – Financing Risks – No Loan Commitments.”

13. The Company will need to obtain loans to acquire the Projects and may need to obtain additional loans to finance its internal operations as well as the operations of the Projects. The Company has not obtained a commitment for any such financing. Thus, the terms of such financings are unknown. It may be difficult to obtain financing when needed and the terms and conditions under which any financing can be obtained are uncertain and could be unfavorable. See “Risk Factors – Financing Risks – Unknown Loan Terms.”

14. Some of the loans obtained by the Company may have variable interest rates. As a result, the debt service payments on any such loan may increase and the Project secured by such loan may not generate sufficient cash flow to pay the increasing debt service payments. See “Risk Factors – Financing Risks – Variable Interest Rates and Interest Only Loans.”

15. It is anticipated that the loans obtained to acquire the Projects may have short terms and will require the Company to make large balloon payments on the maturity date of the loans. If the Company is unable to make the balloon payment by selling the related Project or refinancing the applicable loan for any reason, the ownership of the applicable Project could be jeopardized. See “Risk Factors – Financing Risks – Balloon Payments.”

16. The Company may develop some Projects. The development of self storage facilities includes certain risks including, without limitation, construction risk, the need for permits, the potential that a development Project will not be successful and other risks. See “Risk Factors – Development Risks.”

17. The Company may accept contributions of property in exchange for Units. The contribution of property for Units will create certain potential conflicts of interests and tax risks. See “Risk Factors – Risks
Relating to the Formation and Internal Operation of the Company – Property Contributors May Have Different Objectives” and “Risk Factors – Tax Risks – Tax Risks Related to Property Contributions.”

18. The Company intends to utilize general solicitation in connection with the sale of Units in reliance on the exemption from registration provided by Rule 506(c) of Regulation D promulgated under the Securities Act. If the Company does not comply with the requirements of Rule 506(c), the Company will lose its exemption from registration. See “Risk Factors – Risks Related to Private Offering and Lack of Liquidity – General Solicitation.”

19. The United States economy is in the midst of a slow recovery from a significant economic recession. It is unclear how the deterioration of the financial and real estate sectors will impact the long-term health of the economy. As a result, there can be no assurance that the Projects will achieve anticipated cash flow levels. In addition, availability of credit has been severely limited. It is possible that the Company will not be able to obtain financing when needed. See “Risk Factors – Real Estate Risks – Uncertain Economic Conditions.”

20. Members will only have limited approval rights regarding the operation of the Company and the Projects. Thus, most decisions regarding the management of the Company’s affairs and the operation of the Projects will be made exclusively by the Manager. See “Risk Factors – Risks Relating to the Formation and Internal Operation of the Company – Reliance on Management.”

21. The Company will not obtain and does not intend to provide any audited historical results of operation for the Projects and will rely on unaudited financial information provided by the sellers of the Projects. Consequently, there is less certainty regarding the prior economic operating history of the Projects. See “Risk Factors – Real Estate Risks – No Audited Results Operation.”

22. It is likely that the sellers of the Projects will provide only limited representations regarding environmental matters at the Projects. See “Risk Factors – Real Estate Risks – No Environmental Indemnity.”

23. If the Company generates taxable income, such income will be considered unrelated business taxable income. See “Risk Factors – Tax Risks – Unrelated Business Taxable Income.”

24. The Manager and its Affiliates will be subject to certain conflicts of interest and are entitled to receive substantial compensation in connection with the Offering. The amount of compensation received by the Manager and its Affiliates cannot be determined at this time. See “Conflicts of Interest” and “Compensation to the Manager and its Affiliates.”

25. The Manager and its Affiliates may subscribe for any number of Units for any reason deemed appropriate by the Manager; provided, however, that the Manager will not purchase more than 10% of the Units (other than with respect to its purchase of Units prior to acceptance of the Minimum Offering Amount). In addition, the Manager and its Affiliates and principals will purchase at least 20 Units and up to 40 Units prior to the Company raising the Minimum Offering Amount. As a result, the Minimum Offering Amount will not be raised entirely from third party investors. The Manager and its Affiliates will not acquire any Units with a view to resell or distribute such Units. Any purchase of Units by the Manager and/or its Affiliates will be on the same terms and conditions as are available to all investors except that the Manager and its Affiliates, and Selling Group Members and their Affiliates, will be able to purchase Units net of Selling Commissions and Expenses. See “Plan of Distribution.” The purchase of Units by the Manager or its Affiliates could create certain risks, including, but not limited to, the following: (i) the Manager or its Affiliates would obtain voting power as Members, (ii) the Manager or its Affiliates may have an interest in disposing of Company assets at an earlier date than the other Members so as to recover its investment in the Units, (iii) substantial purchases of Units may limit the Manager’s ability to fulfill any financial obligations that it may have to or on behalf of the Company and (iv) acquisition of Units by the Manager and/or its Affiliates will mean that the total Units acquired will not have been provided by disinterested investors after an assessment of the merits and risks of the Offering. See “Conflicts of Interest” and “Risk Factors – Risks Relating to Private Offering and Lack of Liquidity – Purchase of Units by the Manager or its Affiliates.”
The purchase of Units is suitable only for persons of substantial means who have no need for liquidity in their investment in the Company. See “Who May Invest.” You should carefully consider the following:

1. You are not to construe the contents of this Memorandum as legal or tax advice. You should consult your own counsel, accountant, financial advisor or business advisor as to legal, tax and related matters concerning an investment.

2. The Units may be offered and sold only to investors who meet the Investor Suitability Requirements set forth under “Who May Invest” in this Memorandum.

3. No person has been authorized by the Company or the Manager to make any representations or furnish any information with respect to the Company or the Units, other than the representations and information set forth in this Memorandum or other documents or information furnished by the Company or the Manager upon request as described in this Memorandum. However, authorized representatives of the Company will, if such information is reasonably available, provide additional information which you or your representative requests for the purpose of evaluating the merits and risks of the Offering.

4. Any predictions and representations, written or oral, which do not conform to those contained in this Memorandum should be disregarded, and their use is a violation of the law. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate.

5. Trustees, custodians and fiduciaries of retirement and other plans subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) or Internal Revenue Code of 1986, as amended (the “Code”) Section 4975 (all references to “Code Section” are references to sections of the Code, unless otherwise indicated) (including individual retirement accounts) should consider, among other things: (i) that the plan, although generally exempt from federal income taxation, would be subject to income taxation were its unrelated business taxable income from an investment in the Company and other unrelated business taxable income to exceed $1,000 in any taxable year (it is anticipated that if the Company generates taxable income, it will be considered unrelated business taxable income), (ii) whether an investment in the Company is advisable given the definition of plan assets under ERISA and the status of Department of Labor regulations regarding the definition of plan assets, (iii) whether the investment is in accordance with plan documents and satisfies the diversification requirements of Section 404(a) of ERISA, (iv) whether the investment is prudent under Section 404(a) of ERISA, considering the nature of an investment in, and the compensation structure of, the Company and the potential lack of liquidity of the Units, (v) that the Company has no history of operations and (vi) whether the Company or any Affiliate is a fiduciary or party in interest to the plan. In addition, the Operating Agreement prohibits Employee Benefit Plans from acquiring 25% or more of the total Units. The prudence of a particular investment must be determined by the responsible fiduciary taking into account all the facts and circumstances of the Qualified Plan and of the investment. See “Federal Income Tax Consequences – Investment by Qualified Plans and IRAs – Unrelated Business Taxable Income” and “Investment by Qualified Plans and IRAs.”

6. The Units are being offered until the Offering Termination Date. Notwithstanding the foregoing, in no event will the number of Members holding Units exceed 1,900 as determined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All payments received on account of subscriptions (the “Subscription Payments”) from subscribing investors will be held in the Depository Account, pending receipt and acceptance by the Company of Subscription Payments for $1,000,000 in Units. The cash in the Depository Account will be invested in a non-interest bearing account and held until the funds are released to the Company or the Offering is terminated. If the Minimum Offering Amount ($1,000,000) has not been subscribed prior to the Minimum Offering Termination Date, none of the Units will be sold and all funds tendered for the purchase of Units will be refunded in full to each subscriber without deductions or charges.

7. This Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized. In addition, this Memorandum constitutes an offer only if the name of an offeree in the Company’s records matches the copy number that appears in the appropriate space on the first page of this cover page and is an offer only to such offeree.
8. This Memorandum has been prepared solely for the benefit of persons interested in the proposed private placement of the Units offered hereby, and any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of any of its contents, without the prior written consent of the Manager, is prohibited. The recipient, by accepting delivery of this Memorandum, agrees to return this Memorandum and all documents furnished herewith to the Manager or its representatives upon request if the recipient does not purchase any of the Units offered hereby or if the Offering is withdrawn or terminated.

9. The Manager may reject a prospective investor’s Subscription Agreement for any reason. Subscription Agreements will be rejected for failure to conform to the requirements of the Offering or such other reasons as the Manager may determine in its sole discretion to be in the best interests of the Company. Subscription Agreements may not be revoked, canceled or terminated by the subscriber, except as therein provided.

10. The Offering is made exclusively by this Memorandum and the Exhibits and supplements attached hereto. This Memorandum contains a summary of certain provisions of the Operating Agreement, but only the Operating Agreement contains complete information concerning the rights and obligations of the parties thereto. This Memorandum contains summaries of certain other documents, which summaries are believed to be accurate, but reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto. Such information necessarily incorporates significant assumptions, as well as factual matters. All documents relating to this investment and related documents and agreements will be made available to you or your advisors upon request to the Manager.

11. During the course of the Offering and prior to sale, investors are invited to ask questions of and obtain additional information from the Manager concerning the terms and conditions of the Offering, the Company, the Manager and its Affiliates, the Units and any other relevant matters, including, but not limited to, additional information to verify the accuracy of the information set forth in this Memorandum. The Manager will provide such information to the extent it possesses it or can acquire it without unreasonable effort or expense.

12. The Units are offered by the Company subject to prior sale, receipt and acceptance by the Company of the relevant Subscription Agreement, the right of the Manager to reject any Subscription Agreement for Units in whole or in part, withdrawal, cancellation or modification of the Offering without notice to investors, and to certain other conditions.

13. Because the Units are not registered under the Securities Act or the securities laws of any state, investors must hold them indefinitely unless they are registered under the Securities Act and any applicable state securities laws, which registration the Manager does not expect to occur, or the Manager is satisfied, with the advice of counsel, that registration is not required under the Securities Act and applicable state laws. The Operating Agreement also contains significant restrictions on the sale, transfer or other disposition of the Units by an investor. It is highly unlikely that a public market will ever exist for the Units.

14. The price per Unit has been arbitrarily determined and is not the result of an arm’s length negotiation.

15. The Company will maintain a list of states where the Units may be offered and sold.
The securities offered hereby have not been registered under the Securities Act or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and such laws. The Units are subject to restrictions on transferability and re-sale and may not be transferred or resold except as permitted under said act and such laws pursuant to registration or exemption therefrom.

In making an investment decision, you must rely on your own examination of the person or entity creating the securities and the terms of the Offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority.

The Securities Act and the securities laws of certain jurisdictions grant purchasers of securities sold in violation of the registration or qualification provisions of such laws the right to rescind their purchase of such securities and to receive back their consideration paid. The Manager believes that the Offering described in this Memorandum is not required to be registered or qualified. Many of these laws granting the right of rescission also provide that suits for such violations must be brought within a specified time, usually one year from discovery of facts constituting such violation. Should any investor institute such an action on the theory that the Offering conducted as described herein was required to be registered or qualified, the Manager will contend that the contents of this Memorandum constituted notice of the facts constituting such violation.

No person has been authorized to give any information or make any representations other than those set forth in this Memorandum, and, if given or made, such information or representations must not be relied upon as having been given by the Company, the Manager or their Affiliates.

This Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized, or in which the person making such an offer is not qualified to do so, or to any person to whom it is unlawful to make an offer or solicitation.

Neither the information contained herein nor any prior, contemporaneous or subsequent communication should be construed by you as legal or tax advice. You should consult your own legal and tax advisors to ascertain the merits and risks of an investment in Units before investing.

NOTICE TO FLORIDA RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. UNDER FLORIDA LAW, IF SECURITIES ARE SOLD TO FIVE OR MORE FLORIDA RESIDENTS, SUCH INVESTORS WILL HAVE A THREE DAY RIGHT OF RESCISSION. INVESTORS WHO HAVE EXECuted A SUBSCRIPTION AGREEMENT MAY ELECT, WITHIN THREE BUSINESS DAYS AFTER THE FIRST TENDER OF CONSIDERATION THEREFORE, TO WITHDRAW THEIR SUBSCRIPTION AND RECEIVE A FULL REFUND OF ANY MONEY PAID BY THEM. SUCH WITHDRAWAL WILL BE WITHOUT ANY LIABILITY TO ANY PERSON. TO ACCOMPLISH SUCH
WITHDRAWAL, THE WITHDRAWING INVESTOR MUST (i) PROVIDE WRITTEN NOTICE TO THE COMPANY INDICATING THE INVESTOR’S DESIRE TO WITHDRAW AND (ii) NOT BE A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER. THE WRITTEN NOTICE MUST BE SENT AND POSTMARKED PRIOR TO THE END OF THE THIRD BUSINESS DAY AFTER THE FIRST TENDER OF CONSIDERATION FOR THE SECURITIES PURCHASED. NOTICE LETTERS SHOULD BE SENT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND TO EVIDENCE THE TIME WHEN IT IS MAILED. ANY ORAL REQUESTS FOR RESCISSION SHOULD BE ACCOMPANIED BY A REQUEST FOR WRITTEN CONFIRMATION FROM THE COMPANY THAT THE ORAL REQUEST WAS RECEIVED ON A TIMELY BASIS.

NOTICE TO PENNSYLVANIA RESIDENTS

EACH SUBSCRIBER WHO IS A PENNSYLVANIA RESIDENT HAS THE RIGHT TO CANCEL AND WITHDRAW HIS OR HER SUBSCRIPTION AND HIS OR HER PURCHASE OF SECURITIES THEREUNDER, UPON WRITTEN NOTICE TO THE COMPANY GIVEN WITHIN TWO BUSINESS DAYS FOLLOWING THE RECEIPT BY THE COMPANY OF HIS OR HER EXECUTED SUBSCRIPTION AGREEMENT. ANY LETTER OR TELEGRAM NOTICE SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. IF YOU MAKE THE REQUEST ORALLY, YOU SHOULD ASK FOR WRITTEN CONFIRMATION FROM THE COMPANY THAT YOUR REQUEST HAS BEEN RECEIVED. UPON SUCH CANCELLATION OR WITHDRAWAL, THE SUBSCRIBER WILL HAVE NO OBLIGATION OR DUTY UNDER THE SUBSCRIPTION AGREEMENT TO THE COMPANY OR ANY OTHER PERSON AND WILL BE ENTITLED TO THE FULL RETURN OF ANY AMOUNT PAID BY HIM OR HER, WITHOUT INTEREST. NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY PASSED ON OR ENDORSED THE MERITS OF THE OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON.

The securities offered hereby have not been registered under the Securities Act or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of the Securities Act and such laws. The Units are subject to restrictions on transferability and re-sale and may not be transferred or resold except as permitted under said act and such laws pursuant to registration or exemption therefrom. In addition, certain disclosure requirements which would have been applicable if the Units were registered are not required to be met and neither the Securities and Exchange Commission nor any other federal or state agency has passed upon the merits of or given their approval to the securities, the terms of the offering or the accuracy or completeness of any offering materials. The Units are being sold only to persons who are accredited investors as defined under Regulation D under the Securities Act.

This Offering is being made in reliance on Rule 506(c) of Regulation D promulgated under the Securities Act. The Company intends to engage in general solicitation for the sale of the Units. As a result, all investors in Units must be Accredited Investors, as defined in Regulation D. Prospective investors will be required to provide sufficient financial information to the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor.
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WHO MAY INVEST

The offer and sale of the Units are being made in reliance on an exemption from the registration requirements of the Securities Act. Accordingly, distribution of this Memorandum has been strictly limited to persons who meet the requirements and make the representations set forth below. The Manager reserves the right to declare any prospective investor ineligible to purchase Units based on any information that may become known or available to the Manager concerning the suitability of such prospective investor or for any other reason.

Investor Suitability Requirements

Investment in the Units involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. Investors should be able to afford the loss of their entire investment. This investment will be sold only to investors who (i) purchase a minimum of 5 Units for a purchase price of $25,000, except that the Company may permit certain investors to purchase fewer Units, in its sole discretion, and (ii) represent in writing that they meet the Investor Suitability Requirements established by the Manager and as may be required under federal law.

As a proposed investor in Units, you must represent in writing that you meet, among others, all of the following requirements (the “Investor Suitability Requirements”):

(a) You have received, read and fully understand this Memorandum and all Exhibits and attachments hereto. You are basing your decision to invest on this Memorandum and all Exhibits and attachments hereto. You have relied on information contained in these materials and have not relied upon any representations made by any other person;

(b) You understand that an investment in the Units is speculative and involves substantial risks and you are fully cognizant of and understand the risks relating to a purchase of the Units including, but not limited to, those risks set forth in the section entitled “Risk Factors” in this Memorandum;

(c) Your overall commitment to investments that are not readily marketable is not disproportionate to your individual net worth, and your investment in the Units will not cause such overall commitment to become excessive;

(d) You have adequate means of providing for your financial requirements, both current and anticipated, and have no need for liquidity in this investment;

(e) You can bear and are willing to accept the economic risk of losing your entire investment in the Units;

(f) You are acquiring the Units for your own account and for investment purposes only and have no present intention, agreement or arrangement for the distribution, transfer, assignment, re-sale or subdivision of the Units;

(g) You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of investing in the Units and have the ability to protect your own interests in connection with such investment; and

(h) You are an Accredited Investor. An “Accredited Investor” is: If a natural person, a person that has (i) an individual net worth, or joint net worth with his or her spouse, that exceeds $1,000,000, excluding the value of the primary residence of such natural person; or (ii) individual income in excess of $200,000, or joint income with his or her spouse in excess of $300,000, in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year. If not a natural person, one of the following: (i) a corporation, an organization described in Code Section 501(c)(3), a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring Units, with total assets in excess of $5,000,000; (ii) a trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring Units and whose
purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in a unit; (iii) a broker-dealer registered pursuant to Section 15 of the Exchange Act; (iv) an investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”); (v) a business development company (as defined in Section 2(a)(48) of the Investment Company Act); (vi) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; (vii) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”), if the investment decision is made by a plan fiduciary (as defined in Section 3(21) of ERISA), which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors; (viii) a private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended); (ix) a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; or (x) an entity in which all of the equity owners are Accredited Investors. In addition, the SEC has issued certain no-action letters and interpretations in which it deemed certain trusts to be accredited investors, such as trusts where the trustee is a bank as defined in Section 3(a)(2) of the securities Act and revocable grantor trusts established by individuals who meet the requirements of clause (i) or (ii) of the first sentence of this paragraph (h). However, these no-action letters and interpretations are very fact specific and should not be relied upon without close consideration of your unique facts.

For purposes of determining suitability, “net worth” means the excess of the value of an individual’s total assets determined at fair market value over such individual’s total liabilities, excluding the value of the principal residence owned by a natural person (together with the related amount of indebtedness secured by the primary residence up to the fair market value of such primary residence, other than any increase in such indebtedness in the 60 days preceding the purchase of any Shares which was unrelated to the acquisition of the primary residence). Moreover, indebtedness secured by the primary residence in excess of the fair market value of such residence should be considered a liability and deducted from the natural person’s net worth.

Prospective investors will be required to provide sufficient financial information to the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor.

The Company will not accept any charitable remainder trust as an investor in Units.

**Discretion of the Manager.** The Investor Suitability Requirements stated above represent minimum suitability requirements, as established by the Manager, for investors. Accordingly, the satisfaction of applicable state requirements by an investor will not necessarily mean that the Units are a suitable investment for such investor, or that the Manager will accept the investor as a subscriber. Furthermore, the Manager may modify such requirements in its sole discretion for all or certain investors, and any such modification may raise the suitability requirements for investors.

The written representations made by investors will be reviewed to determine your suitability. The Manager may, in its sole discretion, refuse a subscription for Units if it believes that an investor does not meet the applicable Investor Suitability Requirements, the Units otherwise constitute an unsuitable investment for the investor, or for any other reason.
SUMMARY OF THE OFFERING

The following material is intended to provide selected limited information regarding the Company and the Offering and should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum.

You are urged to read this entire Memorandum, including any Supplements and Project Supplements, before investing in the Company. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed under “Risk Factors.”

Securities Offered: The securities being offered hereby are investments in a limited liability company that intends to acquire or develop primarily self storage facilities located throughout the United States which provide the opportunity to generate income and/or appreciation through value added by the Company (the “Projects”). Membership interests in the Company (the “Units”) are being offered by the Company at $5,000 per Unit. The minimum purchase is 5 Units ($25,000), except that the Company may permit certain investors to purchase fewer than 5 Units, in its sole discretion. See “Description of Limited Liability Company Units” and “Summary of the Operating Agreement.”

Organization: The Company was formed on January 3, 2014.

Projects – Description and Investment Objectives: The Company intends to use the Offering Proceeds to acquire the Projects. The Company seeks to opportunistically acquire and sell quality Projects that will (i) preserve the Members’ capital investment, (ii) realize income through the acquisition, operation, management and sale of the Projects, (iii) within 7 to 10 years from the date of acquisition of each Project, realize income taxable at capital gain rates on the sale of the Project, and (iv) provide quarterly cash distributions from cash generated by operations of the Projects. **There is no assurance that any of these objectives will be achieved.** See “Description of the Projects.”

Projects – Acquisition: It is anticipated that the Company will purchase the Projects pursuant to purchase and sale agreements with unaffiliated sellers and sellers that may be Affiliates of the Manager. The terms of the purchase and sale agreements are not currently known. The Company may acquire land and develop a self storage facility on such land. The Company will require that any Project to be acquired from an Affiliate of the Manager will be appraised by a third party appraiser and the purchase price of such Project will not exceed the appraised value. The Company will be responsible for all of the closing costs associated with any Project acquired by the Company and it is likely that the Company will be required to establish reserves for the Projects. It is anticipated that the Company will acquire each Project directly or through a special purpose entity. The Manager or its Affiliates are entitled to receive an Acquisition Fee with respect to the Projects acquired.

Projects – Contribution: It is possible that some of the Projects will be acquired by the Company through the contribution of the Project to the Company or for the contribution of partnership interest in a partnership that owns the Project in exchange for Units. In the event that any Project is directly or indirectly being contributed to the Company, the Company will obtain a third-party
appraisal regarding the value of the Project prior to such contribution. The value of the Units exchanged for the direct or indirect interest in the Project will not exceed such appraised value. The Company will only acquire the direct or indirect interests in a Project if the Company is acquiring all of the Project, either through contribution or through a combination of a partial contribution and a partial cash purchase of the Project.

Projects – Financing:
The Company intends to finance the purchase of the Projects with proceeds of the Offering and loans obtained from third party lenders. The Manager anticipates that the aggregate loan-to-value ratio for all of the Projects acquired will be 50% to 75% based on the purchase price of the Projects; provided, however that the Company may obtain financing that exceeds such loan-to-value ratio in its sole discretion. The Manager has not obtained any financing commitments for any Project.

Projects – Operation:
The Company intends to hold and manage the Projects for approximately 7 to 10 years. In the event that a Project is refinanced, sold or otherwise disposed of, within 3 years of the Offering Termination Date, the Company may reinvest the proceeds.

Projects – Management:
America360 Management, Inc., a Delaware corporation, and an Affiliate of the Manager (the “Property Manager”), will manage the Projects and will receive property management fees and other fees in connection with such services.

Manager:
Dahn America360 Manager, LLC, a Delaware limited liability company, is the Manager of the Company. See “The Manager.”

Experience of the Manager:
The Manager is a newly formed entity with no experience owning and operating self storage facilities or managing real estate funds. However, certain of its principals have experience in the acquisition, ownership and management of self storage facilities. See “Risk Factors – Risks Relating to the Formation and Internal Operation of the Company – No Experience of Manager,” “No Prior Performance of the Manager” and “Prior Performance of Certain Affiliates of the Manager.”

Members:
The members of the Company (the “Members”) will be the purchasers of the Units offered hereby. Each Member’s liability will be limited to the amount of such Member’s initial Capital Contribution to the Company (i.e., $5,000 per Unit and including, in some instances, portions returned to such Member), plus undistributed profits. Units are transferable only upon the satisfaction of certain requirements. Dahn Corporation, a California corporation, became the Initial Member in order to form the Company and will withdraw as a Member upon admission of additional Members. See “Summary of the Operating Agreement.”

Term of the Company:
The Operating Agreement provides that the existence of the Company will continue until December 31, 2060, unless sooner terminated in accordance with its terms. However, the Company will have a projected operating life of approximately 10 years. See the Operating Agreement which is attached hereto as Exhibit A.
Compensation to the Manager and its Affiliates:

The Manager and its Affiliates are entitled to receive substantial fees, compensation and distributions as follows:

1. The Manager will be entitled to receive an Acquisition Fee in an amount up to 0.5% of the purchase price of the Projects; provided, however, that the Manager will not receive an Acquisition Fee for any Project that is being purchased from reinvestment proceeds.

2. The Manager will be entitled to receive an annual Asset Management Fee equal to 1% of the purchase price or gross contribution value of the Projects owned by the Company. The Asset Management Fee will be paid on a quarterly basis.

3. The Property Manager will be entitled to receive an annual Property Management Fee in an amount up to 5.9% of gross revenues from the Projects. The Property Management Fee will be paid monthly.

4. The Property Manager will receive a Construction Management Fee equal to 5% of any amount expended for construction or repair projects with respect to a Project (including related professional services) up to $50,000, 4% of any amount expended for construction or repair projects with respect to a Project (including related professional services) over $50,000 and less than $100,000 and 3% of any amount expended for construction or repair projects with respect to a Project (including related professional services) over $100,000.

5. The Property Manager will be entitled to receive a Financing Fee in an amount of 0.25% of the amount of any financing or refinancing obtained with respect to the Projects. Such amount will be in addition to any financing or broker fee due to any third party broker.

6. The Manager will be entitled to receive a Disposition Fee in an amount up to 0.75% of the sales price of the Projects in connection with any sale, exchange or other disposition of a Project. Such amount will be in addition to any commission or other fee due to any third party broker.

7. The Manager will be entitled to receive a portion of the Cash From Operations and Net Income generated by the Company, as described “Distributions of Cash From Operations” and “Allocation of Net Income” below.

8. Affiliates of the Manager will offer insurance to tenants at the Projects. An Affiliate of the Manager will retain 25% of the amount of the premiums paid by tenants who obtain insurance. The remaining 75% will be used by a separate Affiliate of the Manager to pay for any insurance losses. Any profit above insurance losses will be retained by such Affiliate.

9. An Affiliate of the Manager will operate a truck rental program for tenants at the Projects and will receive fees related to such program including a set fee per truck rental and/or a leasing fee paid at the Project level for the right to operate the leasing operations, depending on the structure of the rental contract at the Project.

See “Compensation to the Manager and its Affiliates.”
Investor Suitability Requirements: The Offering of the Units by the Company is strictly limited to persons who meet certain minimum financial and other requirements. Prospective investors will be required to provide sufficient financial information to the Company, the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor. See “Who May Invest.”

Use of Proceeds: The Offering of 10,000 Units as set forth in this Memorandum is being made to capitalize the Company with an amount sufficient, when coupled with proceeds from anticipated loans, to acquire the Projects. See “Estimated Use of Proceeds.”

Depository Account: Cash tendered by investors to the Company in payment for Units will be held in the Depository Account at the Escrow Agent, pending receipt and acceptance by the Company of the Minimum Offering Amount. All cash in the Depository Account will be invested in a non-interest bearing account. If subscriptions for the Minimum Offering Amount are not sold on or before the Minimum Offering Termination Date, investor funds held in the Depository Account will be returned to subscribers for Units. See “Plan of Distribution – Depository Account.”

Minimum Purchase: A minimum purchase of 5 Units ($25,000) will be required, except that the Company may permit certain investors to purchase fewer Units, in its sole discretion. See “Plan of Distribution – Capitalization.”

Quarterly Distributions: The principal objectives of the Company include the intent to make quarterly distributions to the Members, which, in the Manager’s discretion, may be funded from Offering Proceeds. There can be no assurance that this objective will be achieved.

Preferred Return: The Members will be entitled to an 8% cumulative but not compounded annual return on a Member’s Net Capital Contribution (“Preferred Return”).

Distributions of Cash From Operations: Subject to the Manager’s discretionary right to reinvest proceeds within 3 years of the Offering Termination Date, Cash From Operations will be distributed in the following order of priority:

1. First, 100% to the Members, in proportion to their accrued but undistributed Preferred Return, until the Members have been distributed an amount equal to their accrued but undistributed Preferred Return;

2. Second, 100% to the Members, in proportion to their Net Capital Contributions, until the Members’ Net Capital Contributions are reduced to zero; and

3. Thereafter, 75% to the Members in proportion to their Units and 25% to the Manager.

The 25% Distributions set forth in (3) above will be referred to herein as the “Manager Promote.”

Notwithstanding the above, the Company may, at the option of the
Manager, make Distributions to the Manager prior to making the Distributions set forth in (1) above, to the extent such Distributions are needed to pay any income taxes associated with allocations of Net Income to the Manager. Any such Distribution will reduce subsequent Distributions to be made to the Manager.

The Manager anticipates that Cash From Operations will be distributed quarterly on the 25th day following the end of each quarter; provided that distributions are anticipated to start no later than the first full quarter after the acquisition of the first Project. The distribution to any Member who has not held his or her Units for an entire month will be calculated based on the number of days in the month such Units are held by the Member.

**Clawback:**

Notwithstanding the above, upon the sale or exchange of the last Project, the Manager will contribute prior income tax related distributions it has received from the Company to the Company to the extent that the tax distributions cause the Manager to receive distributions that exceed the amount that would have been distributed to the Manager did not receive such distributions.

**Allocation of Net Income:**

Net Income, subject to certain limitations, will be allocated as follows:

1. First, among the Members and the Manager in proportion to and to the extent of Net Loss previously allocated to the Members and the Manager for all previous fiscal years in reverse order of priority;

2. Second, among the Members in proportion to their accrued but unallocated Preferred Return until the Members have been allocated an amount equal to their accrued but unallocated Preferred Return; and

3. Thereafter, 75% to the Members in proportion to their outstanding Units and 25% to the Manager.

**Allocation of Net Loss:**

Net Loss, subject to certain limitations, will be allocated as follows:

1. First, among the Members and the Manager in proportion to and to the extent of Net Income previously allocated to the Members and the Manager for all previous fiscal years in reverse order of priority;

2. Second, to the Members in proportion to their Units, provided that Net Loss will not be allocated to any Member to the extent such allocation would cause such Member to have an Adjusted Capital Account Deficit at the end of a fiscal year; and

3. Thereafter, 100% to the Manager.

**Repurchase of Units:**

The Operating Agreement provides that under certain circumstances the Company may, in the sole discretion of the Manager and upon the request of a Member, repurchase the Units held by such Member.

1. For 2 years beginning 1 year after the Offering Termination Date, the purchase price for the repurchased Units will be equal to 85% of the
original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case; and

(2) Thereafter, the purchase price for the repurchased Units will be equal to 90% of the original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case.

The fair market value of the Units will be determined by the Manager, in its sole discretion taking into consideration the value of the assets of the Company at the time of the proposed repurchase.

Notwithstanding the above and subject to the discretion of the Manager in its sole discretion, in the case of the death or complete disability of a Member, the redemption of the Member Units may occur at any time after the Offering Termination Date and, if accepted by the Manager, the purchase price for the repurchased Units will be equal to 90% of the original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case.

The Company will limit transfers of Units to transfers of not more than 2% of the total Units per year other than transfers for the following: (i) transfers as a result of death or incompetency, (ii) transfers between family members, (iii) transfers pursuant to the Company’s repurchase plan (which will permit repurchases of up to 10% of the Units per year other than private transfers under Treasury Regulations § 1.7704-1(e)), (iv) other transfers that qualify as “private transfers” as set forth in Treasury Regulations § 1.7704-1(e) or (v) other transfers that will not result in the Company being treated as a publicly traded partnership as set forth in the Treasury Regulations. Any Units owned by the Manager or its Affiliates may not be repurchased by the Company.

**Defined Terms:**

Terms having their first letter capitalized in this Memorandum and not defined herein are defined in the Operating Agreement.
RISK FACTORS

The purchase of Units is speculative and involves substantial risk. It is impossible to predict accurately the results to an investor of an investment in the Company because of the recent formation of the Company and general uncertainties in the real estate and financing markets and the self storage industry.

This Memorandum contains forward-looking statements that involve risks and uncertainties. These statements are only predictions and are not guarantees. Actual events and results of operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as “may,” “will,” “should,” “expect,” “could,” “intend,” “anticipate,” “plan,” “estimate,” “believe,” “potential,” or the negative of such terms or other comparable terminology. The forward-looking statements included herein are based upon the Manager’s current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Although the Manager believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, the risk factors discussed below. Any assumptions underlying forward-looking statements could be inaccurate. Purchasers of Units are cautioned not to place undue reliance on any forward-looking statements contained herein.

You should consider carefully the following risks, and should consult with your own legal, tax, and financial advisors with respect thereto. You are urged to read this entire Memorandum and the Project Supplements before investing in the Company.

Real Estate Risks

General Risks of Investment in the Projects. The economic success of an investment in the Company will depend upon the results of the operations of the Projects, which will be subject to those risks typically associated with investment in real estate. Fluctuations in occupancy rates, rent schedules and operating expenses can adversely affect operating results or render the sale or refinancing of the Projects difficult or unattractive. No assurance can be given that certain assumptions as to the future levels of occupancy of the Projects or future costs of operating the Projects will be accurate because such matters will depend on events and factors beyond the control of the Company and the Manager. Such factors include, among others, vacancy rates, rent levels and sales levels in the local areas of the Projects, adverse changes in local population trends, market conditions, neighborhood values, local economic and social conditions, supply and demand for property such as the Projects, competition from similar projects, interest rates, real estate tax rates, governmental rules, regulations and fiscal policies, including the effects of inflation and enactment of unfavorable real estate, rent control, environmental or zoning laws, hazardous material laws, uninsured losses and other risks.

Competitive Nature of Self storage Industry. The self storage industry is highly competitive with relatively low barriers to entry. The Company will face intense competition in the self storage industry. The Company will compete with numerous national, regional, and local developers, owners and operators in the self storage industry, many of which will have greater capital resources, cash reserves and ability to borrow funds to acquire properties. This competition for investments may reduce the number of suitable investment opportunities available to the Company, may increase acquisition costs and adversely affect the Company’s financial performance. Self storage facilities generally draw customers from residents within a 3 to 5 mile radius. Thus, the performance of the Projects will be sensitive to rental rates offered by nearby competitors and to localized economic conditions. Further, the risk of increased competition due to the construction of new facilities is significant in the self storage industry given the low cost of constructing a storage facility in comparison to other forms of real estate. If new facilities are constructed that compete with the Projects or offer lower rental rates, the Company may lose potential or existing customers and could be forced to reduce rental rates to attract or retain customers. Any of these factors could adversely affect the financial performance of the Projects and reduce the Company’s ability to make cash distributions to the Members. Additionally, increased competition for customers may require the Company to make capital improvements to facilities, which could reduce cash available for distribution to the Members.
Risks of Self storage Operations. Self storage operations are highly sensitive to local housing markets and economies. A significant portion of self storage customers have moved recently or are storing inventory for a business. With short lease terms, occupancy and rental rates can fluctuate quickly and significantly in comparison to other types of real estate with longer lease terms. Such fluctuations could result in unstable cash flows from a Project. The Company will also be exposed to the risks associated with the operation of self storage facilities, including risk of loss or damage to items stored in the facilities and personal injury to tenants or employees accessing storage units. There has been an increasing number of claims and litigation against owners and managers of rental and self storage properties relating to moisture infiltration, which can result in mold or other property damage. The Company may be subject to claims and litigation from customers, employees and contractors, any of which could materially and adversely affect the profitability and cash flow from a Project.

Storage of Hazardous Materials and Illegal Activities. Storage units within the Projects will be leased to tenants who store their personal property without any physical inspections or oversight by the Property Manager. The Company may unknowingly lease space to groups engaged in illegal and dangerous activities. Damage to or loss of storage contents may occur due to acts of the tenants, the Property Manager and other third parties, as well as from acts of terrorism, earthquakes, fires, floods, hurricanes, pollution and other environmental causes. Such damage or loss may or may not be covered by insurance maintained by the Company, if any. Additionally, tenants may store flammable, hazardous, illegal or dangerous contents in the rental units without the Company’s knowledge or permission. The storage of such materials might cause destruction to a facility or impose liability on the Company for the costs of removal or remediation if these various contents or substances are released on, from or in a Project. Although the Company intends to carry insurance with respect to the operation of the Projects, such insurance may not be obtained or, if obtained, such insurance may be insufficient or may not cover the particular casualty. The costs of acquiring and maintaining such insurance, as well as any liabilities incurred by the Company due to use of the Projects by the tenants or damage to storage contents, could have an adverse effect on the financial performance of the Projects and the value of the Members’ investment in the Company.

Dependence on On-Site Personnel. The financial performance of the Projects will be substantially dependent upon on-site personnel to maximize rental revenues, occupancy rates and customer satisfaction at each of the Projects. If the Company is unable to successfully recruit, train and retain qualified on-site personnel, the cash flows from the Projects may be reduced, which would adversely affect the Company’s ability to make cash distributions to the Members.

Unspecified Investments. As of the commencement of the Offering, the Manager has not identified any real estate to be acquired as a Project. Thus, investors will not have an opportunity to evaluate for themselves information about the Projects, such as operating history, terms of financing and other relevant economic and financial information. Although the Manager has established criteria to guide it in acquiring properties for the Company, the Manager has broad authority and discretion in making investment decisions. Consequently, investors must exclusively rely on the Manager to make investment decisions. No assurance can be given that the Company will be able to acquire suitable Projects or that the Company’s objectives will be achieved.

Uncertainty as to Extent of Diversification. The total amount actually raised in the Offering and the number of Projects acquired by the Company is uncertain. It is possible that the Company will only purchase one or two Projects, limiting the diversification of the investments and increasing the risk of loss to investors. In addition, the total amount of funds raised in the Offering and the number of Projects acquired by the Company are uncertain. The Company is offering the Units on an “all-or-nothing minimum, “best-efforts” maximum” basis. Thus, there is no firm commitment for the Maximum Offering Amount. A limited number of Projects may place a substantial portion of the funds invested in the same geographical location with the same property-related risks. In that case, the decline in a particular real estate market could substantially and adversely impact the Company. Further, the Company has no plans to acquire or develop any properties or investments of types other than the Projects. Thus, the Company will only have limited diversification as to the type of property it owns. In the event of an economic recession affecting the economies of the market areas in which the Projects are located, or the occurrence of any one of many other adverse circumstances, the performance of the Company may be adversely affected. A more diversified investment portfolio would not be impacted to the same extent upon such an occurrence.

No Purchase Agreements for the Projects. The Company will purchase the Projects from unaffiliated sellers and sellers that may be Affiliates of the Manager. The Manager is currently in the process of identifying
Projects to be purchased by the Company, but has not identified any Projects to be acquired by the Company. As a result, the terms of the purchase agreements or contribution agreements, including the specific Projects, to be acquired and the purchase prices of the Projects are unknown at this time. There can be no assurance that the Company will be able to enter into purchase contracts for a sufficient number of Projects.

**Affiliated Sellers.** The Company may acquire Projects from Affiliates of the Manager. Accordingly, the purchase agreements for such Projects will not be negotiated on a third-party, arm’s length basis. Some of the terms of the purchase agreements with Affiliates of the Manager may not be on market terms.

**No Guaranteed Cash Flow.** There can be no assurance that cash flow or profits will be generated by the Projects.

**No Environmental Indemnity.** Federal, state and local laws impose liability on a landowner for the release or the otherwise improper presence on the premises of hazardous materials or hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials or hazardous substances brought onto the property before it acquired title and for hazardous materials or hazardous substances that are not discovered until after it sells the property. Similar liability may occur under applicable state law. However, an innocent landowner defense to environmental liability under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) may be available where a landowner has conducted an appropriate inquiry with respect to potential hazardous substances at and around the subject property in accordance with good commercial and customary practices. Such a defense is generally predicated on obtaining an environmental site assessment that has been prepared in substantial compliance with the “All Appropriate Inquiry Practices” identified by CERCLA and the ASTM Standard E1527-05: Standard Practice for Phase I Environmental Site Assessments. Among other things, the overall site assessment must occur no more than one year prior to the date the property is acquired, and certain components of the site assessment must be performed within 180 days of the property acquisition. Although the Company will attempt to obtain current environmental site assessments for the Projects prior to acquisition, the Company may not obtain such information. Consequently, the innocent landowner defense may not be available to the Company if hazardous substances are found within the Projects. Further, similar defenses to environmental liability may not be available under state or local law. If any hazardous materials or hazardous substances are found within the real property underlying any of the Projects at any time, the Company could be held liable for cleanup costs, fines, penalties and other costs, particularly if the Company owns the real property directly rather than through a special purpose entity. If losses arise from hazardous substance contamination which cannot be recovered from other responsible parties, the financial viability of the Projects may be materially and adversely affected.

**Illiquidity of Real Estate Investments.** The ownership of the Projects will be relatively illiquid. Such illiquidity will limit the ability of the Company to vary its portfolio in response to changes in economic or other conditions.

**Occupancy and Renewal of Leases.** The Manager will make its determination regarding the acquisition of Projects that the Company intends to acquire based in part on the Project’s projected rent levels. However, there can be no assurance that the Projects will continue to be occupied at the projected rents. If the tenants of the Projects do not renew or extend their leases, if tenants default under their leases of the Project, if tenants of the Projects terminate their leases, or if the terms of any renewal (including the cost of concessions to tenants) are less favorable than existing lease terms, the operating results of the Projects could be substantially affected. As a result, the Company may not be able to make distributions to the Members at the anticipated levels.

**Difficulty Attracting New Tenants.** There can be no assurance that the Company will be able to maintain the occupancy rate at the Projects maintained by the previous owners. In addition, it may be necessary to make substantial concessions, in terms of rent and lease incentives, to attract new tenants at a Project. If these expenditures and concessions are necessary to maintain or achieve lease-up at any Project and such expenditures exceed the amount of reserves for a Project, the Company may not have sufficient funds to make distributions to the Members at anticipated levels.

**Possible Delays in the Sale or Refinancing of Projects.** The Company anticipates that the Projects will be sold in approximately 7 to 10 years from the time the Projects are acquired. It may not be possible to sell the
Projects at such time. Further, it is anticipated that the loan documents may not allow for prepayment except shortly before the maturity date and may require the payment of a yield maintenance penalty or defeasance and the lender’s approval of the buyer in order to have a loan assumed. If a Project is not sold as anticipated, the Company may have to attempt to refinance the loan. Based on historical interest rates, current interest rates are low and, as a result, it is likely that the interest rate that may be obtained upon refinancing will be higher than that of the loans. Fluctuations in the supply of money for such loans affect the availability and cost of loans, and the Company is unable to predict the effects of such fluctuations on the Company. Prevailing market conditions at the time the Company seeks to refinance a loan may make such loans difficult or costly to obtain. Such conditions may also adversely affect cash flow and/or profitability of the Company.

Earthquakes, Hurricanes, Wildfires and Floods. The Projects may be located in areas in the United States that have increased risk of earthquakes, hurricanes, wildfires or high winds and floods. An earthquake, hurricane, wildfire or flood could cause structural damage to or destroy a Project. The Company does not intend to obtain earthquake, wind or flood insurance for the Projects unless required by a lender. It is possible that any such insurance, if obtained, will not be sufficient to pay for damage to any Project.

Uninsured Losses. The Company will try to maintain adequate insurance coverage against liability for personal injury and property damage, although it does not intend to obtain earthquake or flood insurance unless otherwise required by a lender. However, there can be no assurance that insurance will be sufficient to cover any such liabilities. Furthermore, insurance against certain risks, such as earthquakes, floods and/or terrorism, may be unavailable or available at commercially unreasonable rates or in amounts that are less than the full market value or replacement cost of a Project. In addition, there can be no assurance that particular risks that are currently insurable will continue to be insurable on an economical basis or that current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, the Company may lose all or part of its investment. The Company may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited but Members will not be personally liable.

Regulatory Matters. Future changes in land use and environmental laws and regulations, whether federal, state or local, may impose new restrictions on the development or use, and therefore the value, of real estate. The re-sale of real estate by the Company may be adversely affected by such regulations.

Toxic Mold. Litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere; they can grow on virtually any organic substance, as long as moisture and oxygen are present. There are molds that can grow on wood, paper, carpet, foods, and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. In warm or humid climates, the likelihood of toxic mold can be exacerbated by the necessity of indoor air-conditioning year-round. The difficulty in discovering indoor toxic-mold growth could lead to an increased risk of lawsuits by affected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. Because of attempts to exclude damage caused by toxic mold growth from certain liability provisions in insurance policies, there is no guarantee that insurance coverage for toxic mold will be available now or in the future.

Uncertain Economic Conditions. The United States economy is slowly recovering from a significant economic downturn. It is unclear how the deterioration of the financial and real estate sectors will impact the long-term health of the economy. As a result, there can be no assurance that the Projects will achieve anticipated cash flow levels. In addition, availability of credit has been severely limited. It is possible that the Company will not be able to obtain financing when needed. Further, world events evolving out of increased terrorist activities and the political and military responses of the targeted countries have created an air of uncertainty concerning security and the stability of world and United States economies. Any negative change in the general economic conditions in the United States could adversely affect the financial condition and operating results of the Projects.

Compliance with the Americans with Disabilities Act. Under the Americans with Disabilities Act of 1990 (the “ADA”), public accommodations must meet certain federal requirements related to access and use by disabled persons. Facilities initially occupied after January 26, 1992 must comply with the ADA. When a building
is being renovated, the area renovated, and the path of travel accessing the renovated area, must comply with the ADA. Further, owners of buildings occupied prior to January 26, 1992 must expend reasonable sums, and must make reasonable efforts, to make practicable or readily achievable modifications to remove barriers, unless the modification would create an undue burden. This means that so long as owners are financially able, they have an ongoing duty to make their property accessible. The definitions of “reasonable,” “reasonable efforts,” “practicable” or “readily achievable” are site-dependent and vary based on the owner’s financial status. The ADA requirements could require removal of access barriers at significant cost, and could result in the imposition of fines by the federal government or an award of damages to private litigants. Attorneys’ fees may be awarded to a plaintiff claiming ADA violations. State and federal laws in this area are constantly evolving, and could evolve to place a greater cost or burden on the Company. While the Manager will attempt to obtain information with respect to compliance with the ADA prior to investing in a Project, there can be no assurance that ADA violations do not or will not exist at a specific Project. If violations do exist, there can be no assurance that there will be funds to pay for any necessary repairs.

**Lack of Representations and Warranties.** The Company may acquire real estate from sellers who make only limited or no representations and warranties regarding the condition of such real estate, the status of leases, the presence of hazardous materials or hazardous substances within such real estate, the status of governmental approvals and entitlements for such real estate or other matters adversely affecting such real estate are discovered, the Company may not be able to pursue a claim for damages against such sellers except in limited circumstances. The extent of damages that the Company may incur as a result of such matters cannot be predicted but potentially could result in a significant adverse effect on the value of such real estate.

**Competition.** The real estate industry is highly competitive and fragmented. The Company will compete with other real estate companies, many of which have greater financial resources than the Company. Also, competing properties may be located within the vicinity of the Projects. The Projects will experience competition for real property investments from such other properties, as well as other individuals, corporations and other entities engaged in real estate investment activities. Competition for investments may increase costs and reduce returns on the Projects. It is also possible that tenants from the Projects will move to existing or any new properties in the surrounding area and that the financial performance of the Projects would be adversely affected. Competition may also make it difficult to attract new tenants to the Projects. Such competition may result in decreased profits or in losses for the Company.

**No Appraisals or Reports.** The Company typically will obtain independent third-party appraisals or valuations of a Project, or other reports with respect to a Project, before the Company invests in such Project. In special circumstances, such as the Company having an opportunity to acquire a distressed Project provided that it can close the acquisition on an accelerated timeline, the Company may not have time to obtain an appraisal or other reports. If the Company does not obtain such third-party appraisals or valuations, there can be no assurance that a Project’s value will exceed its cost or that any sale or other disposition of such Project will result in a profit. Third-party appraisals and other reports may be prepared for lenders, in which case the Company typically will try to obtain a copy of such appraisals and reports for review, as well as reliance letters from the third-party preparers to allow the Company to rely on such appraisals and reports. To the extent the Company does not obtain other reports or reliance letters before investing in a Project, the risk of investing in such Project may be increased.

**No Audited Results of Operation.** The Company will not obtain audited operating statements regarding the prior operations of a Project. The Company will rely on unaudited financial information provided by the sellers of the Projects. Thus, it is possible that information relied upon by the Company with respect to the acquisition of a Project may not be accurate.

**Construction Defects.** Some of the Projects may be newly or recently constructed. Newly constructed projects are sometimes subject to construction defects that only reveal themselves over time. If any of the Projects should become subject to any construction defect issues, the Company may have remedies under state law as well as under any warranties from the contractors for the construction work, provided that the warranties were assigned to such owner. If work is required to cure any construction defects, reserves may not be sufficient to pay for such work. Accordingly, the presence of construction defects could adversely affect the financial performance of the Projects, the Company may be required to pay for all or part of the repair of such construction defects which will reduce the cash flow from the Acquisition Project, and the return to the Members may be reduced.
Condemnation of Land. The Projects or a portion of the Projects could become subject to an eminent domain or inverse condemnation action. Any such action could have a material adverse effect on the marketability of a Project or the amount of return on investment for the Members.

Development Risks

Building Industry Market Conditions. The building industry is cyclical and is significantly affected by changes in national and local economic and other conditions, such as employment levels, availability of financing, interest rates, consumer confidence and demand. Because of the long-term financial commitment involved in purchasing real estate, general economic uncertainties tend to result in more caution on the part of real estate buyers, which tends to result in fewer sales. Such uncertainties could adversely affect the performance of the Company. In addition, builders are subject to various risks, many of which are outside the control of the builder, including conditions of supply and demand in local markets, weather conditions and natural disasters, such as earthquakes and wildfires, delays in construction schedules, cost overruns, changes in government regulations, increases in real estate taxes and other local government fees and availability and cost of land, materials and labor. Although the principal raw materials used in the building industry generally are available from a variety of sources, such materials are subject to periodic price fluctuations. There can be no assurance that the occurrence of any of the foregoing will not have a material adverse effect on the Company. The building industry is also subject to the potential for significant variability and fluctuations in real estate values.

Need for Permits. The Company obtain all necessary permits and clearances for any Project it develops and diligently pursue the construction to completion. The inability of the Company to obtain such permits and clearances in a timely manner could result in substantial delays in the construction of any development Projects. The inability to obtain a permit or clearance at all could result in the failure of the Company to begin or complete development of the Projects. In either case, delay or inability to complete a development Project, and the financial condition of the Company and the return on investment to investors could be substantially and adversely affected.

Governmental Regulation. In developing certain Projects, the Company must obtain the approval of numerous government authorities regulating such matters as permitted land uses and levels of density, the installation of utility services such as water and waste disposal and the dedication of acreage for open space, parks, schools and other community purposes. Governmental authorities have imposed impact fees as a means of defraying the cost of providing certain governmental services to developing areas and the amount of these fees has increased significantly during recent years. Many state laws require the use of specific construction materials which reduce the need for energy consuming heating and cooling systems. Local governments also, at times, declare moratoriums on the issuance of building permits and impose other restrictions in areas where sewage treatment facilities and other public facilities do not reach minimum standards. The Company will also be subject to a variety of federal, state and local statutes, ordinances, rules and regulations concerning protection of health and the environment. Such governmental regulation may result in delays, cause the Company to incur substantial compliance and other costs and prohibit or severely restrict development in certain regions or areas, which could have an adverse effect on the Company’s business and results of operations.

Construction Risks. Construction entails risks that are beyond the control of the Manager, the Company or any general contractor. Completion of new construction, renovations or redevelopment may be delayed or prevented by factors such as adverse weather, strikes or energy shortages, shortages or increased costs of material for construction, inflation, environmental, zoning, title or other legal matters and unknown contingencies. Changes in construction plans and specifications, delays due to compliance with governmental requirements or imposition of fees not yet levied, or other delays could cause construction costs to exceed the amounts available from the proceeds of the Offering and any loans. In addition, abnormal rainfall could cause delays in construction which will increase construction costs. The Company will need to provide funds to pay any construction costs in excess of amounts borrowed. In the event that construction costs exceed funds available, the ability of the Company to complete the work to be done on a development Project will depend upon the ability of the Company to supply additional funds. There can be no assurance that the Company will have adequate funds available for that purpose. Any delays in construction may have an adverse impact on the cash flow and long-term success of the Company.

Development Fees. The Company may be required to pay various types of development fees to the applicable county, city, school districts, utilities and other governmental and quasi-governmental entities. The exact
amount of the development fees is not known at this time, and is subject to change at the discretion of the various agencies. The amount of development fees could delay or prevent the completion of work to be done to a Project and substantially and adversely affect the Company and the return on the investment to the investors.

No Substantive Experience of Manager in Developing Properties. Although Affiliates and principals of Affiliates of the Manager have experience in developing, redeveloping and renovating self storage properties, the Manager has no experience. The lack of experience of the Manager could result in unexpected delays and difficulties which could have a material adverse effect on the financial performance of the Projects and the Company.

Construction Defects. Newly constructed projects are sometimes subject to construction defect claims that only reveal themselves over time. The Company may have remedies under state law as well as under any warranties from the contractors for the construction work. If the warranties do not cover all the expenses associated with any construction defects that may arise, the Company could be liable for the expenses associated with correcting the construction defect. It is likely that the Company has not allocated sufficient amounts for the correction of construction defects. If work is required to cure any construction defects, it is likely that reserves established for a particular development Project and the Company will be insufficient to pay for such work. Accordingly, the presence of construction defects could adversely affect the financial performance of the development Projects and the Company.

No Operating History. The development Projects will be newly constructed and will have no operating history. There is no assurance that any development Project will be successfully leased.

Financing Risks

Leverage. It is likely that the acquisition of the Projects will require the Company to obtain loans. Thus, the Projects will be leveraged. The Company anticipates that the aggregate loan-to-value ratio for all of the Projects acquired will be 50% to 75%; provided, however the Company may obtain financing that exceeds such loan-to-value ratio in its sole discretion. The Company has not obtained a commitment for any loans. Therefore, the amount and terms of any future loans are uncertain and will be negotiated by the Manager. No assurance can be given that future cash flow will be sufficient to make the debt service payments on any loans and to cover all operating expenses. If the Projects’ revenues are insufficient to pay debt service and operating costs, the Company may be required to seek additional working capital. There can be no assurance that such additional funds will be available. In the event additional funds are not available, the lenders may foreclose on the Projects and the Members could lose their investment. In addition, the degree to which the Company is leveraged could have an adverse impact on the Company, including (i) increased vulnerability to adverse general economic and market conditions, (ii) impaired ability to expand and to respond to increased competition, (iii) impaired ability to obtain additional financing for future working capital, capital expenditures; general corporate or other purposes and (iv) requiring that a significant portion of cash provided by operating activities be used for the payment of debt obligations, thereby reducing funds available for operations and future business opportunities.

Availability of Financing and Market Conditions. Market fluctuations in real estate loans may affect the availability and cost of loans needed for the Projects. Credit availability is currently significantly restricted and there is no assurance that the Company will be able to obtain the required financing to acquire the Projects. Restrictions upon the availability of real estate financing or high interest rates on real estate loans may also adversely affect the ability of the Company to sell the Projects. Based on historical interest rates, current interest rates are low and, as a result, it is likely that the interest rates available for future real estate loans and refinancings will be higher than the current interest rates for such loans, which may have a material and adverse impact on the Projects and the Company.

No Loan Commitments. While the Company anticipates that the Company will obtain financing to acquire the Projects, the Company has not obtained any financing commitments for the acquisition of the Projects. In the event that the Company is unable to obtain financing for the acquisition of the Projects, the Company may not be able to acquire any Projects or may only be able to acquire a limited number of Projects. In such case, the return to the Members would be materially reduced.
Unknown Loan Terms. The terms of the loans to be obtained or assumed by the Company to acquire the Projects will vary and the exact terms are unknown. It is anticipated that the loans may not allow for prepayment until shortly before maturity and that any prepayment may require the payment of a yield maintenance penalty. Consequently, the Company may not be able to take advantage of favorable changes in interest rates.

Balloon Payments. It is anticipated that the loans obtained to acquire the Projects may have short terms and will require the Company to make balloon payments on the maturity dates of the loans. If the Company is unable to make a balloon payment or to refinance a loan for any reason or at reasonable cost, the ownership of a Project could be jeopardized.

Carve-Outs to Nonrecourse Liability. Although the Company anticipates obtaining loans for the Projects that will be nonrecourse as to principal and interest, it is possible that lenders may require the Manager and the Company to be personally liable for certain carve-outs. It is also anticipated that the Company will be liable for certain springing recourse events. In circumstances where personal liability attaches, the lender could proceed against the Company’s assets. It is possible that the Manager, the Property Manager and/or the Company could each be responsible for all of the nonrecourse carve-outs or springing recourse events. Members, however, will not be personally liable for any nonrecourse carve-outs or springing recourse events.

Recourse Liability. Although the Company anticipates that any loan it obtains to acquire a Project will be nonrecourse, the Manager has the discretion to obtain recourse loans. In the event the Company obtains a recourse loan and the related Project fails to perform as expected, the Company may not have adequate cash to make payments due on the loan. If the Company defaults on a recourse loan, in addition to foreclosing on the related Project, the lender may seek repayment from other assets of the Company, which would adversely affect the performance of the Company.

Restrictions on Transfers. It is anticipated that the loans for the Projects will restrict the ability of the Company to sell its interest(s) in the Projects. The lenders may also impose restrictions on the transferability of Units. Upon violation of the restrictions on transfer or encumbrance, a lender will have the right to declare the entire amount of the loan, including principal, interest, prepayment premiums and other charges, to be immediately due and payable. If the lender declares the loan to be immediately due and payable, the Company will have the obligation to immediately pay the loan in full, including applicable prepayment charges. If replacement financing is not found or the loan is not immediately paid in full, the lender may invoke its other remedies under the loan, which may include proceeding with a foreclosure that would cause the Company to lose its entire interest in the applicable Project.

Current Volatility in Credit Markets. There has been higher than normal volatility in the credit markets recently that has led to higher cost of financing and less access to debt. The Company intends to use leverage to purchase the Projects. The recent credit volatility may make it more difficult for the Company to obtain financing to acquire the Projects. As a result, it may be more difficult for the Company to acquire Projects. If the Company is not able to acquire Projects, the projected returns to the Members would be reduced.

Variable Interest Rates and Interest Only Loans. It is anticipated that loans obtained by the Company may have variable interest rates. In the event that the interest rate on any loan increases significantly, the Company may not have sufficient funds to pay the required interest payments. In such event, the continued ownership of the applicable Project may be threatened. In addition, it is anticipated that some of the loans will only require interest payments. Thus, balloon payments of principal will be due upon maturity. In the event that the Project has not been sold or refinanced before such balloon payment is due, the continued ownership of the applicable Project by the Company will be threatened.

Events of Default. It is anticipated that certain actions by the Company will cause an event of default under the loan documents. Generally it is anticipated that the following items will cause a default under the loan: the failure to pay required payments under the loan, the failure to pay taxes, the failure to maintain insurance, the assignment by an owner of the Project of an interest in the Project to a creditor, the bankruptcy of an owner of a Project, the filing of an action for partition or the transfer of an interest in the Project without lender’s consent will constitute an event of default under a loan. Additional events of default may be applicable for some or all of the loans. Should any of the owners of a Project, or the Project Manager, default under a loan for any reason, the lender
may declare a default under the applicable loan, which could result in foreclosure by the lender on the applicable Project and the loss of all or substantial portion of the investment made by the Company.

Risks Related to the Formation and Internal Operation of the Company

New Venture. The Company is a newly formed business entity with no history of operations and limited assets. The Company is subject to the risks involved with any speculative new venture. No assurance can be given that the Company will be profitable.

No Experience of Manager. The Manager is a newly formed entity and has no experience owning and operating self storage facilities or managing funds. Investors will not be able to review prior performance of the Manager. Certain principals of the Manager have prior experience managing self storage facilities.

Limited Resources of the Manager. The Manager has limited or no net worth and limited financial resources to satisfy its obligations as the Manager. A financial reversal for the Manager could adversely affect the ability of the Manager to manage the Company. There can be no assurance that the Manager will have sufficient funds to meet its obligations to the Company, or to otherwise financially support the Company. The Manager has no obligation to advance, invest or loan money to the Company.

Potential Adverse Effects of Delays in Investments. Delays which may take place in the selection and acquisition of the Projects could adversely affect the return to an investor as a result of corresponding delays in the commencement of distributions to Members and the reduced amount of such distributions.

Use of Proceeds to Pay Organization Expenses. A portion of the Offering Proceeds will be used to pay Selling Commissions and Expenses and Organization and Offering Expenses. Thus, the gross amount of the Offering Proceeds will not be available for investment in Projects. See “Estimated Use of Proceeds.”

No Guaranteed Cash Distributions. There can be no assurance that cash distributions will, in fact, be made or, if made, whether those distributions will be made when or in the amount anticipated. Delays in making cash distributions could result from the inability of the Company to purchase, develop or operate its assets profitably. The Manager intends to distribute sufficient cash from activities of the Company to enable the Members to pay any tax imposed on any taxable income generated by the Company; however, there can be no assurance that the Manager will be able to distribute such cash.

Use of Proceeds Not Limited. The Operating Agreement provides the Manager with broad authority to invest the Offering Proceeds in various types of assets, including assets that do not meet the investment criteria described in this Memorandum. Thus, the use of Offering Proceeds is not limited and potential investors must entrust all investment decisions to the Manager.

Loss of Uninsured Bank Deposits. The Company’s cash, including Subscription Payments held in the Depository Account, will likely be held in bank depository accounts. While the FDIC insures deposits up to $250,000 per depositor per insured institution in most cases, the Company may have deposits at financial institutions in excess of the FDIC limits. The failure of any financial institution in which the Company has funds on deposit in excess of the applicable FDIC limits may result in the Company’s loss of such excess amounts, which would adversely impact the Company’s performance.

Additional Working Capital Requirements. To the extent such funds are not available from operations, the Projects would require additional loans for capital improvements. The Company has not received a commitment from any third party to make such future loans, if needed, and there can be no assurance that such loans can be arranged or what the terms of any such borrowings would be. In addition, it is anticipated that the loans obtained to acquire the Projects will restrict the ability of the Company (or any entity formed by the Company to own a Project) to obtain secondary financing.

Reliance on Management. All decisions regarding management of the Company’s affairs will be made exclusively by the Manager and not by the Members. Accordingly, investors should not purchase Units unless they
are willing to entrust all aspects of management to the Manager or its successor(s), including, but not limited to, the selection of the Projects. Potential investors must carefully evaluate the personal experience and business performance of the principals of the Manager. The Manager may retain independent contractors to provide services to the Company relating to the Projects. Such contractors have no fiduciary duty to the Members, and may not perform as expected. See “The Manager.”

**Standard of Care.** The Operating Agreement provides that the Manager will have no fiduciary responsibilities to the Members or the Company except as specifically set forth in the Operating Agreement. As a result, other than the implied duty of good faith and fair dealing required pursuant to the Delaware Limited Liability Company Act and the limited fiduciary duties provided in the Operating Agreement, the Manager will have no fiduciary duties to the Members or the Company.

**Property Management.** The Projects may be managed by the Property Manager, an Affiliate of the Manager. In some cases, the Property Manager may hire local property managers to manage the day-to-day operations of the Projects. There can be no assurance that the Property Manager or any local property manager will be able to successfully manage the Projects.

**Limited Approval Rights Regarding Operation of the Projects.** Members will only have limited approval rights regarding the operation of the Projects. Most decisions regarding the Projects will be made by the Manager without input from the Members.

**Conflicts of Interest.** The principals of the Manager and its Affiliates are employed independently of the Company and may engage in other activities. The Manager and its Affiliates are engaged in other activities and intend to continue to engage in such activities in the future, including other real estate ventures that may acquire real estate that is similar to the Projects. The Manager and its Affiliates and their principals will therefore have conflicts of interest in allocating management time, services and functions between various existing enterprises and future enterprises the Manager and its Affiliates and their principals may organize, as well as other business ventures in which the Manager, its Affiliates and their principals may be or may become involved. The Manager and its Affiliates, however, believe that they will have sufficient staff, consultants, independent contractors and business managers to perform adequately their responsibilities to the Company. See “Conflicts of Interest.”

**Property Contributors May Have Different Objectives.** The Company may accept the contribution of direct or indirect interests in Projects in exchange for Units. In such case, the contributing owners may have objectives with respect the contributed Project that are not similar to the Members that acquired their Units for cash including the desire for the Company to continue to own the contributed Project rather than sell it. It is possible that some of the contributing Members will be Affiliates or principals of the Manager. In such case, the Manager will have a conflict of interest with respect to decisions made on the sale refinancing of a contributed Project.

**Receipt of Compensation Regardless of Profitability.** The Manager and its Affiliates are entitled to receive certain significant fees and other compensation, payments and reimbursements regardless of whether the Company operates at a profit or a loss. See “Compensation to the Manager and its Affiliates.”

**No Financial Statements of the Manager.** This Memorandum does not contain financial statements of the Manager.

**Loss on Dissolution and Termination.** In the event of a dissolution or termination of the Company, the proceeds realized from the liquidation of the assets of the Company will be distributed among the Members, but only after payment of all loans and other obligations of the Company. The ability of a Member to recover all or any portion of such Member’s investment in the Company under such circumstances will, accordingly, depend on the amount of net proceeds realized from such liquidation and the amount of claims to be satisfied therefrom. There can be no assurance that the Company will recognize gains on such liquidation.

**Liability of Members.** In general, Members of the Company may be liable for the return of a distribution to the extent that the Member knew at the time of the distribution that after such distribution, the remaining assets of the Company would be insufficient to pay the then outstanding liabilities of the Company (exclusive of liabilities to
Members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the limited liability company). Otherwise, Members are generally not liable for the debts and obligations of the Company beyond the amount of the capital contributions they have made or are required to make under the Operating Agreement.

**Limitation of Liability/Indemnification of the Manager.** The Manager and its attorneys, agents and employees may not be liable to the Company or Members for errors of judgment or other acts or omissions not constituting fraud, gross negligence or willful misconduct as a result of certain indemnification provisions in the Operating Agreement. A successful claim for such indemnification would deplete the Company’s assets by the amount paid. See “Summary of the Operating Agreement.”

**Limitation of Liability/Indemnification of Property Manager.** The Property Manager and its attorneys, agents and employees may not be liable to the Company for errors in judgment or other acts or omissions not constituting misconduct or gross negligence as a result of certain indemnification provisions in any property management agreement. A successful claim for such indemnification would deplete the Company’s assets by the amount paid.

**Members Will be Bound by Decision of Majority Vote.** Subject to certain limitations, Members holding a majority of Units may vote to, among other things, amend the Operating Agreement. Members who do not vote with the majority in interest of the Members nonetheless will be bound by the majority vote.

**Risks Relating to Private Offering and Lack of Liquidity**

**Limited Transferability of the Units.** Each investor who becomes a Member will be required to represent that such investor is acquiring the Units for investment and not with a view to distribution or re-sale, that such investor understands the Units are not freely transferable and, in any event, that such investor must bear the economic risk of investment in the Company for an indefinite period of time because the Units have not been registered under the Securities Act or certain applicable state securities laws, and that the Units cannot be sold unless they are subsequently registered or an exemption from such registration is available and unless such investor complies with the other applicable provisions of the Operating Agreement. There will be no market for the Units and a Member cannot expect to be able to liquidate his or her investment in case of an emergency. Further, the sale of Units may have adverse federal income tax consequences. The transfer of a Member’s Units requires the prior written consent of the Manager. Further, no transfer will be allowed unless the Manager determines that the transfer will not cause the Company to be “publicly traded.” There are no specified circumstances relating to the granting or withholding of the required prior written consent of the Manager, although the Manager will exercise reasonable discretion in determining whether to grant or withhold its consent as to any particular request for a transfer. Lenders may impose additional restrictions on the transferability of the Units.

**Speculative Investment.** The Company’s business objectives must be considered highly speculative, and there is no assurance that the Company will satisfy those objectives. No assurance can be given that the Members will realize a substantial return, if any, on their purchase of Units or that the Members will not lose their entire investment in the Company. For this reason, prospective purchasers should read this Memorandum and all Exhibits to this Memorandum carefully and should consult with their attorneys or business advisors.

**Determination of Unit Price.** The purchase price of the Units has been determined primarily by the capital needs of the Company and bears no relationship to any established criteria of value such as book value or earnings per Unit, or any combination thereof. Further, the price of the Units is not based on past earnings of the Company, nor does that price necessarily reflect current market value for the Projects proposed to be acquired by the Company. No valuation or appraisal of the Company’s potential business has been prepared.

**Offering Not Registered With the SEC or State Securities Authorities.** The Offering will not be registered with the SEC under the Securities Act or the securities agency of any state, and is being offered in reliance upon an exemption from the registration provisions of the Securities Act and state securities laws applicable only to offers and sales to investors meeting the suitability requirements set forth herein.
Private Offering – Lack of Agency Review. Because the Offering is a nonpublic offering and, as such, is not registered under federal or state securities laws, investors will not have the benefit of a review of the Offering or this Memorandum by the SEC or any state securities commission. The terms and conditions of the Offering may not comply with the guidelines and regulations established for real estate programs that are required to be registered and qualified with the SEC or any state securities commission.

General Solicitation. The Company intends to utilize general solicitation in connection with the sale of Units in reliance on the exemption from registration provided in Rule 506(c) of Regulation D promulgated under the Securities Act. In order to qualify for the exemption provided by Rule 506(c), all purchasers of Units must be Accredited Investors as defined in Regulation D. The Company is required to have a reasonable basis to believe that the purchasers of Units are Accredited Investors. In the event that a person who is not an Accredited Investor acquires Units and the Company is deemed not to have complied with the reasonable basis requirement set forth in Rule 506(c), the Company could lose its exemption from registration of the Offering.

Private Offering Exemption – Compliance with Requirements. The Units are being offered to, and will be sold to, investors in reliance upon a private offering exemption from registration provided in the Securities Act. If the Company should fail to comply with the requirements of such exemption, the Members would have the right to rescind their purchase of their Units if they so desired. It is possible that one or more Members seeking rescission would succeed. This might also occur under applicable state securities or “blue sky” laws and regulations in states where the Units will be offered without registration or qualification pursuant to a private offering or other exemption. If a number of Members were successful in seeking rescission, the Company and the Manager would face severe financial demands that would adversely affect the Company as a whole and, thus, the investment in the Units by the remaining Members.

Prohibition on Bad Actors. This Offering is intended to be made in compliance with Rule 506 of Regulation D promulgated under the Securities Act. The SEC has recently changed the requirements of Regulation D offerings to include a prohibition on the participation of certain “bad actors.” The Company will obtain representations from the Manager and its principals and the Selling Group Members that the applicable party is not a “bad actor” as that term is defined in Rule 506(d) of Regulation D. In the event that a statutory “bad actor” participates in the Offering, the Company may lose its exemption from registration of the Units.

Projected Aggregate Cash Flow. Any projected cash flow or forward-looking statements included in this Memorandum and all other materials or documents supplied by the Manager should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Memorandum. The assumptions and facts upon which such projections are based are subject to variations that may arise as future events actually occur. The anticipated cash flows and returns described herein are based upon assumptions made by the Manager regarding future events. There is no assurance that actual events will correspond with these assumptions. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Company’s actual results may differ significantly from the results anticipated or discussed in the forward-looking statements. Prospective investors are advised to consult with their tax, financial and business advisors concerning the validity and reasonableness of the factual, accounting and tax assumptions. Neither the Manager nor any other person or entity makes any representation or warranty as to the future profitability of the Company or an investment in the Units.

Private Offering Exemption – Limited Information. Because the Offering of the Units is a nonpublic offering and the Units are only to be sold to Accredited Investors, certain information that would be required if the Offering were not so limited has not been included in this Memorandum, including, but not limited to, financial statements and prior performance tables. Thus, investors will not have this information available to review when deciding whether to invest in Units.

Purchase of Units by the Manager or its Affiliates. The Manager and its Affiliates may subscribe for any number of Units for any reason deemed appropriate by the Manager; provided, however, that the Manager will not purchase more than 10% of the Units (other than with respect to its purchase of Units prior to acceptance of the Minimum Offering Amount). In addition, the Manager and its Affiliates and principals will purchase at least 20 Units and up to 40 Units prior to the Company raising the Minimum Offering Amount. As a result, the Minimum Offering Amount will not be raised entirely from third party investors. The Manager and its Affiliates will not
acquire any Units with a view to resell or distribute such Units. Any purchase of Units by the Manager and/or its Affiliates will be on the same terms and conditions as are available to all investors except that the Manager and its Affiliates, and Selling Group Members and their Affiliates, will be able to purchase Units net of Selling Commissions and Expenses. See “Plan of Distribution.” The purchase of Units by the Manager or its Affiliates could create certain risks, including, but not limited to, the following: (i) the Manager or its Affiliates would obtain voting power as Members, (ii) the Manager or its Affiliates may have an interest in disposing of Company assets at an earlier date than the other Members so as to recover its investment in the Units, (iii) substantial purchases of Units may limit the Manager’s ability to fulfill any financial obligations that it may have to or on behalf of the Company and (iv) acquisition of Units by the Manager and/or its Affiliates will mean that the total Units acquired will not have been provided by disinterested investors after an assessment of the merits and risks of the Offering.

Estimates, Opinions and Assumptions. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate. Any such estimates, opinions or assumptions should be considered speculative and are qualified in their entirety by the information and risks disclosed in this Memorandum. The assumptions and facts upon which any estimates or opinions herein are based are subject to variations that may arise as future events actually occur. There is no assurance that actual events will correspond with the assumptions. Potential investors are advised to consult with their tax and business advisors concerning the validity and reasonableness of the factual, accounting and tax assumptions. Neither the Manager nor any other person or entity makes any representation or warranty as to the future profitability of the Company.

No Representation of Members. Under the Operating Agreement, each of the Members acknowledges and agrees that counsel representing the Company, the Manager and its Affiliates does not represent and will not be deemed under the applicable codes of professional responsibility to have represented or to be representing any or all of the Members in any respect.

Investment by Tax-Exempt Purchasers. In considering an investment in Units of a portion of the assets of a trust of a pension or profit-sharing plan qualified under Code Section 401(a) and exempt from tax under Code Section 501(a), a fiduciary should consider (i) that the plan, although generally exempt from federal income taxation, would be subject to income taxation were its income from an investment in the Company and other unrelated business taxable income to exceed $1,000 in any taxable year (it is anticipated that if the Company generates taxable income, it will be considered unrelated business taxable income), (ii) whether an investment in the Company is advisable given the definition of plan assets under ERISA and the status of Department of Labor regulations regarding the definition of plan assets, (iii) whether the investment is in accordance with plan documents and satisfies the diversification requirements of Section 404(a) of ERISA, (iv) whether the investment is prudent under Section 404(a) of ERISA, considering the nature of an investment in, and the compensation structure of, the Company and the potential lack of liquidity of the Units, (v) that the Company has no history of operations and (vi) whether the Company or any Affiliate is a fiduciary or party in interest to the plan. See “Investment by Qualified Plans and IRAs.”

Subsequent Investors May be Able to Review Company’s Investments. Investors who invest in the later stages of the Offering will have a greater opportunity to review information regarding the Company’s Projects that will not be available to early investors. Early investors will not have an opportunity to review any Projects to be acquired with the Offering Proceeds. In this regard, later investors may have an advantage in initially deciding whether to invest in the Company.

Exemption from Investment Company Act of 1940. The Company may accept 100 or more Unit holders. The Investment Company Act requires that any issuer that is beneficially owned by 100 or more persons and that owns certain securities be registered as required under the Investment Company Act. The Manager believes that, because the Company will be purchasing the Projects directly or through wholly-owned subsidiaries, the ownership of the Projects will not be deemed to be securities for purposes of the Investment Company Act. As a result, the Company will not register under the Investment Company Act requirements. In the event the Company is required to register under the Investment Company Act, the returns to the Members will likely be significantly reduced.

Compensation of Selling Group Members. Selling Group Members are compensated based on the number of Units they sell. As a result, Selling Group Members have an incentive to sell a significant amount of
Units to one or more investors. In addition Orchard will receive 10% of the Manager Promote which will be re-
allowed to certain wholesalers, some of which may be internal to the Manager and its Affiliates.

**Lack of Firm Commitment Underwriting.** The Company is offering the Units on an “all-or-nothing
minimum, best-efforts maximum” basis through Orchard and Selling Group Members. The fact that this is not a
firm commitment offering may increase the time necessary to sell the Minimum Offering Amount.

**Prior Programs Sponsored by Affiliates of the Manager.** Dahn Corporation, an Affiliate of the
Manager, sponsored a number of other real estate projects beginning in 1981. Some of the other projects have not
met the income and distribution levels anticipated by the Manager. Several of the real estate properties sponsored
and managed by Dahn Corporation have been foreclosed upon by the lenders for such properties. Investors in these
programs have lost all or a portion of their investment in the applicable property. See “Prior Performance of Certain
Affiliates of the Manager.” There can be no assurance the Company will meet the objectives set forth herein.

**Tax Risks**

**General Tax Risks.** There are substantial risks associated with the federal income tax aspects of an
investment in the Company. In addition to continuing Internal Revenue Service (the “IRS”) reexamination of the
tax treatment of partnerships, the income tax consequences of an investment in the Company are complex, and
recent tax legislation has made substantial revisions to the Code. Many of these changes, including changes in the
taxation of limited liability companies and their members, affect the tax benefits generally associated with an
investment in a limited liability company. The following paragraphs summarize some of the tax risks to the
Members. A further discussion of the tax aspects (including other tax risks) of an investment in the Company is set
forth in “Federal Income Tax Consequences.” Because the tax aspects of the Offering are complex, and certain of
the tax consequences may differ depending on individual tax circumstances, each investor is urged to consult with
and rely on his or her own tax advisor concerning the Offering’s tax aspects and his or her individual situation. No
representation or warranty of any kind is made with respect to the IRS’s acceptance of the treatment of any
item by the Company or by an investor.

**Risk of Audit.** The Company’s federal information returns may be audited by the IRS. An audit may
result in the challenge and disallowance of some of the deductions described in the returns. No assurance or
warranty of any kind can be made with respect to the deductibility 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 will elect that the Company 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 a limited liability company, if any, would not be available. 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 deductible by the Members. See “Federal Income Tax Consequences – Tax
Consequences Regarding the Company – Status as a Partnership.”

**Unrelated Business Taxable Income.** It is anticipated that if the Company generates taxable income, such
income will be considered unrelated business taxable income. Tax-exempt entities should consult their own tax
counsel regarding the effect of any unrelated business taxable income. See “Federal Income Tax Consequences –
Investment By Qualified Plans and IRAs – Unrelated Business Taxable Income.”

**Sale or Disposition of Company Property.** If interests in the Projects constitute capital assets in the
hands of the Company, profit or loss realized on the sale or exchange of such interests will generally result in capital
gain or loss, except to the extent of any depreciation recapture. If the Company were deemed a dealer, any sale or
exchange of interests in the Projects would be treated as ordinary income or loss.

**Possible Disallowance of Various Deductions.** The availability, timing and amount of deductions or
allocations of income of the Company will depend not only upon general legal principles but also upon various
determinations that are subject to potential controversy on factual and other grounds. Such determinations could
include, among other things, whether fees paid to the Manager or its Affiliates are non-deductible on the ground that
such payments are excessive or constitute nondeductible distributions to the Manager or an Affiliate. Additional issues could arise regarding the allocation of basis to buildings, land, leaseholds and personal property. If the IRS were successful, in whole or in part, in challenging the Company on these issues, the federal income tax benefits of an investment in the Company, if any, might be materially reduced. See “Federal Income Tax Consequences.”

Limitations on Losses and Credits from Passive Activities. Deductions in excess of income, i.e., losses from passive trade or business activities, generally may not be used to offset “portfolio income,” i.e., interest (other than interest received by a taxpayer engaged in the trade or business of lending money), 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 trade or business activities in which the taxpayer does not materially participate, which would include holding an interest as a Member. Thus, a portion of the Company’s Net Income and Net Loss will constitute income and loss from passive activities. A taxpayer may deduct passive losses from rental real estate activities if: (i) more than half of the personal services performed by the taxpayer in trades or businesses are performed in a real estate trade or business in which the taxpayer materially participates and (ii) the taxpayer performs more than 750 hours of service during the tax year in real property trades or businesses in which the taxpayer materially participates. See “Federal Income Tax Consequences.”

Allocations of Net Income and Net Loss. In order for the allocations of income, gains, deductions, losses and credits under the Operating Agreement to be recognized for tax purposes, such allocations must possess substantial economic effect. No assurance can be given that the IRS will not claim that such allocations lack substantial economic effect. If any such challenge to the allocation of losses to any Member were upheld, the tax treatment of the investment for such Member could be adversely affected. See “Federal Income Tax Consequences – Tax Consequences Regarding the Company – Allocations of Net Income and Net Loss.”

Successive Owners of Units. As between successive owners of Units, Net Income and Net Loss will be allocated (for income tax and other purposes) as provided in the Operating Agreement, to the extent permitted under the Code, regardless of the dates upon which cash distributions are made to the Members or the amount of any such cash distributions. The purchaser or seller of Units may, accordingly, be required to report a share of the Company’s Net Income on such person’s personal income tax return, even though such person receives no cash distribution during the period in which the Units were held or, if such person has received any cash distributions, even though the amounts of such distributions bear no relation to the amount of Net Income that such person is so required to report. See “Federal Income Tax Consequences – Tax Consequences Regarding the Company – Allocations of Net Income and Net Loss.”

Taxable Income in Excess of Cash Receipts. It is possible that a Member’s taxable income resulting from his or her interest in the Company will exceed the cash distributions attributable thereto. This may occur because funds received by the Company may be taxable income to the Company while the Company may use such funds for nondeductible operating or capital expenses of the Company or the repayment of loans. Thus, there may be years in which a Member’s tax liability exceeds his or her share of cash distributions from the Company. The same tax consequences may result from a Member’s sale or transfer of the Member’s Units, whether voluntary or involuntary, and may produce ordinary income or capital gain or loss. See “Federal Income Tax Consequences.”

Potential Limitation of Net Loss. You should be aware that the Members will only be able to utilize Net Loss up to the amount of their basis in their Units.

Alternative Minimum Tax. The alternative minimum tax applies to designated items of tax preference. The limitations on the deduction of passive losses also apply for purposes of computing alternative minimum taxable income. See “Federal Income Tax Consequences.”

Accuracy Related Penalties and Interest. If an income tax audit disallows Company deductions, you should be aware that the IRS could assess significant penalties and interest on tax deficiencies. The Code provides for penalties relating to the accuracy of tax returns equal to 20% of the portion of the underpayment to which the
The penalty applies. The penalty applies to any portion of any understatement that is attributable to (i) negligence or disregard of rules or regulations, (ii) any substantial understatement of income tax or (iii) any substantial valuation misstatement. The IRS has recently added a new penalty related to understatements resulting from a listed or reportable transaction. A reportable transaction is a transaction that the IRS has identified as having the potential for tax avoidance or evasion. A listed transaction is a reportable transaction which the IRS has specifically identified as a tax avoidance transaction. The penalty is equal to 20% of the portion of the understatement to which the penalty applies if the taxpayer disclosed the transaction and 30% of the portion of the underpayment to which the penalty applies if the taxpayer did not disclose the transaction. In addition, in the event the sale of the Units are determined to be a reportable transaction, and the taxpayer fails to include information regarding such reportable transaction, the taxpayer will be subject to a penalty in the amount of $10,000 if the taxpayer is an individual and $50,000 in any other case. In the event the sale of the Units are determined to be a listed transaction, the penalty increases to $100,000 in the case of an individual and $200,000 in any other case. See “Federal Income Tax Consequences – Accuracy-Related Penalties and Interest.”

**Tax Risks Related to Property Contributions.** The Company may accept the contributions of direct or indirect interests in certain Projects. In such case, the Company’s basis in the Project will be based on the basis of the contributing Member. As a result, the Company may not be able to take advantage of certain depreciation and other deductions to the extent that it would have been able to do if the Project was acquired for cash. Any Member that contributes a direct or indirect interest in a Project may also receive a special allocation of debt related to a contributed Project which may result in the other Members having a lower allocation of such debt. Further, the Company may agree to provide contributing Members with representations regarding how the Company hold the Project within a specified period. If the Company were required to because of any such agreement, the return to the other Members would be reduced.

**State Income Taxes.** The Members may have to file and pay taxes in jurisdictions where the Company owns property and may be subject to withholding for income taxes. See “Federal Income Tax Consequences – State and Local Taxes.”

**Changes in Federal Income Tax Law.** Congress has recently enacted several major tax bills that substantially affect the tax treatment of real estate investments. These changes will have a substantial effect on the type of activities in which the Company intends to engage, and certain of those effects are set forth under the appropriate subheadings within this discussion of tax risks. In many instances, Congressional Committee reports have been relied upon for the interpretation and application of these new statutory provisions to the Company. While the Code authorizes the Treasury Department to issue extensive substantive regulations regarding recently adopted Code provisions, few have been issued to date. In addition, Congress could make substantial changes in the future to the income tax consequences with respect to an investment in the Company. Congress is currently analyzing and reviewing numerous proposals regarding changes to the Federal income tax laws. The extent and effect of such changes, if any, is uncertain.

The discussion of tax aspects contained in this Memorandum is based on law presently in effect and certain proposed Treasury Regulations. Nonetheless, investors should be aware that new administrative, legislative or judicial action could significantly change the tax aspects of the Company. Any such change may or may not be retroactive with respect to the transactions entered into or contemplated before the effective date of such change and could have a material adverse effect on an investment in the Units.
# ESTIMATED USE OF PROCEEDS

The following table sets forth certain information concerning the estimated use of the Offering Proceeds:

<table>
<thead>
<tr>
<th>Minimum Offering</th>
<th>Maximum Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Offering Proceeds</strong></td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>Organization and Offering Expenses</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
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</tr>
<tr>
<td><strong>Selling Commissions</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>$70,000</td>
</tr>
<tr>
<td><strong>Marketing and Due Diligence</strong>&lt;sup&gt;(3)&lt;/sup&gt;</td>
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</tr>
<tr>
<td><strong>Placement Fee</strong>&lt;sup&gt;(4)&lt;/sup&gt;</td>
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</tr>
<tr>
<td><strong>Wholesaler Fee</strong>&lt;sup&gt;(5)&lt;/sup&gt;</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Available for Investment</strong>&lt;sup&gt;(6)&lt;/sup&gt;</td>
<td>$880,000</td>
</tr>
<tr>
<td><strong>Total Application</strong></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

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**Notes:**

1. The Manager will be entitled to reimbursement for expenses incurred in connection with the Offering and the organization of the Company (the “Organization and Offering Expenses”), including legal, accounting, printing, general advertising costs and other costs and expenses directly related to the Offering. The Company anticipates that the Organization and Offering Expenses will be approximately $20,000 if the Minimum Offering Amount is sold (approximately 2% of the Minimum Offering Amount), and approximately $1,000,000 if the Maximum Offering Amount is sold (approximately 2% of the Maximum Offering Amount), exclusive of any additional amounts the Company will utilize to pay such expenses from the reduction of Selling Commissions and Expenses as described below. In the event that the Organization and Offering Expenses plus Selling Commissions and Expenses exceed 8% of the aggregate Offering Proceeds with respect to the purchase of Units by any Member, the Manager will be responsible for paying such amounts over 8%.

2. With respect to sales made by the Selling Group Members, Selling Commissions in an amount up to 7% of Total Sales will be paid to Orchard, which it will re-allow to the Selling Group Members; provided, however, that this amount will be reduced to the extent a lower commission rate is negotiated with a Selling Group Member and the commission rate will be the lower agreed upon rate. Some registered representatives may acquire Units in lieu of cash for a portion of the Selling Commissions paid to them.

With respect to sales made to an investor who invests in the Company as a result of a general solicitation made by the Company where Orchard is the broker-dealer of record, Orchard will receive Selling Commissions in an amount equal to 1.25% of the purchase price of the Total Sales attributable to such sales.

Except in the special case of investors who have previously invested in companies sponsored by the Manager and its Affiliates, any reduction in Selling Commissions will be used by the Company to pay for advertising costs.

3. Orchard will receive a non-accountable marketing and due diligence allowance equal to 1% of Total Sales which it may re-allow, in whole or in part, to Selling Group Members.

4. Orchard will receive a placement fee equal to 1% of the Total Sales, some of which may be internal to the Manager and its Affiliates.

5. Orchard will receive a fee equal to 1% of Total Sales which Orchard will re-allow, in whole or in part, to certain wholesalers. Orchard will also pay a fee of $66,667 per annum to a broker-dealer that will provide wholesalers for the Company. During the term of this Offering, the Company will pay an additional fee to Orchard equal to all or a portion of this fee. However, in the event that the Manager or its Affiliates
conducts additional offerings of securities simultaneously with the sale of Units by the Company, Orchard will apportion the payment of the fee among the offerings conducted by the Manager and its Affiliates. In addition, Orchard will receive a fee equal to 10% of the Manager Promote, all or a portion of which will be re-allowed to the wholesalers.

(6) The Projects will be initially acquired with a cash down payment and acquisition debt which has not yet been identified. Amounts available for investment will be used to acquire the Projects and to pay Project expenses and to establish reserves.
DESCRIPTION OF THE PROJECTS

The Company will seek primarily to acquire self storage facilities located throughout the United States. There are no specific limitations on the number or size of Projects to be acquired by the Company or on the percentage of net proceeds of the Offering which may be invested in a single Project. The number and mix of Projects acquired will depend upon real estate market conditions and other circumstances existing at the time the Company makes its investments in Projects as well as the amount of the net proceeds of the Offering. The Manager has not identified any Project likely to be acquired by the Company. When the Manager identifies Projects likely to be acquired by the Company, this Memorandum will be supplemented with Project Supplements which will include information regarding the Project likely to be acquired.

ACQUISITION AND FINANCING TERMS

The Company will purchase the Projects pursuant to purchase and sale agreements with unaffiliated sellers and potentially sellers that are Affiliated with the Manager. The terms of the purchase and sale agreements are not currently known. It is anticipated the Company will acquire the Projects directly or through a special purpose entity. The Manager or its Affiliates are entitled to receive an acquisition fee with respect to the Projects acquired.

The Company intends to finance the purchase of the Projects with proceeds of the Offering and loans obtained from various third party lenders. The Company anticipates that the aggregate loan-to-value ratio for all of the Projects acquired will be 50% to 75% based on the purchase price of the Projects; provided, however the Company may obtain financing that exceeds such loan-to-value ratio in its sole discretion. The Company has not obtained any financing commitments for any Projects.

It is possible that some of the Projects will be acquired by the Company through the contribution of the Project to the Company or for the contribution of partnership interest in a partnership that owns the Project in exchange for Units. In the event that any Project is directly or indirectly being contributed to the Company, the Company will obtain a third-party appraisal regarding the value of the Project prior to such contribution. The value of the Units exchanged for the direct or indirect interest in the Project will not exceed such appraised value. The Company will only acquire the direct or indirect interests in a Project if the Company is acquiring all of the Project, either through contribution or through a combination of a partial contribution and a partial cash purchase of the Project.

COMPANY BUSINESS PLAN

Management Team

The principals of the Manager have significant prior experience in acquiring and managing self storage facilities. Senior management at Dahn Corporation (“Dahn”) has almost 150 years of combined self storage experience. The principals of the management team have worked together for over 25 years. During this time, the senior management of Dahn has built or purchased over 5 million square feet of self storage properties located throughout the United States. Over the past 32 years, the management team has rented 500,000 units and currently manages approximately 65 self storage facilities with approximately 30,000 occupied units.

Self storage as an Asset Class

Every piece of real estate is unique. As an asset class, self storage is distinctive because virtually everyone has used self storage or knows someone who has used self storage.

The Manager believes that the potential market for self storage is extremely broad and almost the entire population of the United States will have a need for self storage during their lifetime. Tenants include college students looking for a summer rental, people buying or selling homes, families moving from one city to the next, small business owners who need to store equipment such as plumbers and electricians, and retired people looking to downsize. According to MiniCo Publishing, LLC, 70% of self storage tenants are residential, 17.5% of self storage tenants are business, 6.3% of self storage tenants are students and 6.2% are self storage military. This extremely
broad market is unlike any other real estate product type. It is affordable, easy to use and has no long term commitment.

All storage tenants are generally on a month to month lease. Therefore, rents for 100% of the tenants can typically be raised with just a 30-day notice. As a result, self storage differs from other asset classes that use long term leases where rent can only be increased as leases expire. Dramatically increasing the income can take years for certain other types of real estate. Self storage properties, however, have the capacity to increase income much more quickly. According to the National Association of Real Estate Investment Trusts, since 1994, self storage has experienced a good financial record and has consistently outperformed most other real estate asset types.

The Manager believes that self storage operating expenses are generally lower than other types of real estate and are easier to control. Self storage properties have very little plumbing and electricity and, as a result, are not as impacted by rate increases as other property types. In addition, the buildings are generally metal or masonry and are easier to maintain. There are no tenant improvement costs and the lack of amenities such as pools, large common areas, and extensive landscaping also means less maintenance, reduced operating costs, and fewer capital expenditures.

Retail, office, and industrial properties all work with relatively few long term business tenants. Self storage is an unique business because it deals with thousands of short term tenants on a daily basis. This means customer risk is spread over a large base and not dependent on attracting or retaining a large tenant. Self storage is attractive to customers because it fills what is frequently a short term need. Contracts are month to month so there is no long term commitment. Customers can rent one month and be out the next. In the experience of the Manager, most people rent longer than one month although the average rental time can vary dramatically from location to location.

The Manager believes that the key to self storage demand is mobility. If the population is moving from city to city, state to state, job to job, or from one home to another, there is a need for self storage. During the recession, storage income and occupancy dropped because mobility was reduced. Recently, Dahn believes that there has been an increase in the demand for self storage and this is a good time to invest in self storage: the market is getting stronger; the economy is improving; home demand is increasing; job opportunities are more available; new small businesses are being created and mobility is improving.

**Self Storage Operations and Marketing**

The Manager believes that a significant factor in determining the success of self storage is the property management of the facility. The Manager believes that experience in operating and marketing self storage properties is critical. Dahn has been in the business of managing self storage facilities for over 25 years.

The Manager believes that the most important elements in successful self storage operations are location, curb appeal, pricing, and service. It is often said location is the most important element in real estate. Although self storage is a semi-industrial use, it is important to be in a commercial location. The Manager believes that approximately 50% of customers for self storage are drive-by customers. Therefore, the Manager intends to seek sites with good visibility, a high traffic count, and good ingress and egress.

Dahn takes great pride in its exhaustive research of the diverse markets and have developed criteria that Dahn believes enables it to effectively evaluate a downtown location versus a suburban location. Traffic counts, income, education, number of homes and apartment living, proximity to universities and business centers are all taken into account. Curb appeal matters. Landscaping, building maintenance, easy access, good turning radius and wide aisles all make it easy for the consumer to use the facility. For many tenants, the storage unit is an extension of their home or business and how the facility looks and feels is important.

Price and location are two factors that draw most tenants to a facility and being able to adjust prices per unit size makes it completely different than any other type of real estate product. When a particular unit size reaches a high occupancy, rates are raised and when a certain percentage of units are available, rents are lowered.
Dahn has established a marketing approach to the leasing of self storage properties. Dahn markets self storage to the public as the “The Extra Space You Need.” In addition, Dahn has established popular programs where discounts are offered to prepay rent, free use of shelves are available to organize collectibles and low cost moving supplies are available to make the move inexpensive and easy. Dahn is constantly trying to innovate in order to improve the customer experience. In the past, Dahn has sponsorship agreements with MLB baseball teams, NBA basketball teams, NHL hockey teams and NFL football teams where free tickets were awarded for renting certain units. Dahn has been able to participate in local community events such as Make a Wish Foundation and the Boys and Girls Clubs by offering tickets for special events at the stadiums. Other popular marketing features are the use of a free truck with each new storage rental, the use of free shelving units, prepayment discounts as well as military, senior and student discounts. Dahn has also created avenues to increase income with portable storage containers, small locker storage, car wash, RV and boat storage and a retail component to the properties with low cost moving supplies. Tenants are also able to order supplies online and have them delivered to their home or business. As the rental of self storage becomes more internet based, Dahn has utilized Google Ads, search engine optimization, online marketing services such as payment and reservation applications as well as mobile applications to make it easy for the customers. Dahn has established a centralized sales support center ready to answer any questions or to take a payment.

Dahn has developed a property management system where on-site managers are incentivized by their success in exceeding the expectations of the tenant, in successfully completing auction paperwork, in managing daily maintenance issues and by maintaining a high cleanliness standard. All of Dahn’s storage facilities are visited regularly by members of the senior management team.

**Investment Strategy**

The Company’s goals are to maximize the potential for long-term investment, use leverage in a prudent manner to increase yield, take advantage of the Code which encourages real estate investment and provide ongoing cash flow.

The Manager will attempt to acquire underperforming Projects with the intent to improve management. While many real estate investors attempt a similar business strategy, Dahn has utilized this strategy in the past. Dahn is aware that there are a limited number of properly placed but underperforming properties. As a result, the Company will also acquire Projects that are well-managed upon acquisition but are located in an area that the Manager believes will be successful.

The Manager believes that real estate markets are constantly changing. The Manager’s goal will be to rapidly adjust to the marketplace to maximize potential revenue. The Manager believes that the self storage asset class is able to adjust quickly to the market because tenants lease their space on a month to month basis. This allows the adjustment of rent on a monthly basis where even small changes in rent can make a significant impact on the overall return to the Company.

The Manager will attempt to refinance the Projects within a 3 – 5 year period after acquisition. The Company intends to distribute proceeds from the refinancing to the Members as a return of the Members investment. The Manager believes that the unique nature of self storage makes this possible. Unlike most forms of real estate, which have long term leases and relatively slow turnover, self storage leases are generally for 30 days and tenant turnover can be very rapid. During periods of strong demand, it is possible to quickly implement significant increases in rental rates which can lead to higher property value. This, in turn, is what makes the rapid recapture of the equity investment possible. There is no assurance the Company will be able to refinance the Projects in the time frames described above.

The Manager believes that the experience of its principals and Affiliates in the self storage industry will provide a competitive advantage for the Company.

The Manager will also attempt to develop new self storage facilities in markets where there is strong demand. The benefit of developing new properties is the substantial profit potential. The principals of the Manager
have significant experience in the development of self storage facilities throughout the country and believe it would be beneficial to the Company to take advantage of this development experience when opportunities arise.

**PLAN OF DISTRIBUTION**

**Rule 506(c)**

This Offering is being made in reliance on Rule 506(c) of Regulation D promulgated under the Securities Act. The Company intends to utilize general solicitation for the sale of the Units. As a result, all investors in Units must be Accredited Investors, as defined in Regulation D. Prospective investors will be required to provide sufficient financial information to the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor.

Prospective investors will be required to provide sufficient financial information to the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor.

**Capitalization**

The Offering is for a minimum of 100 Units ($1,000,000) and a maximum of 10,000 Units ($50,000,000) at $5,000 per Unit. A minimum purchase of 5 Units ($25,000) is required, except that the Company may permit certain investors to purchase fewer Units, in its sole discretion. After funding the Company with the Minimum Offering Amount, the net proceeds from the sale of each Unit will be added to the Company’s capital and utilized for the purposes set forth in this Memorandum.

The Company intends to continue the Offering until the Offering Termination Date. Notwithstanding the foregoing, in no event will the number of Members holding Units exceed 1,900 as determined under the Exchange Act.

**Qualifications of Investors**

The Units are being offered only to persons who can represent that they meet the Investor Suitability Requirements described under “Who May Invest” and may be purchased only by investors who satisfy such suitability requirements.

**Sales of Units**

The purchase price of $5,000 for each Unit will be payable in full in cash upon subscription. The minimum subscription amount will be 5 Units or $25,000, except that the Manager, in its sole discretion, may permit certain investors to purchase fewer Units. All subscription proceeds will be promptly deposited in a non-interest bearing escrow account at the Depository Account with the Escrow Agent which will hold the funds until the Minimum Offering Amount has been sold. If the Minimum Offering Amount has not been sold and paid for by the Minimum Offering Termination Date, all funds on deposit will be promptly returned to subscribers in full, without deduction or charges. There is no assurance that all Units will be sold prior to the Offering Termination Date. The Company reserves the right to refuse to sell Units to any person, in its sole discretion, and may terminate the Offering at any time. See “Conflicts of Interest” and “Risk Factors – Risks Relating to Private Offering and Lack of Liquidity – Purchase of Units by the Manager or its Affiliates.”

**Marketing of Units**

Offers and sales of Units will be made on an “all-or-none minimum, best-efforts maximum” basis by broker-dealers (the “Selling Group Members,” and collectively the “Selling Group”) who are members of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and by the Company through general advertisement. Orchard Securities, LLC a Utah limited liability company (“Orchard”), a member of FINRA, will act as the “Managing Broker-Dealer.”
(a) With respect to sales made by the Selling Group Members, Orchard will receive selling commissions (the “Selling Commissions”) in an amount up to 7% of the purchase price of the Units sold by the Selling Group Members (collectively, with all other sales of Units, the “Total Sales”), which it will re-allow to the Selling Group Members; provided, however, that this amount will be reduced to the extent a lower commission rate is negotiated with a Selling Group Member and the commission rate will be the lower agreed upon rate. As a result, certain investors may acquire their Units net of Selling Commissions. Some registered representatives may acquire Units in lieu of cash for a portion of the Selling Commissions paid to them. Orchard will also receive a non-accountable marketing and due diligence allowance of up to 1% of the Total Sales attributable to sales made by the Selling Group Members which Orchard may re-allow, in whole or in part, to the Selling Group Members. Orchard will also receive a placement fee up to 1% of the Total Sales attributable to sales made by the Selling Group Members, some of which may be re-allowed to certain wholesalers (some of which may be internal to the Manager and its Affiliates). Orchard may also sell Units as part of the Selling Group, thereby becoming entitled to Selling Commissions. Orchard will also receive up to 1% of the Total Sales attributable to sales made by the Selling Group Members which will be re-allowed, in whole or in part, to certain wholesalers, some of which are internal to the Manager and its Affiliates. Orchard will also pay a fee of $66,667 per annum to a broker-dealer that will provide wholesalers for the Company. During the term of this Offering, the Company will pay an additional fee to Orchard equal to all or a portion of this fee. However, in the event that the Manager or its Affiliates conducts additional offerings of securities simultaneously with the sale of Units by the Company, Orchard will apportion the payment of the fee among the offerings conducted by the Manager and its Affiliates. In addition, Orchard will receive a fee equal to 10% of the Manager Promote, all or a portion of which will be re-allowed to the wholesalers. The total aggregate amount of commissions, allowances, expense reimbursements and placement fees, exclusive of the base fee described above, (the “Selling Commissions and Expenses”) will not exceed 10% of the Total Sales attributable to sales made by the Selling Group Members (exclusive of the allocation of wholesaler fee to be paid by the Company as an additional fee to Orchard and the portion of the Manager Promote paid to Orchard).

(b) With respect to sales made to an investor who invests in the Company as a result of sales referred to the Company outside of the Selling Group or where there is a property contribution where Orchard is the broker-dealer of record, Orchard will receive Selling Commissions in an amount equal to 1.25% of the purchase price of the Total Sales attributable to such sales. Orchard will also receive a non-accountable marketing and due diligence allowance of up to 1% of the Total Sales attributable to such sales which Orchard will retain. Orchard will also receive a placement fee up to 1% of the Total Sales attributable to such sales, some of which may be re-allowed to certain wholesalers (some of which may be internal to the Manager and its Affiliates). Orchard will also receive up to 1% of Total Sales attributable to such sales which will be re-allowed, in whole or in part, to certain wholesalers, some of which are internal to the Manager and its Affiliates and Orchard will pay the wholesaler fee described above. The Total Selling Commissions and Expenses will not exceed 4% of Total Sales attributable to sales made through general solicitation by the Company (exclusive of the allocation of wholesaler fee to be paid by the Company as an additional fee to Orchard). The Company intends to utilize the 6% Selling Commission and Expense reduction to pay for general advertising and solicitation costs.

The Company will be responsible for paying all Selling Commissions and Expenses. In addition to the Selling Commissions and Expenses, Orchard will receive a one-time fee and a monthly administrative fee which will be paid by Dahn America360, LLC and not by the Company.

The Company anticipates that the expenses incurred in connection with the Offering and the organization of the Company (the “Organization and Offering Expenses”), including legal, accounting, printing, general advertising costs and other costs and expenses directly related to the Offering. The Company anticipates that the Organization and Offering Expenses will be approximately $20,000 if the Minimum Offering Amount is sold (approximately 2% of the Minimum Offering Amount), and approximately $1,000,000 if the Maximum Offering Amount is sold (approximately 2% of the Maximum Offering Amount), exclusive of any additional amounts the Company will utilize to pay such expenses from the reduction of Selling Commissions and Expenses as described above. In the event that the Organization and Offering Expenses plus Selling Commissions and Expenses exceed 8% of the aggregate Offering Proceeds with respect to the purchase of Units by any Member, the Manager will be responsible for paying such amounts over 8%.

Orchard and the Selling Group Members may be deemed “underwriters” as that term is defined in the Securities Act. The Managing Broker-Dealer Agreement between the Company and Orchard and the soliciting
dealer agreements (the “Soliciting Dealer Agreements”) between Orchard and the Selling Group Members for the sale of the Units contain some provisions for indemnity by the Company with respect to liabilities, including certain civil liabilities under the Securities Act, which may arise from the use of this Memorandum in connection with the Offering. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to the Manager and the Members of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. Further, limitations on indemnification are provided in the Managing Broker-Dealer Agreement and the Soliciting Dealer Agreements for the Offering, copies of which may be obtained by submitting a written request to the Company.

Selling Group Members will be required to execute a Soliciting Dealer Agreement with Orchard after the effective date of this Memorandum. The Soliciting Dealer Agreement contains cross-indemnity provisions with respect to certain liabilities, including liabilities under the Securities Act.

The Company will obtain representations from the Selling Group Members that the applicable party is not a “bad actor” as that term is defined in Rule 506(d) of Regulation D. In the event that a statutory “bad actor” participates in the Offering, the Company may lose its exemption from registration of the Units.

Inquiries about subscriptions should be directed to Dahn America360 Manager, LLC whose mailing address is 18552 MacArthur Boulevard, Suite 495, Irvine, CA 92612 and the telephone number is (949) 752-1282.

Sales Materials

Other than this Memorandum, the Exhibits hereto, and factual summaries and sales brochures of the Offering prepared by the Company, no other literature will be used in the Offering.

The Manager may also respond to specific questions from broker-dealers and prospective investors. Business reply cards, introductory letters or similar materials may be sent to broker-dealers for customer use, and other information relating to the Offering may be made available to broker-dealers for their internal use. However, the Offering is made only by means of this Memorandum. Except as described herein, neither the Company nor the Manager has authorized the use of other sales materials in connection with the Offering. The information in such material does not purport to be complete and should not be considered as a part of this Memorandum, or as incorporated in this Memorandum by reference or as forming the basis of the Offering.

No broker-dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Memorandum or in any sales brochure literature issued by the Company and, if given or made, such information or representations must not be relied upon.

Discretionary Purchases of Units by the Manager or its Affiliates

The Manager and its Affiliates may subscribe for any number of Units for any reason deemed appropriate by the Manager; provided, however, that the Manager will not purchase more than 10% of the Units (other than with respect to its purchase of Units prior to acceptance of the Minimum Offering Amount). In addition, the Manager and its Affiliates and principals will purchase at least 20 Units and up to 40 Units prior to the Company raising the Minimum Offering Amount. As a result, the Minimum Offering Amount will not be raised entirely from third party investors. The Manager and its Affiliates will not acquire any Units with a view to resell or distribute such Units. Any purchase of Units by the Manager and/or its Affiliates will be on the same terms and conditions as are available to all investors except that the Manager and its Affiliates, and Selling Group Members and their Affiliates, will be able to purchase Units net of Selling Commissions and Expenses. See “Plan of Distribution.” The purchase of Units by the Manager or its Affiliates could create certain risks, including, but not limited to, the following: (i) the Manager or its Affiliates would obtain voting power as Members, (ii) the Manager or its Affiliates may have an interest in disposing of Company assets at an earlier date than the other Members so as to recover its investment in the Units, (iii) substantial purchases of Units may limit the Manager’s ability to fulfill any financial obligations that it may have to or on behalf of the Company and (iv) acquisition of Units by the Manager and/or its Affiliates will mean that the total Units acquired will not have been provided by disinterested investors after an assessment of the
merits and risks of the Offering. See “Conflicts of Interest” and “Risk Factors – Risks Relating to Private Offering and Lack of Liquidity – Purchase of Units by the Manager or its Affiliates.”

Subscription Procedures

To subscribe for Units, a purchaser must complete and sign the Subscription Agreement attached hereto as Exhibit B. The purchaser must deliver to the Managing Broker-Dealer the fully executed Subscription Agreement and a check for the full subscription price made payable to “First Republic, as Escrow Agent for America360, LLC.” Orchard will process the proposed subscription and forward the Subscription Payment to the Escrow Agent and the Subscription Agreement to the Company for approval. During the escrow period, funds tendered pursuant to the Subscription Agreement will be deposited in the Depository Account by noon of the next business day following deposit. Once the Minimum Offering Amount has been raised, and pursuant to a supplement to the Offering, the Company and the Managing Broker-Dealer may redirect the investors to make their checks payable directly to the Company. After the Minimum Offering Amount has been reached, the Manager, in its sole discretion, may use alternative banks or financial institutions to hold funds tendered for the purchase of Units.

The Escrow Agent is acting as escrow holder for the Offering Proceeds and has neither recommended nor provided any advice in connection with a purchase of the Units.

Depository Account

All Subscription Payments received on account of subscriptions will be held in the Depository Account pending receipt and acceptance by the Company of Subscription Payments for $1,000,000 in Units. Pending release of funds to the Company or termination of the Offering, the cash in the Depository Account will be invested in a non-interest bearing account with the Escrow Agent. If the Minimum Offering Amount has not been subscribed prior to the Minimum Offering Termination Date, none of the Units will be sold and all funds tendered for the purchase of Units will be refunded in full to each subscriber without offset. Any interest earned will be distributed based on the amount of the deposit and the date of deposit in the Depository Account. If the Minimum Offering Amount is subscribed to and funds are released to the Company, any returns on a Member’s investment will be calculated with reference to the date the Member’s funds were deposited and collected in the Depository Account.

Acceptance of Subscriptions

The Manager has the right, to be exercised in its sole discretion, to accept or reject any subscription in whole or in part for a period of 30 days after receipt of the subscription. Any subscription not accepted within 30 days of receipt will be deemed rejected.

Limitation of Offering

The Units are being offered and sold in reliance upon exemptions from the Securities Act and state securities laws. Accordingly, distribution of this Memorandum has been strictly limited to persons satisfying the Investor Suitability Requirements described herein, and this Memorandum does not constitute an offer to sell or a solicitation of an offer to buy with respect to any person not satisfying those requirements.

This Offering is being made in reliance on Rule 506(c) of Regulation D promulgated under the Securities Act. The Company intends to engage in general advertisement for the sale of the Units. As a result, all investors in Units must be Accredited Investors, as defined in Regulation D. Prospective investors will be required to provide sufficient financial information to the Company, the Managing Broker-Dealer and/or the applicable Selling Group Member so that the Company will have a reasonable basis to believe that the potential investor is an Accredited Investor.
CAPITALIZATION OF THE COMPANY

The following table sets forth the anticipated capitalization of the Company reflecting the issuance and sale of the Units offered hereby. The unaudited balance sheet of the Company dated as of August 1, 2014 is attached hereto as Exhibit C.

<table>
<thead>
<tr>
<th>Minimum Offering</th>
<th>Maximum Offering</th>
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</thead>
<tbody>
<tr>
<td>Units (^{(3)})</td>
<td>200</td>
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</tbody>
</table>

| Total \(^{(4)}\) | $1,000,000 | $50,000,000 |

(1) Until the Minimum Offering Amount of Units is sold, no Subscription Payments will be released to the Company from the Depository Account.

(2) The Units are being offered until the Offering Termination Date. As of the date hereof, no Units have been sold.

(3) Amounts reflect cash contributions of investors as of the future date of capitalization of the Company in the amount of $5,000 per Unit, which amount may be lower as set forth herein. Amounts do not include the Initial Member’s contribution, which will be returned to such Initial Member.

(4) Amounts shown are the anticipated gross proceeds of the Offering before deducting any fees or Selling Commissions and Expenses. See “Plan of Distribution” and “Estimated Use of Proceeds.”

THE MANAGER

The Manager of the Company is Dahn America360 Manager, LLC. The Manager was formed as a Delaware limited liability company on January 3, 2014. Dahn America360, LLC, a Delaware limited liability company is the sole member of the Manager. Dahn America360, LLC is owned by a family trust controlled by Brian Dahn. The Manager has the exclusive authority to manage and control all aspects of the business of the Company. In the course of its management, the Manager may, in its sole discretion, employ such persons, including Affiliates of the Manager, as it deems necessary. The following are the officers of the Manager:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Brian A. Dahn</td>
<td>President</td>
</tr>
<tr>
<td>Robert R. Bradley, Jr.</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Thomas J. Jordan</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Nancy K. Naeve</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Kathleen N. White</td>
<td>Senior Vice President</td>
</tr>
</tbody>
</table>

Brian A. Dahn, President. Mr. Dahn has directed the acquisition, development, management and/or disposition activities of over 90 properties and the formation of more than 35 private limited partnership funds raising more than $40 million in equity. Those properties consisted of over 90 self storage facilities in nine states, industrial centers, office parks, RV parks and a resort area hotel. Mr. Dahn holds an MBA from the University of Michigan and a Bachelor of Science degree from the University of Florida. Mr. Dahn is a California Licensed General Contractor and Real Estate Broker as well as a member of the Self storage Association. Prior to joining C.J. Bonner Corporation in 1976, the predecessor to Dahn Corporation, Mr. Dahn was Vice President in charge of Joint Venture Department at Western Mortgage Corporation and a loan officer at Continental Mortgage Investors.
Robert R. Bradley, Jr., Executive Vice President. Mr. Bradley has worked with Dahn Corporation since 1979 and is responsible for the acquisition, development and disposition for all self storage facilities. He works directly with real estate owners, brokers, development partners and lenders in dozens of markets nationwide. Mr. Bradley oversees market research, contract negotiation, project design, engineering and procurement of governmental entitlements. Mr. Bradley holds a Bachelor of Arts degree from California State University San Diego and is a California licensed real estate salesperson. Mr. Bradley’s prior employment was a leasing manager and tenant improvement construction manager for Canoga Park Medical Investment Group.

Thomas J. Jordan, Senior Vice President. Mr. Jordan is responsible for the financial management and reporting of all operating units under management. He has worked with Mr. Dahn since 1983 and during that time managed a staff which tracked annual revenues in excess of $40,000,000. Mr. Jordan supervises the payment and accounting of more than 3,000 monthly invoices and prepares monthly, quarterly and annual operating statements. His team prepares all operating budget and forecasts obligations to all owners. Daily site level transactions are reviewed and all banking is controlled from the corporate office under Mr. Jordan’s direction. Mr. Jordan cooperates with several independent audit firms hired by our investors and works with all regulatory agencies and outside accounting firms. Mr. Jordan holds a Bachelor of Science degree from St. John Fisher College and is a member of the National Notary Society. He previously worked for Stanford Applied Engineering and Western State Pension Corporation.

Nancy K. Naeve, Senior Vice President. Ms. Naeve’s experience with Dahn Corporation includes business development, financial analysis, investor relations, and legal, contract and risk management issues with the asset management portfolio. Ms. Naeve has worked with Mr. Dahn since 1983 and has coordinated the capital raise of more than $40 million in equity for private placement offerings. Ms. Naeve prepares detailed financial analysis for site development analysis, drafts and negotiates acquisition, partnership, loan, leasehold and management contracts and reports to owners and investors concerning specific performance, strategies and objectives for individual properties. Ms. Naeve has managed project acquisitions and developments including all aspects of the sales transaction, procurement and placement of construction, permanent and refinance lending of portfolio properties. Loan originations under her leadership are in excess of $150 million. Her skills include the creation and implementation of contract administration procedures and budget analysis tools used in the corporate office for the construction of storage facilities throughout the country, as well as ongoing capital improvement and maintenance projects for the current asset management portfolio. Ms. Naeve holds a Bachelor of Arts from the University of California at Irvine and an MBA from the University of Southern California.

Kathleen N. White, Senior Vice President. Ms. White's experience with Dahn Corporation began in 1986 and she was initially worked with the acquisition, development and disposition team. As more properties were acquired, Ms. White switched her focus to the business development and direct management of over all self storage facilities in the portfolio. Ms. White visits each of the facilities several times per year, initiates capital improvement projects and acts as liaison between local management and the corporate office. She oversees customer service programs, advertising campaigns, rate adjustments, discount policies and incentive programs. Ms. White holds a Bachelor of Arts degree from California State University Long Beach and previously was employed by Equitec Financial Group in the acquisition, development, management and disposition of commercial properties throughout the United States.
Property Manager

The Property Manager is America360 Management, Inc. The Property Manager was formed as a Delaware corporation on January 3, 2014. Dahn America360, LLC, a Delaware limited liability company is the sole member of the Manager. Dahn America360, LLC is owned by a family trust controlled by Brian Dahn. The following are the officers of the Property Manager:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian A. Dahn</td>
<td>President</td>
</tr>
<tr>
<td>Robert R. Bradley, Jr.</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Thomas J. Jordan</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Nancy K. Naeve</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Kathleen N. White</td>
<td>Senior Vice President</td>
</tr>
</tbody>
</table>

The biographical information for the officers of the Property Manager is set forth above.

NO PRIOR PERFORMANCE OF THE MANAGER

The Manager is newly formed and has no prior performance.

PRIOR PERFORMANCE OF CERTAIN AFFILIATES OF THE MANAGER

The information presented in this section represents the prior performance of investment projects for real estate programs (the “Affiliate Sponsored Programs”) managed by Dahn Corporation and its Affiliates. Dahn Corporation is an Affiliate of the Manager. Dahn Corporation is not the manager of this Offering and you should not assume that you will experience returns, if any, comparable to those experienced by investors in the Affiliate Sponsored Programs. Purchasers of Units will not acquire any interest in any of the Affiliate Sponsored Programs.

In considering the prior performance information contained herein, prospective investors should bear in mind that past performance is not indicative of future results, and there can be no assurance that comparable results will be achieved in the future.

It is anticipated that the operating results of the Projects and the Company, and the benefits to the Members, will be significantly different than those of the “Affiliate Sponsored Programs.”

Experience and Background of Dahn Corporation and its Affiliates

Dahn Corporation was formed as a California corporation in 1970. The principal business of Dahn Corp. and its Affiliates (“Dahn Corp.”) is the acquisition, development and management of self storage investment properties. Dahn Corp. and its Affiliates have been involved with the development or acquisition of 38 self storage real estate programs since 1981. These programs raised more than $40 million from over 850 investors. Purchasers who participated in more than one prior programs were counted as an investor for each such program. A portion of the funds raised under the prior programs were raised pursuant to the sale of undivided interests in the real estate held by the prior programs of Dahn Corp.

Of the 38 programs, most of which were a separate property located throughout the United States, 25 were development properties and 15 were acquisition properties (1 of the programs acquired 3 properties). As of the date of this Offering, 22 programs are currently operating, representing over 12,000 units in California, Colorado, Maryland, Michigan, New Jersey and Virginia.
Over the past 10 years, Dahn Corp. has been involved with developing or acquiring 16 programs, accounting for over $26 million of the more than $40 million total raised, and representing over 12,000 units. Of these 16 programs, 4 are currently operating. See “Discussion of Prior Programs with Adverse Results” for more information.

Discussion of Current Programs

As of the date of this Offering, 22 programs are currently operating, representing over 12,000 units in California, Colorado, Maryland, Michigan, New Jersey and Virginia.
The table below summarizes the currently operating self storage programs developed or acquired by Dahn Corp. or its Affiliates.

<table>
<thead>
<tr>
<th>Location</th>
<th>Development or Acquisition</th>
<th>Approx. # of Units (1)</th>
<th>Approx. Sq. Footage</th>
<th>Offering Date</th>
<th>Capital Raised</th>
<th>Cumulative Distributions &amp; Return of Capital from 1997 To 2013(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atascadero, CA</td>
<td>Development</td>
<td>450</td>
<td>47,000</td>
<td>1981</td>
<td>$250,000</td>
<td>$2,150,629</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>Development</td>
<td>650</td>
<td>54,000</td>
<td>1983</td>
<td>$300,000</td>
<td>$3,509,742</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>Acquisition</td>
<td>800</td>
<td>80,000</td>
<td>1984</td>
<td>$1,025,000</td>
<td>$4,162,648</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>Acquisition</td>
<td>475</td>
<td>67,000</td>
<td>1989</td>
<td>$250,000</td>
<td>$5,071,004</td>
</tr>
<tr>
<td>Highlands Ranch, CO</td>
<td>Acquisition</td>
<td>425</td>
<td>40,000</td>
<td>1991</td>
<td>$400,000</td>
<td>$2,866,161</td>
</tr>
<tr>
<td>Livonia, MI</td>
<td>Acquisition</td>
<td>600</td>
<td>73,000</td>
<td>1991</td>
<td>$375,000</td>
<td>$4,076,980</td>
</tr>
<tr>
<td>Newport Beach, CA</td>
<td>Development</td>
<td>900</td>
<td>85,000</td>
<td>1994</td>
<td>$913,000</td>
<td>$4,441,046</td>
</tr>
<tr>
<td>Highlands Ranch, CO</td>
<td>Development</td>
<td>525</td>
<td>50,000</td>
<td>1994</td>
<td>$600,000</td>
<td>$2,392,883</td>
</tr>
<tr>
<td>Littleton, CO</td>
<td>Development</td>
<td>490</td>
<td>56,000</td>
<td>1996</td>
<td>$610,000</td>
<td>$1,393,631</td>
</tr>
<tr>
<td>Novi, MI</td>
<td>Development</td>
<td>600</td>
<td>59,000</td>
<td>1996</td>
<td>$465,000</td>
<td>$1,013,221</td>
</tr>
<tr>
<td>Warren, MI</td>
<td>Development</td>
<td>375</td>
<td>43,000</td>
<td>1997</td>
<td>$322,478</td>
<td>$474,111</td>
</tr>
<tr>
<td>Columbia, MD</td>
<td>Development</td>
<td>1125</td>
<td>147,000</td>
<td>1997</td>
<td>$1,265,000</td>
<td>$9,202,779</td>
</tr>
<tr>
<td>Livonia, MI</td>
<td>Development</td>
<td>440</td>
<td>47,000</td>
<td>1997</td>
<td>$385,022</td>
<td>$642,388</td>
</tr>
<tr>
<td>Alexandria, VA</td>
<td>Acquisition</td>
<td>400</td>
<td>23,000</td>
<td>1998</td>
<td>$250,000</td>
<td>$2,277,632</td>
</tr>
<tr>
<td>Newport Beach, CA</td>
<td>Development</td>
<td>750</td>
<td>64,000</td>
<td>1998</td>
<td>$557,500</td>
<td>$3,339,670</td>
</tr>
<tr>
<td>Maple Shade, NJ</td>
<td>Development</td>
<td>425</td>
<td>45,000</td>
<td>1998</td>
<td>$1,175,000</td>
<td>$1,421,032</td>
</tr>
<tr>
<td>Woodbridge, VA</td>
<td>Development</td>
<td>540</td>
<td>58,000</td>
<td>1999</td>
<td>$219,000</td>
<td>$341,767</td>
</tr>
<tr>
<td>Centreville, VA</td>
<td>Development</td>
<td>920</td>
<td>87,000</td>
<td>1999</td>
<td>$1,000,000</td>
<td>$4,107,996</td>
</tr>
<tr>
<td>Berlin, NJ</td>
<td>Development</td>
<td>450</td>
<td>49,000</td>
<td>2000</td>
<td>$1,375,000</td>
<td>$467,483</td>
</tr>
<tr>
<td>Brick Township, NJ</td>
<td>Development</td>
<td>860</td>
<td>87,000</td>
<td>2001</td>
<td>$750,000</td>
<td>$1,436,745</td>
</tr>
<tr>
<td>Springfield, VA</td>
<td>Acquisition</td>
<td>575</td>
<td>54,000</td>
<td>2003</td>
<td>$2,933,216</td>
<td>$2,830,078</td>
</tr>
<tr>
<td>Fairfax Station, VA</td>
<td>Acquisition</td>
<td>775</td>
<td>78,000</td>
<td>2003</td>
<td>$2,885,113</td>
<td>$1,750,869</td>
</tr>
</tbody>
</table>

(1) The number of units located at property is subject to change over time related to the leasing needs of a particular property.
(2) Some of the programs were acquired prior to 1997. Cash flow prior to 1997 is not available.

Discussion of Prior Programs with Adverse Results

Dahn Corp. developments and acquisitions of prior self storage real estate programs occurring between 2000 and 2006 experienced certain adverse results such as loss of capital and ultimate foreclosure on debt secured by the individual properties. Beginning in 2009, the debts secured by the various projects started going into default, and despite attempts by Dahn Corp. between 2011 and 2013 to renegotiate and modify the debt terms or refinance the outstanding loans, it was unsuccessful and the applicable lenders foreclosed on the loans or assumed the properties through a deed in lieu of foreclosure. The total number of programs affected by the lenders’ actions was 16 (not included in the list above). Of the 16 programs, 7 were foreclosed on, 1 is pending foreclosure, 5 had a deed in lieu of foreclosure and 1 was sold at a loss. The properties represented by these foreclosures, deeds in lieu or sale at loss accounted for over 10,000 units. A total of $25 million was raised in these 16 programs and $13 million was returned to investors prior to the adverse actions.

Of the 16 programs that were lost through foreclosure or a deed in lieu of foreclosure: 2 programs returned over 300% of invested capital, 1 program returned 164% of invested capital, 2 programs returned approximately 100% of invested capital, 1 program returned 83% of invested capital, 1 program returned 53% of invested capital, 5
programs returned between 25% and 34% of invested capital, 4 programs experienced a complete loss of invested capital.

**PROPERTY MANAGEMENT EXPERIENCE**

Dahn Corp. has acted as the property manager to over 95 self storage facilities since its formation. Of these properties, over 40 were located in California, 14 in Colorado, 4 in Illinois, 8 in Maryland, 12 in Michigan, 12 in New Jersey, 5 in Virginia, 1 in Nevada and 1 in Washington. The total number of units managed exceeded 55,000.

**FIDUCIARY DUTIES OF THE MANAGER**

The Manager will not have any fiduciary duties other than the ones specifically described in the Operating Agreement and the implied duty of good faith and fair dealing that is required by the Delaware Limited Liability Company Act. The Manager is responsible for the control and management of the Company and must exercise good faith and fair dealing in handling Company affairs. The Manager has a fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in its immediate possession and control, and may not use or permit another to use such funds or assets in any manner except for the exclusive benefit of the Company. The funds of the Company will not be commingled with the funds of any other person or entity. The Manager may employ persons or firms to carry out all or any portion of the business of the Company and has the authority to employ contractors, architects, attorneys, accountants, engineers, appraisers or other persons or entities to assist it in the management and operation of the Company. Some or all of such persons or entities employed may be Affiliates of the Manager. In addition to those duties and obligations placed upon the Manager by the Operating Agreement, the Manager is accountable to the Members as a fiduciary under applicable Delaware law. This area of the law is rapidly developing, and investors who have questions concerning the fiduciary duties of the Manager should consult with their own legal counsel.

The Operating Agreement provides that the Manager (and its members, Affiliates, officers, partners, directors, employees, agents and assigns) will not be liable to the Company or the Members for any act or omission performed or omitted by it in good faith, but will be liable only for fraud, gross negligence or willful misconduct. Members and other holders of Units may, accordingly, have a more limited right of action against the Manager than they would have absent such an exculpatory provision in the Operating Agreement.

The Operating Agreement generally provides for indemnification of the Manager (and its members, affiliates, officers, partners, directors, employees, agents and assigns) and any officers of the Company by the Company (to the extent of Company assets) for any claims, liabilities and other losses that it may suffer in dealings with third parties on behalf of the Company not arising out of fraud, gross negligence or willful misconduct. In the case of a liability arising from an alleged violation of securities laws, the Manager may obtain indemnification only if (i) the Manager is successful in defending the action, (ii) the indemnification is specifically approved by the court of law which will have been advised as to the current position of the SEC (as to any claim involving allegations that the Securities Act was violated) or the applicable state authority (as to any claim involving allegations that the applicable state’s securities laws were violated) or (iii) in the opinion of counsel for the Company, the right to indemnification has been settled by controlling precedent. It is the opinion of the SEC that indemnification for liabilities arising under the Securities Act is contrary to public policy and, therefore, unenforceable.
CONFLICTS OF INTEREST

The Manager and its Affiliates may act, and are acting, as the manager of other limited liability companies and the general partner of other partnerships. The Manager and its Affiliates may form and manage additional limited liability companies or other business entities. The Manager and its Affiliates have existing responsibilities and, in the future, may have additional responsibilities to provide management and services to a number of other entities in addition to the Company. As a result, conflicts of interest between the Company and the other activities of the Manager and its Affiliates may occur from time to time. The principal areas in which conflicts may be anticipated to occur are described below.

Obligations to Other Entities

Conflicts of interest will occur with respect to the obligations of the Manager and its Affiliates to the Company and similar obligations to other entities. Moreover, the Company will not have independent management, as it will rely on the Manager and its Affiliates for all its management decisions. Other investment projects in which the Manager and its Affiliates participate may compete with the Company for the time and resources of the Manager and its Affiliates. The Manager will, therefore, have conflicts of interest in allocating management time, services and functions among the Company and other existing partnerships, projects and businesses, as well as any partnerships, projects or business entities which may be undertaken or organized in the future. Under the Operating Agreement, the Manager is obligated to devote as much time as it, in its sole discretion, deems to be reasonably required for the proper management of the Company and its assets. The Manager believes that it has the capacity to discharge its responsibilities to the Company notwithstanding participation in other investment programs and projects.

Interests in Other Activities

The Manager or any of its Affiliates may engage for their own account, or for the account of others, in other business ventures, whether related to the business of the Company or otherwise, and neither the Company nor any Member will be entitled to any interest therein solely by reason of any relationship with or to each other arising from the Company.

Acquisition of Other Properties

The Manager may form additional limited liability companies and other entities in the future to engage in activities similar to and with the same investment objectives as those of the Company. The Manager may be engaged in sponsoring other such entities at approximately the same time as the Company’s securities are being offered or its investments are being made. These activities may cause conflicts of interest between such activities and the Company, and the duties of the Manager concerning such activities and the Company. The Manager will attempt to minimize any conflicts of interest that may arise among these various activities.

Receipt of Compensation by the Manager and its Affiliates

The payments to the Manager and its Affiliates set forth under “Compensation to the Manager and its Affiliates” have not been determined by arm’s length negotiations. The Manager and its Affiliates will receive compensation pursuant to agreements that will be negotiated on behalf of the Company by the Manager and there will not be any independent valuation of such compensation. As a result, the Manager will determine its own compensation and the Members will not have approval rights for such compensation.

Manager’s Representation of Company in Tax Audit Proceedings

Situations may arise in which the Manager may act as Tax Matters Partner on behalf of the Company in administrative and judicial proceedings involving the IRS or other enforcement authorities. Such proceedings may involve or affect other entities for which the Manager or its Affiliates may act as the manager. In such situations, the positions taken by the Manager may have differing effects on the Company and the other entities. Any decisions made by the Manager with respect to such matters will be made in good faith consistent with the Manager’s
fiduciary duties both to the Company and the Members and to any other entities for which the Manager or an Affiliate may be acting as a manager. However, any Member who desires not to be bound by any settlement reached by the Manager may file a statement within the period prescribed by applicable tax regulations stating that the Manager does not have authority to enter into a settlement on his or her behalf.

**Legal Representation**

Counsel to the Company, the Manager, and their Affiliates in connection with the Offering (and prior offerings) is the same, and it is anticipated that such multiple representation will continue in the future. As a result, conflicts may arise in the future and if those conflicts cannot be resolved or the consent of the respective parties obtained to the continuation of the multiple representations after full disclosure of any such conflict, said counsel will withdraw from representing one or more of the conflicting interests with respect to the specific matter involved. Each Member acknowledges and agrees that counsel representing the Company, the Manager and its Affiliates does not represent and will not be deemed under the applicable codes of professional responsibility to have represented or to be representing any or all of the Members in any respect. Each Member consents to the Manager hiring counsel for the Company which is also counsel to the Manager. In addition, one or more attorneys from DLA Piper LLP (US) may make an investment to acquire Units pursuant to the terms of the Offering; provided, however, such investment in Units should not be taken as a representation or opinion concerning the operation of the Company’s business, its future success or any other matter related to the investment by any Member in the Company.

**Resolution of Conflicts of Interest**

The Manager has not developed, and does not expect to develop, any formal process for resolving conflicts of interest. However, the Manager is subject to a duty to exercise good faith and fair dealing in handling the affairs of the Company, which duty will govern its actions in all such matters. See “Fiduciary Duties of the Manager.” While the foregoing conflicts could materially and adversely affect the Members, the Manager, in its sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of its business judgment in an attempt to fulfill its fiduciary obligations. There can be no assurance that such an attempt will prevent adverse consequences resulting from the numerous conflicts of interest.

**Reimbursement of Expenses**

The Manager will be reimbursed by the Company for all direct costs incurred by the Manager when performing services on behalf of the Company, for certain expenses incurred with respect to the acquisition of the Projects (including interest on funds advanced) and for certain indirect costs allocable to the Company.

**Ownership of Units**

The Manager and its Affiliates may subscribe for any number of Units for any reason deemed appropriate by the Manager; provided, however, that the Manager will not purchase more than 10% of the Units (other than with respect to its purchase of Units prior to acceptance of the Minimum Offering Amount). In addition, the Manager and its Affiliates and principals will purchase at least 20 Units and up to 40 Units prior to the Company raising the Minimum Offering Amount. As a result, the Minimum Offering Amount will not be raised entirely from third party investors. The Manager and its Affiliates will not acquire any Units with a view to resell or distribute such Units. Any purchase of Units by the Manager and/or its Affiliates will be on the same terms and conditions as are available to all investors except that the Manager and its Affiliates, and Selling Group Members and their Affiliates, will be able to purchase Units net of Selling Commissions and Expenses. See “Plan of Distribution.” The purchase of Units by the Manager or its Affiliates could create certain risks, including, but not limited to, the following: (i) the Manager or its Affiliates would obtain voting power as Members, (ii) the Manager or its Affiliates may have an interest in disposing of Company assets at an earlier date than the other Members so as to recover its investment in the Units, (iii) substantial purchases of Units may limit the Manager’s ability to fulfill any financial obligations that it may have to or on behalf of the Company and (iv) acquisition of Units by the Manager and/or its Affiliates will mean that the total Units acquired will not have been provided by disinterested investors after an assessment of the merits and risks of the Offering.
COMPENSATION TO THE MANAGER AND ITS AFFILIATES

The following information summarizes the forms and estimated amounts of compensation (some of which involve cost reimbursements) to be paid by the Company, or others, to the Manager and its Affiliates. Much of this compensation will be paid regardless of the success or profitability of the Company. None of these fees were determined by arm’s length negotiations. Except as disclosed in this Memorandum, neither the Company nor any of its Affiliates, directors, officers, employees, agents or counselors are participating, directly or indirectly, in any other compensation or remuneration with respect to the Offering.

<table>
<thead>
<tr>
<th>Form of Compensation</th>
<th>Description</th>
<th>Estimated Amount of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offering and Organization Stage:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesaler Fees:</td>
<td>Certain internal wholesalers of the Manager and its Affiliates will receive commissions equal up to 0.25% of Total Sales. In addition, internal wholesalers will receive 5% of the Manager Promote.</td>
<td>The actual amount will depend, in part, upon the size of the Offering. The total wholesaler fees to be paid to internal wholesalers if the Maximum Offering Amount is raised is $125,000. The total amount of the Manager Promote is impracticable to determine at this time.</td>
</tr>
<tr>
<td>Reimbursement of Organization and Offering Expenses:</td>
<td>The Manager will be reimbursed by the Company for all Organization and Offering Expenses (including legal, accounting, printing, marketing, general advertising costs and other miscellaneous costs and expenses), as well as costs and expenses relating to the organization of the Company.</td>
<td>The actual amount will depend, in part, upon the size of the Offering. The Company anticipates that the Organization and Offering Expenses will be approximately $20,000 if the Minimum Offering Amount is sold (approximately 2% of the Minimum Offering Amount), and approximately $1,000,000 if the Maximum Offering Amount is sold (approximately 2% of the Maximum Offering Amount), exclusive of any additional amounts the Company will utilize to pay such expenses from the reduction of Selling Commissions and Expenses. In the event that the Organization and Offering Expenses plus Selling Commissions and Expenses exceed 8% of the aggregate Offering Proceeds with respect to the purchase of Units by any Member, the Manager will be responsible for paying such amounts over 8%.</td>
</tr>
<tr>
<td><strong>Operating Stage:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursement of Expenses to Manager:</td>
<td>Reimbursement of reasonable and necessary expenses paid or incurred by the Manager in connection with the operation of the Company, including any legal and accounting costs (which may include an allocation of salary) and any costs incurred in connection with the acquisition of the Projects, including travel, surveys, environmental and</td>
<td>Impracticable to determine at this time.</td>
</tr>
</tbody>
</table>
other studies and interest expense incurred on deposits or expenses, to be paid from operating revenue.

Acquisition Fee: The Manager will be entitled to receive an Acquisition Fee in an amount up to 0.5% of the purchase price of the Projects; provided, however, that the Manager will not receive an Acquisition Fee for any Project that is being purchased from reinvestment proceeds.

Impracticable to determine at this time.

Asset Management Fee: The Property Manager will be entitled to receive an annual Asset Management Fee equal to 1% of the purchase price or gross valuation for property contributions of the Projects owned by the Company. The Asset Management Fee will be paid on a quarterly basis.

Impracticable to determine at this time.

Property Management Fees: The Property Manager will be entitled to receive an annual Property Management Fee in an amount up to 5.9% of gross revenues from the Projects. The Property Management Fee will be paid monthly.

Impracticable to determine at this time.

Construction Management Fee: The Property Manager will receive a Construction Management Fee equal to equal to 5% of any amount expended for construction or repair projects with respect to a Project (including related professional services) up to $50,000. 4% of any amount expended for construction or repair projects with respect to a Project (including related professional services) over $50,000 and less than $100,000 and 3% of any amount expended for construction or repair projects with respect to a Project (including professional services) over $100,000.

Impracticable to determine at this time.

Financing Fee: The Property Manager will be entitled to receive a Financing Fee in an amount of 0.25% of the amount of any financing or refinancing obtained with respect to the Projects. Such amount will be in addition to any financing or broker fee due to any third party broker.

Impracticable to determine at this time.
Insurance Program: Affiliates of the Manager will offer insurance to tenants at the Projects. An Affiliate of the Manager will retain 25% of the amount of the premiums paid by tenants who obtain insurance. The remaining 75% will be used by a separate Affiliate of the Manager to pay for any insurance losses. Any profit above insurance losses will be retained by such Affiliate. Impracticable to determine at this time.

Truck Rental Program: An Affiliate of the Manager will operate a truck rental program for tenants at the Projects and will receive fees related to such program including a set fee per truck rental and/or a leasing fee paid at the Project level for the right to operate the leasing operations, depending on the structure of the rental contract at the Project. Impracticable to determine at this time.

Interest in the Company:

Distributions of Cash From Operations: The Manager will receive, after the Members have received an amount equal to their accrued but unpaid Preferred Return 25% of all Cash From Operations. Impracticable to determine at this time.

Allocation of Net Income: The Manager will be allocated Net Income, after the Members have been allocated an amount equal to their Preferred Return, 25% of all Net Income. Impracticable to determine at this time.

Allocation of Net Loss: The Manager will be allocated Net Loss in an amount equal to all Net Income previously allocated to the Manager. Impracticable to determine at this time.

Liquidation Stage:

Disposition Fee: The Manager will be entitled to receive a Disposition Fee in an amount up to 0.75% of the sales price of the Projects in connection with any sale, exchange or other disposition of a Project. Such amount will be in addition to any commission or other fee due to any third party broker. Impracticable to determine at this time.
DESCRIPTION OF LIMITED LIABILITY COMPANY UNITS

The Units represent equity interests in the Company and entitle the holder thereof to participate in certain Company allocations and distributions. Persons who purchase Units from the Company will become Members in the Company and be entitled to vote on certain Company matters. See “Summary of the Operating Agreement.”

The Company is offering for sale 10,000 Units at $5,000 per Unit. The Company may, in its sole discretion, accept purchases of Units net of the Selling Commissions otherwise payable (for a net purchase price of $4,650 per Unit based on a 7% Selling Commission) from investors purchasing through a registered investment advisor, from the Manager or its Affiliates or as otherwise determined in the sole discretion of the Manager. In addition, other investors may purchase Units through general advertising by the Company and through selected broker-dealers and may purchase Units at lower commission rates. See “Plan of Distribution.”

Certain investors who have previously invested in companies sponsored by the Manager and its Affiliates may acquire Units net of all or a portion of the Selling Commissions and Expenses.

The minimum investment in the Company is 5 Units ($25,000), except that the Company may permit certain investors to purchase fewer Units in its sole discretion.

Units may not be freely assigned and are subject to restrictions on transfer by law, by regulation in the state where they are sold, and by the Operating Agreement, and may be subject to restrictions on transfer imposed by lenders. It is not anticipated that a public trading market in the Units will develop. See “Restrictions on Transferability.”

RESTRICTIONS ON TRANSFERABILITY

There are substantial restrictions on the transferability of the Units in the Operating Agreement and imposed by state and federal securities laws. Before selling or transferring a Unit, a Member must obtain the written consent of the Manager and comply with applicable requirements of federal and state securities laws and regulations, including the financial suitability requirements of such laws or regulations. It is highly unlikely that any market for Units will ever develop and prospective investors should view an investment in Units as solely a long-term investment.

In addition, the Operating Agreement provides that an assignee of Units may not become a Substituted Member without meeting certain conditions and without consent to such substitution by the Manager, which consent the Manager may withhold in its sole discretion. If an assignee is not admitted to the Company as a Substituted Member, such assignee will have no right to vote on Company matters, will have no right to information relating to the Company’s business, and will have no right to participate in the management of the business and affairs of the Company. Such assignee will only be entitled to receive a share of profits and distributions to which a member would otherwise be entitled. Further, no transfer will be allowed unless the Manager determines that the transfer will not cause the Company to be “publicly traded.” See “Federal Income Tax Consequences.”

The Units offered by this Memorandum have not been registered under the Securities Act or by the securities regulatory authority of any state. The Units may not be resold unless they are registered under the Securities Act and registered or qualified under applicable state securities laws or unless exemptions from such registration and qualification are available.

Appropriate legends setting forth the restrictions on the transfer of the Units will be set out on any certificates representing Units. It is currently not anticipated that certificates will be issued with respect to the Units.
SUMMARY OF THE OPERATING AGREEMENT

General

The rights and obligations of the Members will be governed by the Operating Agreement, a copy of which is printed in its entirety as Exhibit A hereto. Any prospective purchaser of the Units offered hereby should review the entire Operating Agreement before subscribing. The following is merely a summary of some of the significant provisions of the Operating Agreement and is qualified in its entirety by reference thereto.

The Company has been formed under the Delaware Limited Liability Company Act. The Manager is Dahn America360 Manager, LLC. The Initial Member is Dahn Corporation. The purchasers of the Units offered hereby will become Members of the Company.

The character and general nature of the business to be conducted by the Company is the acquisition and operation of the Projects. The principal place of business of the Company (and the mailing address of the Company) is 18552 MacArthur Boulevard, Suite 495, Irvine, CA 92612 and the telephone number is (949) 752-1282.

Term and Dissolution

The term of the Company will continue until December 31, 2060, although it may dissolve sooner upon the happening of certain events. It is anticipated that the Company will have an operating life of approximately 10 years.

Capital Contributions

The Initial Member has contributed $100 to the Company, which will be returned when additional Members are admitted to the Company. Members will contribute cash to the Company in exchange for Units.

Allocation of Net Income

Net Income, subject to certain limitations, will be allocated as follows:

(1) First, among the Members and the Manager in proportion to and to the extent of Net Loss previously allocated to the Members and the Manager for all previous fiscal years in reverse order of priority;

(2) Second, among the Members in proportion to their accrued but unallocated Preferred Return until the Members have been allocated an amount equal to their accrued but unallocated Preferred Return; and

(3) Thereafter, 75% to the Members in proportion to their outstanding Units and 25% to the Manager.

Allocation of Net Loss

Net Loss, subject to certain limitations, will be allocated as follows:

(1) First, among the Members and the Manager in proportion to and to the extent of Net Income previously allocated to the Members and the Manager for all previous fiscal years in reverse order of priority;

(2) Second, to the Members in proportion to their Units, provided that Net Loss will not be allocated to any Member to the extent such allocation would cause such Member to have an Adjusted Capital Account Deficit at the end of a fiscal year; and

(3) Thereafter, 100% to the Manager.
**Distributions of Cash From Operations**

Subject to the Manager’s discretionary right to reinvest proceeds within 3 years of the Offering Termination Date, Cash From Operations will be distributed in the following order of priority:

1. First, 100% to the Members, in proportion to their accrued but undistributed Preferred Return, until the Members have been distributed an amount equal to their accrued but undistributed Preferred Return;

2. Second, 100% to the Members, in proportion to their Net Capital Contributions, until the Members’ Net Capital Contributions are reduced to zero; and

3. Thereafter, 75% to the Members in proportion to their Units and 25% to the Manager.

Notwithstanding the above, the Company may, at the option of the Manager, make Distributions to the Manager prior to making the Distributions set forth in (1) above, to the extent such Distributions are needed to pay any income taxes associated with allocations of Net Income to the Manager. Any such Distribution will reduce subsequent Distributions to be made to the Manager.

**Clawback**

Notwithstanding the above, upon the sale or exchange of the last Project, the Manager will contribute prior income tax related distributions it has received from the Company to the Company to the extent that the tax distributions cause the Manager to receive distributions that exceed the amount that would have been distributed to the Member if the Manager did not receive such distributions.

**Repurchases of Units**

The Operating Agreement provides that under certain circumstances the Company may, in the sole discretion of the Manager and upon the request of a Member, repurchase the Units held by such Member.

1. For 2 years beginning 1 year after the Offering Termination Date, the purchase price for the repurchased Units will be equal to 85% of the original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case; and

2. Thereafter, the purchase price for the repurchased Units will be equal to 90% of the original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case.

The fair market value of the Units will be determined by the Manager, in its sole discretion taking into consideration the value of the assets of the Company at the time of the proposed repurchase.

Notwithstanding the above and subject to the discretion of the Manager in its sole discretion, in the case of the death or complete disability of a Member, the redemption of the Member Units may occur at any time after the Offering Termination Date and, if accepted by the Manager, the purchase price for the repurchased Units will be equal to 90% of the original Capital Contribution of such Member reduced by the amount of any returned capital by the Company; provided, however, the purchase price will not exceed the fair market value of the Units in any case.

The Manager, in its sole discretion, will determine in good faith whether a Member becomes completely disabled based on the definition of “disabled” under the federal Social Security Act. The federal Social Security Act generally defines disabled or disability as the inability to engage in any substantial gainful activity because of a medically determinable physical or mental impairment(s) that either (i) can be expected to result in death or (ii) has lasted or that we can expect to last for a continuous period of not less than 12 months. The Manager may rely on a determination made by the Social Security Administration’s office in the Member’s state in making its determination that the Member’s medical condition is considered a disability under the Social Security Act.
Repurchase upon complete disability will only be available to Members who become completely disabled after the purchase of their Units. If the Units are purchased by joint owners, the repurchase upon complete disability or death will be available when either joint owner first becomes completely disabled or dies. If the Units are purchased by a non-natural person, i.e., an entity, such entity investor must designate a beneficial owner of such entity, or beneficiary in the case of a trust, on its Subscription Agreement at the time it subscribes for Units that will be used in determining the entity’s eligibility for repurchase upon complete disability or death. Complete disability or death of the designated beneficial owner or beneficiary will entitle such entity to repurchase upon complete disability or death. The designated beneficial owner of a non-trust entity must either be a majority owner of such entity or have direct or indirect voting control of such entity.

Neither the Company nor the Manager will have any liability to any Member for any damages resulting from or related to the Member’s presentment of the Member’s Units. Further, Members will have complete responsibility for payment of all taxes, assessments and other applicable obligations resulting from the Company’s repurchase of Units.

The Company will limit transfers of Units to transfers of not more than 2% of the total Units per year other than transfers for the following: (i) transfers as a result of death or incompetency, (ii) transfers between family members, (iii) transfers pursuant to the Company’s repurchase plan (which will permit repurchases of up to 10% of the Units per year other than private transfers under Treasury Regulations § 1.7704-1(e)), (iv) other transfers that qualify as “private transfers” as set forth in Treasury Regulations § 1.7704-1(e) or (v) other transfers that will not result in the Company being treated as a publicly traded partnership as set forth in the Treasury Regulations. Any Units owned by the Manager or its Affiliates may not be repurchased by the Company.

Authority of the Manager

The Manager has the exclusive authority to manage and control all aspects of the business of the Company. In the course of its management, the Manager may, in its sole discretion, employ such persons, including, under certain circumstances, Affiliates of the Manager, as it deems necessary for the operation and management of the Company; provided, however, that Members have the power to remove the Manager by a Majority Vote but only for (i) fraud, gross negligence or willful misconduct as determined by a non-appealable judgment of a court of competent jurisdiction or (ii) upon the occurrence of an Event of Insolvency with respect to the Manager. Such removal of the Manager will not be effective until the Manager receives in cash the full value of its membership interest in the Company, if any.

Voting Rights of Members

Although they are not permitted to take part in the management or control of the business of the Company, the Members have the right to vote on the following matters:

1. Remove a Manager as provided in the Operating Agreement;
2. Admit a Manager or elect to continue the business of the Company after a Manager ceases to be a Manager when there is no remaining Manager;
3. Amend the Operating Agreement;
4. Any merger or combination of the Company or roll-up of the Company; and
5. Elect to continue the Company in the event of a Dissolution Event.

The Manager may, at any time, call a meeting of the Members, or may call for a vote of the Members without a meeting on matters on which the Members are entitled to vote. In addition, a meeting of the Members will be called by the Manager upon receipt of written request therefore by Members holding more than 10% of the outstanding Units.
Liabilities of Members

A Member’s capital is subject to the risks of the Company’s business. Members are not permitted to take part in the management or control of the business of the Company. Assuming that the Company is operated in accordance with the terms of the Operating Agreement, a Member will not be liable for the liabilities of the Company in excess of his or her total Capital Contributions and share of undistributed profits. A member is obligated to return a distribution from a limited liability company to the extent that at the time of the distribution the member knew that after giving effect to the distribution, all liabilities of the limited liability company, other than liabilities to members on account of their interest in the limited liability company and nonrecourse liabilities which the recourse of creditors is limited to specified property of the limited liability company, exceed the fair value of the limited liability company’s assets, provided that the fair value of any property that is subject to a nonrecourse liability is included in the limited liability company’s assets only to the extent that the fair value of the property exceeds the nonrecourse liability.

The Operating Agreement provides that the Members will not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company.

Liabilities of the Manager

The Manager will not have liability for the debts and obligations of the Company after exhaustion of Company assets and the Manager will not have an obligation to restore any deficit in its Capital Account upon liquidation of the Company.

Books and Records

At all times during the term of the Company, the Manager is required to keep true and accurate books of account of all of the financial activities of the Company. Such books of account will be kept on the accrual basis of accounting and they will be open for inspection by the Members or their representatives at any reasonable time. The Manager may make such elections for federal and state income tax purposes as it deems appropriate, and the fiscal year of the Company will be the calendar year.

Amendments

The Operating Agreement may be amended by the Manager with the consent of the Majority Vote, except that the Manager may amend the Operating Agreement without action by the Members to (i) modify the allocation provisions of the Operating Agreement to comply with Code Section 704(b); (ii) add to the representations, duties, services or obligations of the Manager or any Affiliates for the benefit of the Members; (iii) cure any ambiguity or mistake, correct or supplement any provision in the Operating Agreement that may be inconsistent with any other provision, or make any other provision with respect to matters or questions arising under the Operating Agreement that will not be inconsistent with the provisions of the Operating Agreement; (iv) amend the Operating Agreement to reflect the addition or substitution of Members or the reduction of the Capital Accounts upon the return of capital to the Members; (v) minimize the adverse impact of, or comply with, any “plan assets” for ERISA purposes; (vi) reconstitute the Company under the laws of another state if beneficial to the Company; (vii) execute, acknowledge and deliver any and all instruments to effectuate the foregoing, including the execution, acknowledgment and delivery of any such instrument by the attorney-in-fact for the Manager under a special or limited power of attorney and to take all such actions in connection therewith as the Manager deems necessary or appropriate with the signature of the Manager acting alone; (viii) make any changes to the Operating Agreement required by a lender; (ix) change the name and/or principal place of business of the Company; or (x) decrease the rights and powers of the Manager (so long as such decrease does not impair the ability of the Manager to manage the Company and conduct its business affairs). No amendment will be adopted pursuant to (ix) or (x) above without the consent of the Members unless the adoption thereof (a) is for the benefit of and not adverse to the interests of the Members and (b) does not affect the limited liability of the Members or the status of the Company as a partnership for federal income tax purposes.
Prohibitions

The Operating Agreement provides that the Manager may not receive any rebate, kick-back or give-up in connection with the operation of the Company, nor may the Manager participate in any reciprocal business arrangements that would circumvent the restrictions set forth in the Operating Agreement prohibiting certain types of dealings between the Manager, its Affiliates and the Company. Neither the Manager nor any Affiliates will directly or indirectly pay or award any finder’s fees, commissions or other compensation to any person engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchase of an interest in the Company; provided, however, that the Manager will not be prohibited from paying underwriting or marketing commissions to registered broker-dealers or other properly licensed persons for their services in marketing Units as provided for in the Operating Agreement.
FEDERAL INCOME TAX CONSEQUENCES

The following discussion applies only to persons purchasing Units directly from the Company. Investors should not view the following analysis as a substitute for careful tax planning, particularly because 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. Investors should be aware that the following discussion necessarily condenses or eliminates many details that might adversely affect some investors significantly.

Certain aspects of the following summary of federal income tax consequences to Members are the subject of an opinion from DLA Piper LLP (US), the Company’s counsel. This opinion is based on counsel’s interpretation of the Code, Treasury Regulations promulgated thereunder, published rulings of the IRS and court decisions, as these existed at the time the opinion was rendered. An opinion of counsel only represents such counsel’s best legal judgment and has no binding effect on the IRS or the courts. Thus, no assurance can be given that the conclusions set forth in such opinion 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 therein. Any such changes may or may not be retroactive with respect to transactions prior to the date of such changes.

Congress has recently enacted several major tax bills that substantially affect the tax treatment of real estate and tax consequences to the Members, including the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2011. In many instances, Congressional Committee reports have been relied upon for the interpretation and application of many of these new provisions to the Company. While the Treasury Department is authorized to issue extensive substantive regulations on such tax bills, few have been issued to date, including pursuant to the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2011.

The discussion of the tax aspects contained in this Memorandum is based on law presently in effect and certain proposed Treasury Regulations. Nonetheless, you should be aware that new administrative, legislative or judicial action could significantly change the tax aspects of the Company. Congress is currently analyzing and reviewing numerous proposals regarding changes to the federal income tax laws. The extent and effect of any such changes, if any, are 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.

There is uncertainty concerning certain of the tax aspects discussed herein, and 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 might be faced with substantial legal and accounting costs in resisting a challenge by the IRS to the tax treatment of an investment in the Company, even if the IRS’s challenge proves unsuccessful.

You should not purchase Units solely for the purpose of obtaining tax shelter for income from sources other than the Company. It is unlikely that the Company will provide any such tax shelter. Even if, as a Member, you are entitled to deduct your share of the Company’s losses on your personal tax return, any such deductions may be relatively small in relation to the amount invested in the purchase of Units. A significant portion of the amount invested may be allocated to the purchase of land, which, unlike buildings and other improvements, is not depreciable for income tax purposes, or other nondeductible expenses. You are urged to consult your own tax advisors as to the tax consequences of an investment in Units.
Tax Consequences Regarding the Company

Status as Partnership. Treasury Regulations 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. Based on this representation, the Company has received an opinion of counsel that the Company will be treated as a partnership for federal income tax purposes.

If the Company is treated as a partnership for federal income tax purposes, each Member will be required to include in income his or her distributive share of the Company’s income, gain, loss, deductions or credits. Consequently, each Member will be subject to tax on his or her 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 is treated as a corporation for tax purposes, 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 or her Units.

Anti-Abuse Rules. Generally, partnerships are not liable for income taxes imposed by the Code. The Treasury Regulations issued under Section 701 of the Code set forth broad “anti-abuse” rules applicable to partnerships. These rules authorize the Commissioner of the IRS to recast transactions involving the use of partnerships either to reflect the underlying economic arrangement or to prevent the use of a partnership to circumvent the intended purpose of any provision of the Code. The Manager is not aware of any fact or circumstances relating to the Company that could cause the Commissioner of the IRS to exercise his authority under these rules. If any of the transactions entered into by the Company were to be recharacterized under these rules, or the Company were to be recast as a taxable entity under these rules, it could have a material adverse effect on the Members. The application of the “anti-abuse” rules is a question of fact. Consequently, counsel has expressed no opinion on the applicability of the “anti-abuse” rules to the Company.

Publicly Traded Partnership. Certain publicly traded partnerships are taxed as corporations for federal income tax purposes. Publicly traded partnerships are defined as partnerships whose interests are (1) traded on an established securities market or (2) readily tradable on a secondary market or the substantial equivalent thereof. The Units will not be traded on an established securities market. The determination as to whether the Company will be considered “publicly traded” will depend on the number and type of subsequent transfers of Units. The Operating Agreement provides that any transfer of Units will not be effective unless and until the Manager determines that such transfer will not cause the Company to be considered a publicly traded partnership under the applicable IRS guidelines. It is unclear whether the Manager will be able to effectively limit possible transfers. However, a partnership, even though “publicly traded,” will not be treated as a corporation for tax purposes if 90% or more of its gross income consists of “qualifying income.” Qualifying income includes interest, dividends, real property rents, gain from the disposition of real property and income and gains from certain natural resource activities. The Company will be engaged in the rental of real estate and the operation of self storage facilities. The Manager will try to operate the Company so that at least 90% of the Company’s income will be from rent from real property. The Company may not meet the 90% “qualifying income” test because of its operation of self storage facilities and may be taxed as a corporation under the provisions governing publicly traded partnerships.

The Company and the Members will be subject to additional rules if the Company is publicly traded but the Company is not taxed as a corporation. The net income from publicly traded partnerships not taxed as corporations is not treated as passive income for purposes of the passive loss rules. Each partner in a publicly traded partnership treats the income or loss from the partnership as separate from the income or loss from any other publicly traded partnership and separate from any other income or loss from passive activities. Net income from publicly traded partnerships may only be offset by net loss for the applicable partnership (and not for any other partnership or investment held by the applicable taxpayer) under the passive loss rules. In Treasury Notice 88-75, the IRS stated that forthcoming regulations will treat net passive income of a publicly traded partnership as investment income for purposes of the limitation on investment interest expense. Net losses attributable to a partner’s interest in a publicly

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traded partnership are not allowed against the partner’s other income but instead are suspended and carried forward. Such losses can be applied against the net income from the partnership in the next tax year (or the next succeeding tax year in which the holder of the interest in the partnership has net income from the partnership). Upon a complete disposition (within the meaning of the passive loss rules) of the partner’s entire interest in a publicly traded partnership, any remaining suspended losses are allowed.

**Limitations on Losses and Credits 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 materially participates, which would include holding an interest as a member, and (2) rental activities. Thus, a Member’s share of the Company’s Net Income and Net Loss 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 or her entire interest in the activity in a taxable transaction.

In the case of rental real estate activities in which an individual actively participates, up to $25,000 of losses (and credits in a deduction-equivalent sense) from all such activities are allowed each year against portfolio income and salary and active business income of the taxpayer. Except as provided below with respect to “real estate professionals,” Members will not be actively participating in the Company’s rental real estate activities and, therefore, will not be able to deduct any Company Net Loss against their portfolio or active business income. In addition, the $25,000 allowable loss is subject to a phase-out for any individual whose adjusted gross income is more than $100,000. An individual whose gross adjustable income is greater than $150,000 will not be permitted to use any of the off-set.

Certain taxpayers (“real estate professionals”) can deduct losses and credits from rental real estate activities against other income, such as salaries, interest, dividends, etc. A taxpayer qualifies for this exception to the passive loss rules described above if: (1) more than one-half of the personal services performed by the taxpayer in trades or businesses during a year are performed in real property trades or businesses in which the taxpayer materially participates; and (2) the taxpayer performs more than 750 hours of services during the year in real property trades or businesses in which the taxpayer materially participates. In the case of a joint return, one spouse must satisfy both requirements. A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing or brokerage trade or business. In determining whether a taxpayer performs more than half of his or her personal services in real property trades or businesses, services performed as an employee are disregarded unless the employee owns more than 5% of the employer. The question of whether the Company will be engaged in a trade or business is a question of fact. Consequently, counsel has expressed no opinion on this issue.

**Allocation of Net Income and Net Loss.** Net Income and Net Loss 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. Code Section 702 provides that, in determining income tax, a Member must take into income his or her “distributive share” of the Company’s income, gain, loss, deduction or credit. The Members 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 Member’s distributive share in accordance with the Member’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 Code Section 704(b) 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 in accordance with the partners’ capital account balances, 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’ obligations to restore deficit capital account balances are 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 nonrecourse liabilities of a partnership (“nonrecourse 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, nonrecourse deductions must be allocated in accordance with the partners’ interests in the partnership. Allocations of nonrecourse deductions are deemed to be made in accordance with the partners’ interests in the partnership if, and only if, the following conditions are satisfied:

1. Throughout the full term of the partnership, the partners’ 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.

2. Beginning in the first taxable year in which there are nonrecourse deductions and thereafter throughout the full term of the partnership, the operating agreement provides for allocations of nonrecourse 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 nonrecourse liabilities of the partnership.

3. Beginning in the first taxable year of the partnership in which the partnership has nonrecourse deductions and thereafter throughout the full term of the partnership, the operating agreement contains a “minimum gain chargeback,” as defined in the Treasury Regulations.

4. 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. The Operating Agreement contains a “minimum gain chargeback” provision, and the nonrecourse 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 Income. Members are not required to restore a deficit Capital Account balance. The Operating Agreement, however, contains a “qualified income offset” provision.

Based on the Operating Agreement, counsel is of the opinion that it is more likely than not, if litigated, that the allocations of Net Income and Net Loss as set forth in the Operating Agreement will be deemed to be in accordance with the Members’ interests in the Company and thus will be respected for federal income tax purposes. The question of whether the economic effect of the Company’s allocations is “substantial” is inherently factual and
depends on facts that are not currently determinable. Counsel, therefore, has not rendered an opinion on whether the Company’s allocations have “substantial economic effect.”

**Transfers of Units.** For federal income tax purposes, items of income, gain, loss, deduction or credit of the 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 partner of the Company for tax purposes.

If any Member’s interest in the 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.

The legislative history concerning this provision indicates that a monthly convention will be provided for by regulation. Under this convention, partners entering on the sixteenth day of the month or later will be treated as entering on the first day of the following month, and partners entering during the first 15 days of the month will be treated as entering on the first day of the month. The regulations may also provide for other conventions and may deny the use of any convention when the occurrence of significant, discrete events (e.g., a large, unusual gain or loss) would mean that use of the convention could result in significant tax avoidance.

The Net Income or Net Loss allocable to any Units transferred during any year will be allocated among the persons who were the holders thereof during such year in proportion to the number of months that each such holder was recognized as the owner of such Units during the year (for the purposes of such allocation, ownership for each month is determined as of the fifteenth day of each month). A holder who purchases a Unit during the first 15 days of a month will receive allocations of Net Income and Net Loss relative to such month. A holder who purchases a Unit on or after the sixteenth day of the month will be treated for income tax allocation purposes as acquiring the Unit on the first day of the following month. The holder of a Unit will be required to report a share of the Company’s Net Income or Net Loss during the period of such holder’s ownership on his or her personal income tax return even though the holder receives no distributions with respect to such period of ownership and/or the amount distributed to such holder has no relationship to the amount that he or she is required to report.

**Calculation of a Member’s Adjusted Basis.** Each Member’s adjusted basis in his or her Units will be equal to such Member’s cash Capital Contributions increased by (i) the amount of his or her share of the Net Income of the Company, and (ii) his or her share of nonrecourse indebtedness to which Company Property is subject, if any. A Member’s share of nonrecourse liabilities is the sum of (i) the Member’s share of Company minimum gain; (ii) the amount of any taxable gain that would be allocated to the Member under Code Section 704(c); and (iii) the Member’s share of the excess nonrecourse liabilities. The Operating Agreement specifies that the excess nonrecourse liabilities will be allocated in proportion to the outstanding Units.

A Member’s basis in his or her Units is reduced, but not below zero, by (x) the amount of the Member’s share of Company Net Loss and expenditures that are neither properly deductible nor properly chargeable to a 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 or her Units, any reduction in the amount of Company nonrecourse indebtedness will be treated as a cash distribution to such Member in accordance with the Member’s 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 nonrecourse 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 the 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 a limited liability company, such as the Company, 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 nonrecourse liability of the Company. An exception to this rule applies in the case of a member (or related person) who makes a nonrecourse loan to the Company. In such a case, the lending member or related person is considered to bear the economic risk of loss for such liability.

Permanent loans for the Projects are anticipated to be nonrecourse to the Company. It is anticipated that the lenders’ sole recourse will be the Projects and collateral securing the Projects. Although it is expected that there will be typical nonrecourse carve-outs for the loans for which the Company will be personally liable, Members should be entitled to include in their tax basis their share of the loans if the nonrecourse provisions in the loans are as anticipated. If the loans are recourse, Members cannot include the amount of the loans in their adjusted basis and the deductions attributable to the loans will be allocated to the Members that bear the economic risk of loss.

It is possible that a loan may be obtained by the Company that is recourse to the Manager or its Affiliates. In that event, the Manager, and not the Members, will be allocated the debt applicable to any such loan.

To the extent that a Member’s share of Company Net Loss exceeds the adjusted basis of such Member’s Units at the end of the Company year in which such Net Loss occurs, such excess Net Loss cannot be used 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 Loss from a prior year).

Treatment of Cash Distributions from the Company. The Operating Agreement provides for cash distributions resulting from operations of the Company. Cash distributions (including for federal income tax purposes, a Member’s share of any reduction in nonrecourse indebtedness) made to a Member, other than those made in exchange for or in redemption of all or part of a Member’s Units, will generally not affect the calculation of a Member’s distributive share of Net Income or Net Loss from the Company. Such distributions are generally first applied against and reduce the Member’s adjusted basis in his or her Units. To the extent that such distributions are so applied against and reduce the adjusted basis of the Member’s Units, they will not give rise to a realization of income, gain or loss by the Member. Cash distributions in excess of a Member’s adjusted basis in his or her Units will result in the recognition of gain to the extent of such excess. Ordinarily, any such recognized gain will be treated as gain from the sale or exchange of a Unit. See “Treatment of Gain or Loss on Disposition of Units” below.

Net Income in Excess of Cash Distributions. It is possible that a Member’s share of the Company Net Income may exceed the cash distributed to the Member with respect to his or her Units and such Member’s tax liability on that share may even exceed such distribution.

Treatment of Liquidating Distributions. Generally, upon liquidation or termination of the Company, gain will be recognized by a Member only to the extent that cash is distributed (including the Member’s share of any reduction in Company nonrecourse liabilities) in excess of such Member’s adjusted basis in his or her 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 because any transferee of Units will be required to comply with the minimum purchase requirements and the investor suitability requirements imposed by the transferee’s state of residence or by the Company and because all assignees of Units may be admitted as Substituted 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 Projects) or inventory items (which will include Projects held for re-sale) 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.
A transferor Member must notify the Company of a sale or exchange of his or her Units involving unrealized receivables or inventory. Once the Company is so notified, it must report to the IRS the transferor and the transferee on the sale or exchange. Penalties will apply to the failure by the transferor partner to report to the Company, and the failure by the Company to report to the IRS the transferor and the transferee.

In determining the amount realized upon the sale or exchange of Units, a Member must include, among other things, the Member’s 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.

**Sale or Other Disposition of Company Property.** In general, if the interests in the Projects constitute capital assets in the hands of the Company, any profit or loss realized by the Company on a 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 that is equal to or less than past depreciation (other than ordinary income recapture) taken on a Project will be taxed to individuals at 25%. Any additional capital gain attributable to property held more than 12 months will generally be taxed to individuals at a rate of up to 20%. If, however, it is determined that the Company is a “dealer” in real estate for federal income tax purposes, the gain or loss will not be capital gain or loss.

If the Company is deemed a “dealer” and the Projects are not considered to be capital assets or Code Section 1231 assets, any gain or loss on the sale or other disposition of the Projects would be treated as ordinary income or loss. It is anticipated that the Company will acquire and hold the Projects for investment purposes. In the event the Company holds any Project for re-sale, it is likely that Company will be deemed a “dealer” with respect to the Projects held for re-sale and that income derived from the sale of the Projects will be taxed as ordinary income. The question of “dealer” status is a question of fact to be determined at the time of the sale of the Projects. Consequently, counsel has expressed no opinion on this issue.

If the assets sold or involuntarily converted constitute Code Section 1231 assets, a Member would combine his or her distributive share of Company gains or losses attributable to such assets with any other Code Section 1231 gains or losses realized by such Member in that year, and the resultant net Code 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 Code Section 1231 property over several years. In general, net Code Section 1231 gains are recaptured as ordinary income to the extent of net Code Section 1231 losses in the five preceding taxable years.

In determining the amount realized upon the sale, exchange or other disposition of the Projects, the Company must include, among other things, the amount of any liability to which the Projects are subject. Furthermore, the Company may take back purchase money obligations as part of the consideration for the sale of the Projects. The Company may try 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.** In the event of a foreclosure of a mortgage or deed of trust on Company 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 Project, even though the Company might realize an economic loss upon such a foreclosure. In the event of a foreclosure relating to recourse debt, it will be treated as a discharge of indebtedness to the extent that the outstanding loan amount is greater than the fair market value of the property of the Company at the time of foreclosure. 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 be treated as the Company contributing all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and, immediately thereafter, the Company would be treated as distributing interests in the new partnership to the purchasing Members and the other remaining Members in proportion to their percentage interests in the Company in liquidation of the Company.

**Dissolution.** A 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 a dissolution, the Company were required to liquidate the Company’s Property during a limited period of time, the Company might sustain substantial economic losses based on the original cost of the Project. 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 Company Property. See “Sale or Other Disposition of Company Property” above.

**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 (Code Section 734) and transfers of Units (Code Section 743) provided that a Company election has been made pursuant to Code 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 it is empowered to do so by the Operating Agreement. Therefore, any benefits that 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 selling Units because the purchaser will obtain no current tax benefits from the investment to the extent that such investment exceeds his or her 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.

**Accrual Method of Accounting.** Code Section 461(a) provides that the amount of any deduction allowed under the Code will be taken for the taxable year that is the proper taxable year under the method of accounting used in computing taxable income. The Company, subject to Code Section 446(b), which provides the IRS with authority to require the use of an accounting method that clearly reflects income, is required to use the accrual method of accounting pursuant to Code Section 448. The Company will use the accrual method of accounting in calculating its income. In general, an accrual-basis taxpayer may deduct an expense in the year that his or her obligation for the payment is absolutely fixed and the amount thereof can be determined with reasonable accuracy. The liability must also be binding and enforceable, and there must be reasonable belief on the part of the debtor that the liability will be paid and there must be economic performance of the particular item or transaction underlying the liability and deduction. If the liability arises out of another person’s providing services to the Company, economic performance occurs as the services are provided. If the liability arises out of another person’s providing property to the Company, economic performance occurs as the property is provided. If the liability arises out of the Company’s use of property, economic performance occurs as the Company uses the property. If the liability requires the Company to provide property or services, economic performance occurs as the Company provides the property or services. If the IRS determines that the accounting method used by the Company does not clearly reflect income, the income of the Company, and consequently the Members, could be substantially and adversely impacted.

The Company will not be able to change its method of accounting in the future without the consent of the IRS. The IRS can withhold its permission and, even if it granted permission for a change in accounting method, the
IRS would require conditions and adjustments to the Company’s income that could be disadvantageous to the Members.

**Deductibility of Interest.** Interest will accrue and be payable on loans used to acquire, and that are secured by, the Projects. The deduction of such interest is limited by the rules limiting the deductibility of passive losses discussed above.

**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 Income or a reduction in the Net Loss 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 its 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 Company will pay certain Offering expenses. The Manager will treat certain of the expenses of the Offering as nonamortizable syndication costs, and these costs will be capitalized. These costs consist of Selling Commissions and Expenses and certain of the Organization and Offering Expenses.

The Company will reimburse the Manager for actual costs incurred in furnishing certain administrative services and facilities to the Company, including accounting, data processing, duplication, transfer agent expenses, professional fees, recording, communication expenses and certain acquisition expenses of the Project. 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.

Acquisition Fees will be added to the tax basis of the Projects.

Property Management Fees and Asset Management Fees should be deductible as ordinary and necessary expenses to the extent that the fees represent 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.

Construction Management Fees will be amortized over the life of the applicable lease or the useful life of the improvement.

Financing Fees will be amortized over the term of the applicable loan.

Disposition Fees will be treated as a reduction to the sales price of the property sold.

In addition, there are additional limits on the deductibility of payments between related parties. No deduction is allowed for a payment by an accrual basis taxpayer to a related cash basis recipient until such time as the recipient includes the payment in income. The definition of related party for purposes of this provision includes a partnership and any partner in the partnership. The Company will be on the accrual method of accounting. Therefore, if the Company accrues liabilities to related parties that are on the cash basis, no deduction will be allowed until payment to the related party is actually made.
Pre-Opening and Syndication Expenses

The IRS takes the position that, with the exception of costs relating to deductions under Code Sections 163 (interest), 164 (taxes), and 165 (losses), all costs incurred by a company before it begins operations should be capitalized under Code Section 263.

Regulations under Code Section 195 deem a taxpayer to have made an election to deduct, for the taxable year in which an active trade or business begins, an amount equal to the lesser of start-up expenses or $5,000. A start-up expenditure eligible for such deduction 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. The $5,000 amount is reduced (but not below zero) by the amount by which the start-up expenditures exceed $50,000. The remaining start-up expenditures are amortized over 180 months beginning with the month in which the active trade or business begins. 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 the Company, the eligibility for the election to amortize is made at the Company level.

Syndication expenses, however, may not be deducted currently nor amortized. The determination as to whether expenses are start-up organization expenses or syndication expenses is a factual determination which will initially be made by the Company. The IRS could challenge the Company’s allocations between organization and syndication expenses. Consequently, expenses that are treated as subject to amortization could be recharacterized as nondeductible syndication expenses.

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 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 Company Property and the nonrecourse liabilities to which the Company Property is subject are in excess of the fair market value of the Company Property, the Company will not be entitled to take depreciation deductions to the extent that deductions are derived from such excess. The Projects will be depreciated on a straight-line method over 39 years using the mid-month convention. Under the mid-month convention, property is treated as placed in service during the mid-point of the month.

Depreciation deductions can only be claimed for that portion of real property that is depreciable. Because land is not depreciable, an allocation must be made between the value of improvements on real estate and the underlying land. Depreciation will not be available with respect to any Project before it is placed in service or with respect to inventory or property held for re-sale. The allocation of purchase price between depreciable and nondepreciable items is a question of fact, and if the amount allocated by the Company to depreciable items is decreased and the amount allocated to nondepreciable items such as land is increased, Company losses for federal income tax purposes will be decreased. Because the allocation of purchase price between buildings and land is a question of fact, counsel is unable to express an opinion regarding the Company’s allocation of purchase price among land and buildings constituting the Projects.

Development Costs

The Company may develop some of the Projects. The Company intends to construct the Projects for the purpose of owning and operating such Projects and not for re-sale. As a result, the Company will capitalize the expenses and interest incurred for any construction loans related to the development of the Projects and will depreciate such costs once the Project is placed on service.

Tax-Exempt Use Property

Units may be purchased by both tax-exempt entities and entities not exempt from taxation. Code Section 168(h)(6) provides that in certain instances where 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 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 Code Section 168(h)(6), 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 tax items must have substantial economic effect under Code
Section 704(b)(2). Counsel has expressed no opinion as to whether a portion of Company Property must be
depreciated over 40 years. If a portion of Company Property is required to be depreciated over 40 years,
depreciation deductions to all Members will be decreased accordingly.

Investment By Qualified Plans and IRAs - Unrelated Business Taxable Income

Qualified Plans (i.e., any pension, profit sharing or stock bonus plan that is qualified under Code
Section 401(a), but excluding individual retirement accounts), individual retirement accounts (“IRAs”) and certain
other tax-exempt entities (“Tax-Exempt Entities”), although generally exempt from federal income taxation under
Code Section 501(a), nevertheless are subject to tax to the extent that their unrelated business taxable income
(“UBTI”) exceeds $1,000 during any tax year. Generally, 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 generate UBTI as a result of debt financing, in the
event the Company is deemed to hold the Project for re-sale or if the Company engages in an activity that generates
income which is income that is not included in Code Section 512. The Company may also generate UBTI as a result
of income from other activities engaged in by the Company. Counsel has expressed no opinion on whether, or to
what extent, Company income will be considered UBTI.

Qualified Plans (but not IRAs or Tax-Exempt Entities) and certain educational institutions may, under a
special rule set forth in Code Section 514(c)(9), avoid the characterization of their distributive share of income from
debt financed real estate (but not Projects held for re-sale) of 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 that is a qualified organization is a “qualified allocation;” or (c) the “fractions rule” in Code
Section 514(c)(9)(E) is met. There is uncertainty regarding the application of the “fractions rule.” The Manager has
tried to comply with the “fractions rule” under Code Section 514(c)(9) and believes the Company complies with the
“fractions rule.” If a Qualified Plan purchases Units at a discount pursuant to the Operating Agreement, the
“fractions rule” will not be complied with and the Code Section 514(c)(9) exception will not be available. Further,
certain of the factors listed above may apply to the Company’s acquisition of Projects and in such case, the
514(c)(9) exception to UBTI will not be available. It is likely that sales of any Projects held for re-sale will cause
the Company to be treated as a dealer in real estate for federal income tax purposes with respect to such sales, and
income attributable to such sales will be treated as UBTI. Further, a portion of the income attributable to operating
the Projects may be UBTI.

If the receipt of UBTI from the Company will have an adverse impact on an investor, such investor should
consult his or her own tax consultant before investing in the Company. If a Qualified Plan’s, IRA’s or Tax-Exempt
Entity’s share of the UBTI from the Company and other investments exceeds $1,000 during any tax year, the
Qualified Plan, IRA or Tax-Exempt Entity will be required to pay taxes on such UBTI. Whether a Qualified Plan’s,
IRA’s or Tax-Exempt Entity’s UBTI will exceed this $1,000 exclusion in any year will depend upon whether or to
what extent the Company qualifies for the exception, the actual operations of the Company, the size of the Qualified
Plan’s, IRA’s or Tax-Exempt Entity’s investment in the Company, the taxable income of the Company and the
amount of such Qualified Plan’s, IRA’s or Tax-Exempt Entity’s UBTI from other investments. An allocable portion
of the Company’s income directly associated with debt financed property reduced by an allocable portion of
deductions (computing depreciation on a straight-line basis) directly associated with such debt financed property
will be treated as UBTI (subject to the exception set forth above). The allocable portion of income and deductions will be equal to the ratio of indebtedness on such properties outstanding from time to time to the basis in such properties as adjusted from time to time. When the Company disposes of a debt financed property, a Qualified Plan (subject to the exception set forth above), IRA or Tax-Exempt Entity will be required to recognize an allocable portion of the gain as UBTI based on the ratio between the indebtedness as of the date of sale and the basis of such property.

The portion of the Company income that is not deemed to be UBTI will continue to be exempt for a Qualified Plan, IRA or Tax-Exempt Entity even if a portion of the Company’s income is deemed to be UBTI. For further details on the application of UBTI, Qualified Plan, IRA or Tax-Exempt Entity investors are urged to consult their tax advisors.

For certain other tax-exempt entities, such as charitable remainder trusts and charitable remainder unitrusts (as defined in Code Section 664), 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, a tax equal to 100% of such UBTI will be imposed. Charitable remainder trusts and charitable remainder unitrusts should consult their own tax advisors before the purchase of any Units.

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 “Investment By Qualified Plans and IRAs.”

General Considerations

At-Risk Rules. A Member that is an individual or closely held corporation will be unable to deduct his or her distributive share of Company Net Loss, if any, to the extent such Net Loss 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 nonrecourse financing if the Company holds real property. It is anticipated that the loans will be considered qualified nonrecourse financing and therefore the Members should be considered “at risk” for the Member’s share of the loans. However, if the actual terms are not as anticipated, the Members may not be able to use the loans in their “at risk” basis.

A Member’s amount at risk will be reduced by the amount of any cash distributed to such Member and the amount of Net Loss allocated to such Member, and will be increased by the amount of Net Income allocated to such Member. Net Loss not allowed under the at-risk rules 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 limitations and thresholds related to the payment of the alternative minimum tax are subject to change on an annual basis. Investors should consult with their tax advisor regarding the alternative minimum tax thresholds to determine if it will apply to such investor’s investment in Interests. The limitations on the deduction of passive losses also apply for purposes of computing alternative minimum taxable income.

For more information concerning tax preferences and the alternative minimum tax, you should consult your own tax advisors.

Activities Not Engaged in for Profit. Under Code Section 183, 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. Code Section 183 contains a presumption that an activity is engaged in for profit if income exceeds deductions in at
least 3 out of 5 consecutive years. 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 Code Section 183 to partnerships. Moreover, the Tax Court has accepted the argument by the IRS that Code Section 183 applies to the activities of a Company (rather than the partner) and that the provisions of Code 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 Projects. In the event Code 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.

Based on the Company’s objectives, the Manager’s representations regarding the Company’s business motives and counsel’s review of the proposed activities of the Company, although the issue is basically factual, in counsel’s opinion, it is more likely than not that, if litigated, the Company will be held to be engaged in a business for profit and not be subject to Code Section 183.

**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 are additional restrictions on the deductibility of interest:

**Prepaid Interest.** The Company does not anticipate prepaying any interest, but the Company anticipates that it 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 loans with respect to which they are paid. See also “Tax Consequences Regarding the Company – Accrual Method of Accounting” above.

**Capitalized Interest.** Interest on debt incurred to finance construction of real property is not currently deductible and must be capitalized as part of the cost of the real property. Interest incurred on other debts of the Company will be limited by the rules concerning the deductibility of passive losses, discussed above. See “Tax Consequences Regarding the Company – Limitations on Losses and Credits from Passive Activities” above.

**Interest Incurred to Carry Tax-Exempt Obligations.** Code Section 265(a)(2) disallows any deductions for interest paid by a taxpayer on indebtedness incurred or continued for the purpose of purchasing or carrying tax-exempt obligations (collectively, “Tax-Exempt Obligations”). The IRS announced in Revenue Procedure 72-18, 1972-1 C.B. 740, that the proscribed purpose will be deemed to exist with respect to indebtedness incurred to finance a “portfolio investment.” The Revenue Procedure further states that while a partnership’s purpose in incurring indebtedness will be attributed to its manager, a partnership interest will be considered a “portfolio investment.” Therefore, in the case of a Member owning Tax-Exempt Obligations, the IRS might take the position that the Member’s allocable portion of the interest incurred by the Company on its borrowings or of any interest incurred by the Member to purchase his or her Units in the Company should be viewed as incurred to enable the Member to continue to carry Tax-Exempt Obligations, and that such Member should not be allowed to deduct his or her full allocable share of such interest. The application of Code Section 265(a)(2) turns upon each individual Member’s purpose for acquiring an interest in the Company. Thus, Code Section 265(a)(2) might be applied to a Member whose purpose for investing in the Company rather than in a non-leveraged investment is to enable such Member to continue to carry Tax-Exempt Obligations. It should be noted that Code Section 7701(f) directs the IRS to prescribe regulations as may be necessary or appropriate to prevent the avoidance of provisions of the Code that deal with the linking of borrowing to investments through the use of related persons, pass-through entities or other intermediaries. Therefore, the provisions of Code Section 265(a)(2) may be applied to a Member if the Member does not himself own Tax-Exempt Obligations but rather such obligations are owned by a person, entity or other intermediary related to the Member.

**Accuracy-Related Penalties and Interest**

All penalties relating to the accuracy of tax returns are now consolidated into a single accuracy-related penalty equal to 20% of the portion of the underpayment to which the penalty applies. The penalty applies to any
portion of any understatement that is attributable to: (i) negligence or disregard of rules or regulations, (ii) any substantial understatement of income tax, or (iii) any substantial valuation misstatement.

Negligence is generally any failure to make a reasonable attempt to comply with the provisions of the Code and the term “disregard” includes careless, reckless or intentional disregard. Counsel for the Company is rendering an opinion with respect to the treatment of the Units for income tax purposes. However, the opinion is not intended to be used by any taxpayer to avoid penalties, and may not be relied upon by the investors in Units to avoid penalties. Each investor should consult with his or her own independent tax advisor.

A substantial understatement of income tax generally occurs if the amount of the understatement for the taxable year exceeds the greater of (i) 10% of the tax required to be shown on the return for the taxable year or (ii) $5,000. In the case of a C corporation, the amount is $10,000.

A substantial valuation misstatement occurs if the value of any property (or the adjusted basis) is 150% or more of the amount determined to be the correct valuation or adjusted basis. The penalty doubles if the property's valuation is misstated by 200% or more. No penalty will be imposed unless the underpayment attributable to the substantial valuation misstatement exceeds $5,000.

Except with respect to “tax shelters,” an accuracy-related penalty will not be imposed on an underpayment attributable to negligence, a substantial understatement of income tax or a substantial valuation misstatement if it is shown that there was a reasonable cause for the underpayment and that the taxpayer acted in good faith. A “tax shelter” includes a partnership if a significant purpose of the partnership is the avoidance or evasion of tax.

In addition to the penalties described above, a new penalty has recently been added with respect to understatements resulting from listed or reportable transactions. A reportable transaction is a transaction that the IRS has identified as having the potential for tax avoidance or evasion. A listed transaction is a reportable transaction which the IRS has specifically identified as a tax avoidance transaction. The penalty is equal to 20% of the portion of the underpayment to which the penalty applies if the taxpayer disclosed the understatement and 30% of the portion of the underpayment to which the penalty applies if the taxpayer did not disclose the understatement. A taxpayer may avoid the payment of the penalty if (i) there was reasonable cause for the understatement and the taxpayer acted in good faith, (ii) the relevant facts affecting the taxpayer's tax treatment were adequately disclosed, (ii) there is, or was, substantial authority for the taxpayer’s treatment of the item, and (iv) the taxpayer reasonably believed that the treatment of the items on the return was more likely than not proper. A taxpayer may not rely on the opinion from a disqualified advisor. A disqualified advisor is an advisor that participated in the preparation of documents that (1) establish a partnership, (2) describe the transaction or (3) relate to registration of the transaction with any government body. The opinion received by the Company was given by a disqualified advisor and such opinion was not intended to be used by any taxpayer to avoid tax penalties. As a result, investors in Units will not be allowed to rely on such opinion in the event such penalty applies. In addition, in the event the Units are determined to be a reportable transaction, and the taxpayer fails to include information regarding such reportable transaction, the taxpayer will be subject to a penalty in the amount of $10,000 if the taxpayer is an individual and $50,000 in any other case. In the event the Units are determined to be a listed transaction, the penalty increases to $100,000 in the case of an individual and $200,000 in any other case.

The tax opinion being issued to the Manager with respect to the Units was prepared by a disqualified tax advisor. As a result, the Members may not rely on such opinion to avoid the payment of penalties.

Health Care and Affordability Reconciliation Act of 2010

Under the Health Care and Affordability Reconciliation Act of 2010, for each tax year beginning after December 31, 2012, a taxpayer who is an individual will be assessed an additional tax equal to 3.8% of the lesser of: (a) the taxpayer’s “net investment income” for the taxable year, or (b) the excess of (x) the taxpayer’s modified adjusted gross income for the taxable year over (y) (1) for a taxpayer filing jointly with a spouse (or for a surviving spouse), $250,000, or (2) for married taxpayer filing a separate return, $125,000, or (3) in any other case, $200,000. For purposes of the additional tax, “net investment income” includes, among other things: (i) net income in the form of interest from dividends, annuities, royalties and rents that do not arise in the ordinary course of a trade or business (but including net income from a trade or business that is a passive activity with respect to the taxpayer or a trade or
business of trading in financial instruments or commodities); and (ii) net gains (to the extent taken into account in computing taxable income) on the disposition of property other than property held in a trade or business (but including net gains realized on the disposition of property held a trade or business that is a passive activity with respect to the taxpayer or a trade or business of trading in financial instruments or commodities).

State and Local Taxes

In addition to the federal income tax consequences described above, 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 the Member’s reportable income for state and local tax purposes. It is anticipated that the Projects will be located in various states. Consequently, Members may generate state source income from multiple states. In such case, the Members will be required to file a state income tax return and pay income tax in the states where the real estate is located. Further, the Company may be required to withhold distributions of certain Net Income to non-residents of certain states.

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 or her own tax advisor as to the advisability of investing in the Company. The federal income tax treatment will generally depend on whether the Company is deemed to be engaged in a United States trade or business. This determination must be made annually. The Code does not define what constitutes a United States trade or business; rather, this determination is based upon an examination of the facts and circumstances attending the Company’s operations and activities. The question of whether the Company will be engaged in a trade or business is a question of fact, however, it is likely that the Company will be deemed to be engaged in a trade or business because of the ownership and operation of self storage facilities. Consequently, counsel has expressed no opinion on this issue.

United States Withholding Tax on United States Source Income Not Derived in a United States Trade or Business. If the Company is not engaged in any trade or business during a tax year, a foreign investor would be subject to a 30% withholding tax (subject to reduction or elimination by applicable income tax treaties) with respect to its distributive share of certain items of Company gross income, such as United States source interest, dividends, rents and other portfolio or investment income. Various statutory exemptions from the 30% withholding tax (or a lower treaty rate) apply to interest income from bank deposits and certain portfolio indebtedness and the 30% withholding tax may be reduced by income tax treaties. A foreign investor who is entitled to income tax treaty benefits may claim such benefits by executing and filing with the Company an initial Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) in a timely manner. In such instance, the Company will require that a foreign investor properly execute and provide to the Company a Form 2848 (Power of Attorney and Declaration of Representative), which will enable the Company to complete Form W-8BEN for future years on behalf of the foreign investor. If a foreign investor claims a reduction in the 30% withholding tax in reliance on an income tax treaty, the investor may be required to disclose the claimed reduction in its United States income tax return or, if no return is filed, on Form 8833 (Treaty-Based Return Position Disclosure Under Code Section 6114 or 7701(b)).

If the foreign investor’s share of Company capital gain is not effectively connected with the foreign investor’s conduct of a United States trade or business and the foreign investor, in the case of an individual, is not physically present in the United States for 183 days or more during a taxable year, the capital gain will not be subject to United States tax. However, if the capital gain is attributable to a sale or disposition of United States real property, the gain will be treated as effectively connected with a United States trade or business. See “Withholding on Dispositions of United States Real Property Interests” below. If the foreign investor’s share of Company capital gain is United States source income and is derived by an individual foreign investor who is physically present in the United States for an aggregate of 183 days or more during a taxable year, the gain, net of United States source capital losses, will be subject to a flat 30% withholding tax (subject to reduction or elimination by an applicable income tax treaty).
Tax Consequences to Foreign Investors if the Company is Engaged in a United States Trade or Business. If in any year the Company is deemed to be engaged in a United States trade or business, a foreign investor will also be considered to be engaged in a United States trade or business. Thus, the investor would be required to file a United States federal income tax return and would be subject to tax at graduated rates on its distributive share of net income from the Company that was “effectively connected” with such trade or business. In determining the investor’s United States taxable income, the investor would be permitted the same deductions allowed a United States resident individual or corporation to the extent the deductions are effectively connected with a United States trade or business. However, a prerequisite to receiving the benefit of deductions is the filing of a true and accurate United States income tax return. Any Company losses that are not effectively connected with a United States trade or business would not be deductible from the investor’s United States source income. Additionally, foreign investors may be subject to federal and state estate, inheritance or gift taxes, state and local income taxes and to the alternative minimum tax.

If a foreign investor is subject to United States income tax on its distributive share of Company income at regular United States rates and is required to file United States income tax returns, such foreign investor’s share of Company taxable income is not subject to the 30% withholding tax discussed above, provided the foreign investor completes and files in duplicate with the Company Form W-8ECI (Certificate of Foreign Person’s Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States). This form must be filed with the Company before the acceptance by the Company of the subscription of such foreign investor and annually thereafter for each year in which the foreign investor is a Member.

If the Company has “effectively connected” income that is allocable to a foreign investor, then the Company must pay a federal withholding tax, presently equal to 39.6% (35% if the foreign limited partner is a corporation), and any applicable state withholding of the adjusted “effectively connected” taxable income that is allocable to that foreign investor.

If a foreign Member has filed a Form W-8ECI to claim exemption from the 30% withholding, that Member is deemed to have “effectively connected” income subject to withholding. The Company must make installment payments of withholding tax based on the amount of effectively connected income allocable to a foreign Member, without regard to whether distributions are made during the Company’s taxable year and the foreign Members’ distributive share of the Company’s tax credits. A foreign Member’s share of any withholding tax paid by the Company will be treated as distributed to that Member on the earlier of the day on which the tax is paid by the Company or the last day of the Company’s tax year for which the tax is paid and will reduce the foreign Member’s adjusted basis in his or her Units. Amounts paid by the Company will be treated as loans by the Company to the foreign Member and will be subject to an interest charge equal to the Prime Rate. The amount of the loan and interest charge will be offset against the foreign Member’s share of cash distributions. Withholding is not required on any amount subject to the 30% withholding discussed earlier. The amount withheld attributable to a foreign Member is creditable against the United States income tax liability of that foreign Member subject to certain limitations. Withholding is not required with respect to a particular Member if that Member provides a valid Form W-9, “Request for Taxpayer Identification Number and Certification.”

For tax treaty purposes, a foreign Member may be deemed to have a “permanent establishment” in the United States for any year in which the Company is engaged in a United States trade or business.

Withholding on Dispositions of United States Real Property Interests. Under FIRPTA, nonresident aliens and foreign corporations are subject to withholding on dispositions of United States real property interests. For this purpose, United States real property owned by the Company will be treated as held proportionately by its Members. Therefore, a foreign Member may be subject to withholding when such Member sells or exchanges his or her Units to a United States person. If the Company is considered to be engaged in a business, the Company is required to deduct and withhold from any cash distribution an amount presently equal to 39.6% (35% if the foreign member is a corporation) for United States tax purposes and any state applicable state withholding to the extent the cash distribution is attributable to gain from the sale of a United States real property that is allocable to a foreign Member. If the Company is not considered to be engaged in a business, the Company is required to deduct and withhold from any cash distribution an amount equal to 10% for United States tax purposes and any applicable state taxes to the extent the distribution is attributable to gain from the sale of a United States real property that is
allocable to a foreign Member. If the gain is effectively connected with a United States trade or business and the Company makes installment payments of withholding tax, the Company is not required to withhold tax on cash distributions. See “Tax Consequences to Foreign Investors if the Company is Engaged in a United States Trade or Business” above. If the Company distributes a United States real property interest to a Foreign Member, it is required to withhold 10% of the fair market value of the interest for federal income tax purposes and any applicable state withholding.

**Miscellaneous Considerations.** Foreign corporate investors should also be aware that if the Company is deemed to be engaged in a United States trade or business, the United States Branch Profit Tax may apply to income from the Company to the extent the Company has income effectively connected with a United States trade or business.

In determining the advisability of an investment in the Company, foreign investors should consult their own tax advisors concerning (i) whether they will be treated as being engaged in a United States trade or business or having a permanent establishment in the United States, (ii) whether gain from the sale of Units is effectively connected with their conduct of a United States trade or business or a permanent establishment in the United States, (iii) the income tax consequences relating to the ownership of Units in their own particular circumstances, and (iv) the tax consequences of owning Units under the internal tax laws of the foreign investor’s home country.

It should be noted that a number of issues discussed in this Memorandum, including issues on which counsel has expressed an opinion, have not been definitively resolved by statutes, regulations, rulings or judicial opinions. Accordingly, no assurances can be given that the conclusions expressed herein will be accepted by the IRS, or, if contested, would be sustained by a court, or that legislative changes or administrative pronouncements or court decisions may not be forthcoming that would significantly alter or modify the conclusions expressed herein. You are urged to consult your own tax counsel regarding the tax consequences of an investment in Units.

**INVESTMENT BY QUALIFIED PLANS AND IRAS**

**In General**

In considering an investment in the Company of the assets of an employee benefit plan (as defined in Section 3(3) of ERISA) or an individual retirement account (“IRA”), a fiduciary or any other person responsible for investment of the plan or IRA investments, taking into account the facts and circumstances of such plan or IRA, should consider, among other things: (i) whether the investment is in accordance with the documents and instruments governing such plan or IRA, (ii) the definition of plan assets under ERISA, (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA (or other applicable law), (iv) whether, under Section 404(a)(1)(B) of ERISA (or other applicable law), 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 Units can be sold or otherwise disposed of, (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 plan or IRA, (vii) the need to annually value the Units, and (viii) whether an investment in the Company will cause the plan or IRA to recognize UBTI. See “Federal Income Tax Consequences – Investment by Qualified Plans and IRAs - Unrelated Business Taxable Income.” The prudence of a particular investment must be determined by the responsible fiduciary or other person (usually the trustee, plan administrator, or investment manager) with respect to each employee benefit plan or IRA, taking into account all of the facts and circumstances of the investment.

Potential employee benefit plan and IRA investors should also take into consideration the limited liquidity of an investment in the Company as it relates to applicable minimum distribution requirements of the Code. If the Units are held in the IRA or employee benefit plan at the time mandatory distributions are required to commence to the IRA beneficiary or plan participant, applicable law may require the in kind distribution of Units. Such distribution must be included in the participant’s or beneficiary’s taxable income for the year of receipt of the Units (at then current fair market value) without any cash distributions with which to pay the tax liability.

ERISA provides that Units may not be purchased by an employee benefit plan if the Company or an Affiliate of the Company 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 duty of the fiduciary responsible for purchasing the Units not to engage in such transactions.

Code Section 4975 has similar restrictions applicable to transactions between disqualified persons and an employee benefit plan or IRA, which could result in the imposition of excise taxes on the Company or loss of tax-exempt status of the IRA.

**Plan Asset Regulations**

An investment in the Company by an employee benefit plan or IRA could also violate ERISA or the Code if, under applicable Department of Labor (“DOL”) regulations, the Company assets are considered to be assets of the plan or IRA. The 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 an employee benefit plan or IRA invests in a partnership, 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 an employee benefit plan or IRA 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, 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 nor will they be issued by an investment company registered under the Investment Company Act.

Nonetheless, if one of the exceptions described below is satisfied, Company assets may avoid being classified as Plan Assets. Company assets may be excluded from Plan Assets under the DOL Regulations if the Company is 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 that is managed or developed by such entity 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 performed by independent contractors if the entity retains certain control over the independent contractor and frequently consults with and advises the independent contractor.

The Manager believes that the Company should satisfy the definition of an operating company. However, 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 its 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 an employee benefit plan or IRA 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. There is no authority regarding whether the ownership and operation of a Project will qualify the Company as a “real estate operating company.” As a result, qualified plan and IRA investors should not rely on the Company being deemed an “operating company” for purposes of the DOL Regulations. However, the qualified plan or IRA may qualify for the exemption for “significant” participation exemption described below.
If the Company does not qualify as an “operating company” under DOL Regulations, an employee benefit plan or IRA 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., employee benefit plans and IRAs) 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 met, the ownership of any person with discretionary authority with respect to Company assets is disregarded. The Operating Agreement prohibits benefit plan investors from acquiring 25% or more of the total value of the Units. If the Company complies with this prohibition, the Company should qualify for the exemption from the DOL Regulations offered to entities in which benefit plan participation is not “significant.” However, if, for any reason, the 25% limitation is not met, then the issues described below will arise (unless the Company is an operating company).

**Impact of Company’s Holding Plan Assets**

If 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 Company assets could become a “fiduciary” of the employee benefit plans or IRAs within the meaning of ERISA. As a fiduciary, such person would be required to meet the terms of the employee benefit plan or IRA 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, an employee benefit plan participant or another fiduciary to require that Company 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 an employee benefit plan investor to co-fiduciary liability under ERISA for any breach by the Manager of its ERISA fiduciary duties.

Section 406 of ERISA and Code Section 4975(c) also prohibit employee benefit 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 Code Section 4975(e)(2) are “persons providing services to the plan.” If the Manager or certain entities and individuals related to the Manager has previously provided services to an employee benefit plan or IRA 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, because the Manager shares in certain Company distributions and tax allocations in a manner disproportionate to its capital contributions to the Company, 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 employee benefit plan or IRA. If this were the case, absent a specific exemption applicable to the transaction, a prohibited transaction could be determined to have occurred between the employee benefit plan or IRA and the Manager.

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 an employee benefit plan or IRA.

Another type of transaction prohibited by ERISA and the Code is one in which fiduciaries of an employee benefit plan or the person who establishes an IRA engage in self-dealing. 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 that serves as the primary basis for the investment decisions made with respect to such assets.
If the Company’s assets are treated as Plan Assets and if it is determined that the acquisition of a Unit by an employee benefit plan (or another transaction of the Company) constitutes a prohibited transaction, then any party in interest, which may include a fiduciary or sponsor of an employee benefit plan, that has engaged in any such prohibited transaction could be required to: (i) restore to the employee benefit plan any profit realized on the transaction; (ii) make good to the employee benefit plan any losses suffered by the employee benefit 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 DOL could assert additional civil penalties against a fiduciary or any other person who knowingly participates in any such breach.

With respect to investing IRAs, the tax-exempt status of the IRA could be lost if the investment (or another transaction of the Company) constitutes a prohibited transaction under Code Section 408(e)(2). 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.

**Annual Valuation**

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan’s fiscal year and to file a report with the IRS reflecting such value. When no fair market value of a particular asset is available, the fiduciary is generally required to make a good faith determination of that asset’s “fair market value” assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide the participant and the IRS with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

To assist fiduciaries (and IRA trustees and custodians) in fulfilling their valuation and annual reporting responsibilities, the Company will provide reports of the Company’s annual determination of the current value of Units in the Company, if available and already in existence, to those fiduciaries (including IRA trustees and custodians) who identify themselves to the Company as such and request the reports. The Company valuation may be, but is not required to be, performed by independent appraisers.

There can be no assurance (i) that the value established by the Company could or will actually be realized by the Company or an investor upon liquidation (in part because appraisal or estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any assets of the Company), (ii) that investors could realize such value if they were to try to sell their Units, or (iii) that such valuation complies with the requirements of ERISA or the Code.
REPORTS

The Manager will keep proper and complete records and books of account for the Company. These books and records will be kept at the Company’s principal place of business and each Member (or a duly authorized representative) will at all times, during normal business hours, have the right to inspect, examine and copy from them.

The Manager will also have prepared and transmitted to the Members the following periodic reports:

(1) Within 120 days after the end of each fiscal year of the Company, an annual report containing a year-end balance sheet, income statement and a statement of changes in financial position, all of which except the cash flow statement will be prepared in accordance with generally accepted accounting principles.

(2) Within 75 days after the end of each Company fiscal year, a copy of that portion of the Company’s federal income tax return for such fiscal year or such other information as the Members may need to prepare their federal income tax returns.

LITIGATION

There are no legal actions pending against the Company, or the Manager, nor, to the knowledge of management, is any litigation threatened against any of them, any of their management, or any Affiliate, which may materially affect operations or projected goals.

ACCOUNTING MATTERS

Method of Accounting

The Company will maintain its books and records and report its income tax results according to a generally accepted method of accounting.

Fiscal Year

Unless changed by the Manager as permitted under the Code, the fiscal year of the Company will be the calendar year.

Distributions

Distributions made in the initial years of the Company may be a return of capital and not investment income. During its initial years, the Company may show a Net Loss from operations.

LEGAL OPINION

DLA Piper LLP (US) will render a tax opinion with respect to certain issues as set forth in this Memorandum. Except as to matters stated therein, which are based upon the law in effect as of the date of the opinion, the issuance of the opinion should not in any way be construed as implying that counsel has approved or passed upon any other matter for the Company. One or more attorneys from DLA Piper LLP (US) may make an investment to acquire Units pursuant to the terms of the Offering; provided, however, such investment in Units should not be taken as a representation or opinion concerning the operation of the Company’s business, its future success or any other matter related to the investment by any Member in the Company.
ADDITIONAL INFORMATION

The Manager will answer inquiries from subscribers concerning the Company and other matters relating to the offer and sale of the Units, and the Manager will afford subscribers the opportunity to obtain any additional information to the extent the Manager possesses such information or can acquire such information without unreasonable effort or expense.
LIMITED LIABILITY COMPANY AGREEMENT

OF

AMERICA360, LLC

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS ANY COMMISSION OR AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF ANY DISCLOSURE MADE IN CONNECTION THEREWITH. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES OFFERED HEREBY MAY NOT BE RESOLD WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS OR EXEMPTION THEREFROM. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS, AND CONDITIONS WHICH ARE SET FORTH IN THIS AGREEMENT.
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LIMITED LIABILITY COMPANY AGREEMENT
OF
AMERICA360, LLC

This Limited Liability Company Agreement, effective as of August 1, 2014, is entered into by and among Dahn America360 Manager, LLC, a Delaware limited liability company, as the Manager, and Dahn Corporation, a California corporation, as the Initial Member, pursuant to the Act on the following terms and conditions.

1. Organization.

1.1 Formation. On January 4, 2014, a Certificate of Formation was filed in the office of the Secretary of State of the state of Delaware in accordance with and pursuant to the Act.

1.2 Name and Place of Business. The name of the Company shall be America360, LLC, and its principal place of business shall be 18552 MacArthur Boulevard, Suite 495, Irvine, California 92612. The Manager may change such name, change such place of business or establish additional places of business of the Company as the Manager may determine to be necessary or desirable.

1.3 Business and Purpose of the Company. The primary purpose of the Company is to (i) acquire, own, lease, operate, manage and transfer the Projects, and to that end hold, improve, mortgage, maintain, refinance, manage, lease and dispose of the Projects (either directly or through special purpose entities), (ii) engage in any other activities relating or incidental thereto as may be necessary to accomplish such purpose and (iii) engage in such other activities as determined by the Manager which are allowed under Delaware law.

1.4 Term. The term of the Company shall commence on the effective date of this Agreement and shall terminate on December 31, 2060, unless the Company is sooner dissolved and terminated as provided in this Agreement.

1.5 Required Filings. The Manager shall execute, acknowledge, file, record, amend and/or publish such certificates and documents, as may be required by this Agreement or by law in connection with the formation and operation of the Company.

1.6 Registered Office and Registered Agent. The Company’s initial registered office and initial registered agent shall be as provided in the Certificate of Formation. The registered office and registered agent may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new registered agent pursuant to the Act.

1.7 Certain Transactions. Any Manager, Owner, or any Affiliate thereof, or any shareholder, officer, director, employee, partner, member, manager or any person owning an interest therein, may engage in or possess an interest in any other business or venture of any nature or description, whether or not competitive with the Company, including, but not limited to, the acquisition, syndication, ownership, financing, leasing, operation, maintenance, management, brokerage, construction and development of property similar to the Projects and no Manager, Owner or any Affiliate, or other Person shall have any interest in such other business or venture by reason of their interest in the Company.

2. Definitions. Definitions for this Agreement are set forth on Exhibit A and are incorporated herein.
3. **Capitalization and Financing.**

3.1 **Manager's Capital Contribution.** The Manager shall not be required to make a Capital Contribution to the Company.

3.2 **Members' Capital Contributions.**

3.2.1 **Initial Member.** The Initial Member shall contribute the sum of $100 in cash to the Company, but shall not receive any Units therefor. On the first business day following the admission of additional Members, the Initial Member’s $100 Capital Contribution will be returned, and the Initial Member shall cease to be a Member. The Members hereby consent to the Initial Member’s withdrawal of the Initial Member’s Capital Contribution and waive any right, claim or action they may have against the Initial Member by reason of the Initial Member having been a Member.

3.2.2 **Units.** The Company is hereby authorized to sell and issue not less than 400 and not more than 10,000 Units at a purchase price of $5,000 per Unit and to admit the persons who acquire such Units as Members. The minimum purchase shall be 5 Units, except that the Company may, in its sole discretion, sell and issue Units in increments of less than 5. In no event shall the Company have more than 1,900 Owners. The Offering shall terminate on the Offering Termination Date. The Company will not sell 25% or more of the Units to Employee Benefit Plans. In addition, the Company will not accept a charitable remainder trust as a Member.

3.2.3 **Payment of Purchase Price.** The purchase price of each Unit shall be paid in full in cash at the time of execution of the Subscription Agreement. Payment of the purchase price for a Unit shall constitute the Member’s initial Capital Contribution. As described in the Memorandum, Units may be sold to certain persons for a contribution of to the Company of less than $5,000 but not less than $4,650 in the event the Company is not obligated to pay all or a portion of the 7% selling commission normally paid to a broker-dealer in connection with the sale of these Units and the Company is not using such reduced amount to pay for general advertising costs.

3.2.4 **Subscription Agreement.** Each person desiring to acquire Units and become a Member shall tender to the Company a Subscription Agreement for the number of Units desired, together with the correct full Subscription Payment of the Units so subscribed. The Company shall accept or reject each Subscription Agreement within 30 days after the Company receives the same (and the failure by the Company to accept a Subscription Agreement within the 30 day period shall constitute a rejection thereof). If rejected, all Subscription Payments shall be returned to the subscriber. Acceptance of a Subscription Agreement shall be evidenced by the execution of the Subscription Agreement by the Manager. Subject to Section 3.2.6, upon the acceptance of a Subscription Agreement, the accompanying Subscription Payment shall become a Capital Contribution by such subscriber; provided, however, prior to the Company accepting subscriptions for at least 400 Units, the Subscription Payment shall only become a Capital Contribution when, if at all, the Subscription Payment is released to the Company from the Depository Account.

3.2.5 **Depository Account.** After acceptance of any tendered Subscription Agreement by the Company, the accompanying Subscription Payment shall be, prior to the Impound Release Date, placed in an interest-bearing escrow account (“Depository Account”) at First Republic Bank, National Association and held there until such time as Subscription Payments for $2,000,000 in Units have been deposited in the Depository Account (“Impound Release Date”). Upon the sale of $2,000,000 of Units, funds in the Depository Account shall be released to the Company. After the Impound Release Date, if directed by the Company and pursuant to a supplement to the Memorandum, any additional Subscription Payments received shall be sent directly to and retained by the Company. After funds from the Depository Account have been released, investors in the Company shall be
admitted into the Company on the first day of the calendar month following the month in which the Company accepts such subscriber’s subscription, unless admitted earlier by the Manager.

3.2.6 Cancellation of Offering. If the Company has not accepted Subscription Payments for $1,000,000 of Units (the “Minimum Offering Amount”) on or before January 31, 2015, the Offering shall be cancelled and all Subscription Payments received shall be promptly refunded to the subscribers; provided, however, that such date may be extended until August 31, 2015 in the sole discretion of the Manager.

3.2.7 Interest from Depository Account. Within 45 days after any Subscription Payment is released from the Depository Account or upon cancellation of the Offering as provided in Section 3.2.6, an allocable share of the interest, if any, earned by the Depository Account while the Subscription Payment was deposited therein shall be paid to the subscriber, based on the actual number of days such Subscription Payment was deposited in the Depository Account and the actual amount of interest earned during such period on funds in the Depository Account.

3.2.8 Manager or its Affiliates as Member. The Manager and/or its Affiliates may acquire any number of Units for any reason deemed appropriate by the Manager for the same price and upon the same terms and conditions, subject to Section 3.2.3, as all other purchasers thereof; provided, however, that the Manager shall not acquire more than 10% of the Units sold (other than with respect to its purchase of Units prior to acceptance of the Minimum Offering Amount). Prior to acceptance of the Minimum Offering Amount, the Manager and/or its Affiliates and principals will acquire at least 20 Units and up to 40 Units. Certain Affiliates of the Manager and their officers and directors may acquire additional Units. In such event, the Manager or its Affiliates will be admitted to the Company as Members with respect to such Units and will be entitled to all rights as Members appurtenant thereto, including but not limited to the right to vote on certain Company matters as provided for in this Agreement and to receive Distributions and allocations attributable to the Units so purchased.

3.2.9 Admission of a Member. To the extent required by law, the Manager shall amend this Agreement and take such other action as the Manager deems necessary or appropriate promptly after receipt of the Members’ Capital Contributions to the Company to reflect the admission of those persons to the Company as Members.

3.2.10 Liabilities of Members. Except as specifically provided in this Agreement, neither the Manager nor any Member shall be required to make any additional contributions to the Company and no Manager or Member shall be liable for the debts, liabilities, contracts, or any other obligations of the Company, by reason of being a Member or Manager of the Company, nor shall the Manager or the Members be required to lend any funds to the Company or to repay to the Company, the Manager or any Member, or any creditor of the Company any portion or all of any deficit balance in a Member’s Capital Account.

3.2.11 Payment of Expenses. To the extent that the Organizational and Offering Expenses when combined with selling commissions and expenses attributable to any Unit exceed 8% of the purchase price of the Unit, the Manager shall be obligated to pay the excess over 8%. To the extent such items are attributable to a Unit, the first amount attributable shall be selling commissions and expenses up to 8% of the purchase price of the Unit. Consequently, if the Manager is obligated to make any payment the first amount paid shall be allocated to Organizational and Offering Expenses and any remaining amount shall be allocated to selling commissions and expenses.

3.3 Manager Loans. The Manager and its Affiliates may, but will have no obligation to, make loans to the Company. Any such loan shall bear interest at market rates and provide for the
payment of principal and any accrued but unpaid interest in accordance with the terms of the promissory
note evidencing such loan, but in no event later than the dissolution of the Company.

3.4 Company Loans. The Company may obtain or assume, in the sole discretion of the
Manager, loans to acquire, operate, construct, or refinance the Projects.

4. Allocation of Tax Items.

4.1 Allocation of Net Income and Net Loss. For each fiscal year, the Net Income and Net
Loss of the Company shall be allocated as follows:

4.1.1 Net Income. After giving effect to the special allocations set forth in
Sections 4.2 and 4.3, Net Income for any fiscal year shall be allocated as follows:

(a) First, to the Members until the Net Income allocated to the Members
pursuant to this Section 4.1.1(a) for such fiscal year and all previous fiscal years is equal to the aggregate
Net Loss allocated to the Members pursuant to Section 4.1.2(d) for all previous fiscal years;

(b) Second, to the Members in proportion to their accrued but unallocated
Preferred Return, until the Members have been allocated an amount equal to their accrued but unallocated
Preferred Return; and

(c) Thereafter, 75% to the Members in proportion to their Units and 25% to
the Manager.

4.1.2 Net Loss. After giving effect to the special allocations set forth in Sections 4.2
and 4.3, Net Loss for any fiscal year shall be allocated as follows:

(a) First, to the Members and the Manager in proportion to and to the extent
of Net Income previously allocated to the Members and the Manager pursuant to Section 4.1.1(c) until the
aggregate Net Loss allocated to the Manager and the Members pursuant to this Section 4.1.2(a) for such
fiscal year and all previous fiscal years is equal to the aggregate Net Income allocated to the Members and
the Manager pursuant to Section 4.1.1(c) for all previous fiscal years;

(b) Second, to the Members in proportion to and to the extent of Net Income
previously allocated to the Members pursuant to Section 4.1.1(b) until the aggregate Net Loss allocated to
the Members pursuant to this Section 4.1.2(c) for such fiscal year and all previous fiscal years is equal to the
aggregate Net Income allocated to the Members pursuant to Section 4.1.1(b) for all previous fiscal
years; and

(c) Third, to the Members in proportion to their Units; provided that Net
Loss shall not be allocated to any Member to the extent such allocation would cause such Member to have
an Adjusted Capital Account Deficit at the end of a fiscal year.

4.2 Special Allocations.

4.2.1 Qualified Income Offset. Except as provided in Section 4.2.3, in the event any
Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury
Company income and gain shall be specially allocated to such Member in an amount and manner
sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account
Deficit created by such adjustment, allocation or distribution as quickly as possible.
4.2.2 **Gross Income Allocation.** Net Loss shall not be allocated to any Member to the extent such allocation would cause such Member to have an Adjusted Capital Account Deficit at the end of a fiscal year. In the event any Member has an Adjusted Capital Account Deficit at the end of any fiscal year, each such Member shall be specially allocated items of Company gross income and gain in the amount of such Adjusted Capital Account Deficit as quickly as possible.

4.2.3 **Minimum Gain Chargeback.** Notwithstanding any other provision of this Section 4, if there is a net decrease in Company Minimum Gain during any Company fiscal year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member’s share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section 4.2.3 is intended to comply with the partnership minimum gain chargeback requirement in the Treasury Regulations and shall be interpreted consistently therewith. This provision shall not apply to the extent the Member’s share of net decrease in Company Minimum Gain is caused by a guaranty, refinancing, or other change in the debt instrument causing it to become partially or wholly recourse debt or Member Nonrecourse Debt, and such Member bears the economic risk of loss (within the meaning of Treasury Regulations Section 1.752-2) for the newly guaranteed, refinanced or otherwise changed debt or to the extent the Member contributes cash to the capital of the Company that is used to repay the Nonrecourse Debt, and the Member’s share of the net decrease in Company Minimum Gain results from the repayment.

4.2.4 **Member Minimum Gain Chargeback.** Notwithstanding any other provision of this Section 4, except Section 4.2.3, if there is a net decrease in Member Minimum Gain, any Member with a share of that Member Minimum Gain (as determined under Treasury Regulations Section 704-2(i)(5)) as of the beginning of the year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member’s share of the net decrease in Member Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section 4.2.4 is intended to comply with the partner minimum gain chargeback requirements in the Treasury Regulations and shall be interpreted consistently therewith and applied with the restrictions attributed thereto.

4.2.5 **Nonrecourse Deductions.** Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Members in proportion to their Units and each Member’s share of excess Nonrecourse Debt shall be allocated 75% to the Members and 25% to the Manager.

4.2.6 **Member Nonrecourse Deductions.** Member Nonrecourse Deductions for any fiscal year shall be allocated to the Member who bears the economic risk of loss as set forth in Treasury Regulations Section 1.752-2 with respect to the Member Nonrecourse Debt. If more than one Member bears the economic risk of loss for a Member Nonrecourse Debt, any Member Nonrecourse Deductions attributable to that Member Nonrecourse Debt shall be allocated among the Members according to the ratio in which they bear the economic risk of loss.

4.2.7 **Code Section 754 Adjustments.** To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in 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 Treasury Regulations.

4.3 Curative Allocations. Notwithstanding any other provision of this Agreement, the Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

4.4 Contributed Property. Notwithstanding any other provision of this Agreement, the Manager shall cause depreciation and/or cost recovery deductions and gain or loss attributable to Property contributed by a Member or revalued by the Company to be allocated among the Members for income tax purposes in accordance with Section 704(c) of the Code and the Treasury Regulations promulgated thereunder.

4.5 Commission Discounts. In the event any Member receives a commission discount as described in Section 3.2.3, such Member shall be treated upon liquidation of the Company as if such Member had not received a discount and an appropriate income allocation shall be made to such Member so that all liquidating Distributions (other than Preferred Return) to the Members per Unit are equal.

4.6 Recapture Income. The portion of each Member’s distributive share of Net Income that is characterized as ordinary income pursuant to Section 1245 or 1250 of the Code shall be proportionate to the amount of Net Income or Net Loss which included the corresponding depreciation deductions that were allocated to such Member as compared with the amount of depreciation deductions allocated to all Members.

4.7 Allocation Among Units. Except as otherwise provided in this Agreement, all Distributions and allocations made to the Members shall be in the ratio of the number of Units held by each such Member on the date of such allocation (which allocation date shall be deemed to be the last day of each month) to the total outstanding Units as of such date, and, except as otherwise provided in this Agreement without regard to the number of days during such month that the Units were held by each Member. Members who acquire Units at different times during the Company tax year shall be allocated Net Income and Net Loss using the monthly convention set forth in Section 4.9.1. For purposes of this Section 4 and Section 5, an Economic Interest Owner shall be treated as a Member.

4.8 Allocation of Company Items. Except as otherwise provided herein, whenever a proportionate part of Net Income or Net Loss is allocated to a Member, every item of income, gain, loss or deduction entering into the computation of such Net Income or Net Loss, and every item of credit or tax preference related to such allocation and applicable to the period during which such Net Income or Net Loss was realized shall be allocated to the Member in the same proportion.

4.9 Assignment.

4.9.1 In the event of the assignment of a Unit, the Net Income and Net Loss shall be allocated as between the Member and his assignee based upon the number of months of their respective ownership during the year in which the assignment occurs, without regard to the results of the Company’s operations during the period before or after such assignment. Distributions shall be made to the holder of record of the Units as of the date of the Distribution. An assignee who receives Units during the first 15 days of a month will receive any allocations relative to such month. An assignee who acquires Units on or after the sixteenth day of a month will be treated as acquiring his Units on the first day of the following month.
4.9.2 In the event of the assignment of the Manager’s interest, the allocations of Net Income or Net Loss shall be as agreed between the Manager and its assignee. In the absence of an agreement, the Net Income, Net Loss and Distributions shall be allocated in a manner similar to that provided in Section 4.9.1.

4.10 Power of Manager to Vary Allocations. It is the intent of the Members that each Member’s share of Net Income and Net Loss be determined and allocated in accordance with Section 704(b) of the Code and the provisions of this Agreement shall be so interpreted. Therefore, if the Company is advised by the Company’s legal counsel that the allocations provided in this Section 4 are unlikely to be respected for federal income tax purposes, the Manager is hereby granted the power to amend the allocation provisions of this Agreement to the minimum extent necessary to comply with Section 704(b) of the Code and effect the plan of allocations and Distributions provided for in this Agreement.

4.11 Consent of Members. The allocation methods of Net Income and Net Loss are hereby expressly consented to by each Member as a condition of becoming a Member.

4.12 Withholding Obligations.

4.12.1 If the Company is required (as determined by the Manager) to make a payment (“Tax Payment”) with respect to any Member to discharge any legal obligation of the Company or the Manager to make payments to any governmental authority with respect to any federal, foreign, state or local tax liability of such Member arising as a result of such Member’s interest in the Company, then, notwithstanding any other provision of this Agreement to the contrary, the amount of any such Tax Payment shall be deemed to be a loan by the Company to such Member, which loan shall bear interest at the Prime Rate and be payable upon demand or by offset to any Distribution which otherwise would be made to such Member.

4.12.2 If and to the extent the Company is required to make any Tax Payment with respect to any Member, or elects to make payment on any loan described in Section 4.12.1 by offset to a Distribution to a Member, either (i) such Member’s proportionate share of such Distribution shall be reduced by the amount of such Tax Payment or offset or (ii) such Member shall pay to the Company prior to such Distribution an amount of cash equal to such Tax Payment or offset. In the event a portion of a Distribution in kind is retained by the Company pursuant to clause (i) above, such retained Property may, in the discretion of the Manager, either (A) be distributed to the other Members or (B) be sold by the Company to generate the cash necessary to satisfy such Tax Payment. If the Property is sold, then for purposes of income tax allocations only under this Agreement, any gain or loss from such sale or exchange shall be allocated to the Member to whom the Tax Payment relates. If the Property is sold at a gain, and the Company is required to make any Tax Payment on such gain, the Member to whom the gain is allocated shall pay the Company prior to the due date of Tax Payment an amount of cash equal to such Tax Payment.

4.12.3 The Manager shall be entitled to hold back any Distribution to any Member to the extent the Manager believes in good faith that a Tax Payment will be required with respect to such Member in the future and the Manager believes that there will not be sufficient subsequent Distributions to make such Tax Payment.

4.13 Special Allocation. Notwithstanding the other provisions in this Section 4 (but subject to Section 4.10), in the year of the sale of the last Project, Net Income and Net Loss from all sources (or gross income or gross expense) shall be allocated, to the greatest extent possible, so that the positive capital account balance of each Member shall be equal to the distributions to be made upon liquidation to such Member.
5. **Distributions.**

5.1 **Cash From Operations.** Except as otherwise provided in Section 13 and subject to the Manager’s discretion pursuant to Section 5.2, Cash From Operations with respect to each calendar year shall be distributed as follows:

5.1.1 First, 100% to the Members, in proportion to their accrued but undistributed Preferred Return, until the Members have been distributed an amount equal to their accrued but undistributed Preferred Return;

5.1.2 Second, to the Members in proportion to their Net Capital Contributions until their Net Capital Contributions are reduced to zero; and

5.1.3 Thereafter, 75% to the Members in proportion to their Units and 25% to the Manager.

5.2 **Restrictions.** The Company intends to make periodic Distributions of substantially all cash determined by the Manager to be distributable, subject to the following (i) Distributions may be restricted or suspended for periods when the Manager determines in its reasonable discretion that it is in the best interest of the Company, (ii) all Distributions are subject to the payment, and the maintenance of reasonable reserves for payment, of Company obligations and (iii) in the event a Project is sold or refinanced within 5 years after the Offering Termination Date, the Manager may, in its sole discretion, reinvest cash from the sale, exchange or refinance of a Project in a new Project.

5.3 **Tax Distributions.** Notwithstanding the provisions set forth in Section 5.2, the Company may, at the option of the Manager, make Distributions to the Manager prior to making the Distributions set forth in Section 5.1.2, to the extent such Distributions are needed to pay any income taxes associated with allocations of Net Income set forth in Sections 4.1.1(c) to the Manager. Any such Distribution shall reduce subsequent Distributions to be made to the Manager pursuant to Section 5.1.

5.4 **Clawback.** Notwithstanding the provisions set forth above, upon the sale or exchange of the last Project, the Manager shall contribute prior Distributions of Cash From Operations it has received from the Company pursuant to Section 5.3 to the extent that all distributions, determined on a cumulative basis, exceed the amount that would have been distributed to the Manager if all distributions had been made based on Section 5.1. Any such excess amounts contributed by the Manager shall be distributed to the Members as set forth in Section 5.1.

6. **Compensation to the Manager and its Affiliates.**

6.1 **Manager’s and Affiliates’ Compensation.** The Manager and its Affiliates shall receive compensation from the Company for services rendered or to be rendered only as specified in this Agreement. Any agreements that the Company enters into with an Affiliate of the Manager will be at arm’s length, market terms.

6.1.1 The Manager shall be entitled to receive an acquisition fee in an amount up to 0.5% of the purchase price of each Project; provided, however, that the Manager will not receive an acquisition fee with respect to any Project that is purchased from reinvestment proceeds (the “Acquisition Fee”).

6.1.2 The Manager shall be entitled to receive an annual asset management fee in an amount up to 1% of the purchase price of the Projects owned by the Company (“Asset Management Fee”).
6.1.3 The Property Manager will enter into property management agreements with respect to each Project and will receive a property management fee equal to 5.9% of Project gross revenue (the “Property Management Fee”).

6.1.4 The Property Manager will enter into property management agreements with respect to each Project and will receive a construction management fee equal to 5% of any amount expended for construction or repair projects with respect to a Project (including related professional services) up to $50,000, 4% of any amount expended for construction or repair projects with respect to a Project (including related professional services) over $50,000 and less than $100,000 and 3% of any amount expended for construction or repair projects with respect to a Project (including professional services) over $100,000 (the “Construction Management Fee”).

6.1.5 The Property Manager will be entitled to receive a financing fee in an amount up to 0.25% of the amount of any financing or refinancing obtained with respect to the Projects (the “Financing Fee”). In the event that a third-party loan broker is used, such third-party loan broker’s fee will be paid by the Company.

6.1.6 The Manager shall be entitled to receive a disposition fee upon the sale of each Project in an amount up to 0.75% of the gross sales price of the applicable Project (“Disposition Fee”). In the event that a third-party broker is used, such third-party broker’s fee will be paid by the Company.

6.2 Company Expenses.

6.2.1 Operating Expenses. Subject to the limitations set forth in Section 6.2.2, the Company shall pay directly, or reimburse the Manager as the case may be, for all of the costs and expenses of the Company’s operations, including, without limitation, the following costs and expenses: (i) all Organization and Offering Expenses advanced or otherwise paid by the Manager, (ii) all costs of personnel employed by the Company and directly involved in the Company’s business, (iii) all compensation due to the Manager or its Affiliates, (iv) all costs of personnel employed by the Manager or its Affiliates and directly involved in the business of the Company, (v) all costs of borrowed money, taxes and assessments on the Property and other taxes applicable to the Company, (vi) legal, accounting, audit, brokerage, and other fees, (vii) fees and expenses paid to independent contractors, mortgage bankers, real estate brokers, and other agents, (viii) costs of leasing, acquiring, owning, developing, constructing, improving, operating, and disposing of Property, (ix) expenses incurred in connection with the development, construction, alteration, maintenance, repair, remodeling, refurbishment, leasing and operation of Property, (x) all expenses incurred in connection with the maintenance of Company books and records, the preparation and dissemination of reports, tax returns or other information to the Members and the making of Distributions to the Members, (xi) expenses incurred in preparing and filing reports or other information with appropriate regulatory agencies, (xii) expenses of insurance as required in connection with the business of the Company, other than any insurance insuring the Manager against losses for which it is not entitled to be indemnified under Section 7.8, (xiii) costs incurred in connection with any litigation in which the Company may become involved, or any examination, investigation, or other proceedings conducted by any regulatory agency, including legal and accounting fees, (xiv) the actual costs of goods and materials used by or for the Company, (xv) the costs of services that could be performed directly for the Company by independent parties such as legal, accounting, secretarial or clerical, reporting, transfer agent, data processing and duplicating services but which are in fact performed by the Manager or its Affiliates, but not in excess of the amounts which the Company would otherwise be required to pay to independent parties for comparable services in the same geographic locale, (xvi) expenses of Company administration, accounting, documentation and reporting, (xvii) expenses of revising, amending, modifying, or terminating this Agreement, (xviii) all other costs and expenses incurred in connection with the Company’s business, including travel to and from the Projects, (xix) the portion of the Manager’s
payroll expenses allocable to work performed for the Company and (xx) all other costs and expenses incurred in connection with the business of the Company exclusive of those set forth in Section 6.2.2. Notwithstanding the above, to the extent that the Organization and Offering Expenses and Selling Commissions and Expenses exceed 12% of the purchase price of all Units sold by the Company, the Manager shall be responsible for paying such amounts and the Company shall not reimburse the Manager for such excess amount.

6.2.2 Manager Overhead. Except as set forth in this Section 6, the Manager and its Affiliates shall not be reimbursed for overhead expenses incurred in connection with the Company, including but not limited to rent, depreciation, utilities, capital equipment and other administrative items.

6.2.3 Acquisition Expenses. Notwithstanding Section 6.2.2, the Manager and its Affiliates will be reimbursed for all costs expended in the acquisition and due diligence of the Projects, and potential Projects including down payments, closing costs, travel, legal, environmental assessments, property condition reports and other studies, surveys, escrow deposits and costs, plus interest at the Manager’ cost of funds on advances made for the above purposes.

7. Authority, and Responsibilities of the Manager.

7.1 Management. The business and affairs of the Company shall be managed by the Manager. Except as otherwise set forth in this Agreement, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company’s business.

7.2 Number, Tenure and Qualifications. The Company shall have one Manager, which shall be Dahn America360 Manager, LLC. The Manager shall hold office until such Manager is removed or withdraws or resigns as set forth in this Agreement.

7.3 Manager Authority. The Manager shall have all authority, rights and powers conferred by law (subject to Section 7.4 and Section 8.2, if required) and those required or appropriate to the management of the Company’s business, which, by way of illustration but not by way of limitation, shall include the right, authority and power to cause the Company to:

7.3.1 Take all actions as the buyer of the Projects either directly or through special purpose entities;

7.3.2 Enter into any limited liability company agreement, partnership agreement or other operating agreement with a joint venture partner;

7.3.3 Acquire, hold, lease, rent, operate, sell, exchange, subdivide and otherwise dispose of Property including the Projects;

7.3.4 Borrow money, and, if security is required therefor, to pledge or mortgage or subject Property to any security device, to obtain replacements of any mortgage or other security device and to prepay, in whole or in part, refinance, increase, modify, consolidate, or extend any mortgage or other security device. All of the foregoing shall be on such terms and in such amounts as the Manager, in its sole discretion, deems to be in the best interest of the Company;

7.3.5 Place record title to, or the right to use, Property in the name or names of a nominee or nominees for any purpose convenient or beneficial to the Company;
7.3.6 Enter into such contracts and agreements as the Manager determines to be reasonably necessary or appropriate in connection with the Company’s business and purpose (including contracts with Affiliates of the Manager), and any contract of insurance that the Manager deems necessary or appropriate for the protection of the Company and the Manager, including errors and omissions insurance, for the conservation of Company assets, or for any purpose convenient or beneficial to the Company;

7.3.7 Employ Persons, who may be Affiliates of the Manager, in the operation and management of the business of the Company;

7.3.8 Prepare or cause to be prepared reports, statements, and other relevant information for distribution to the Members;

7.3.9 Open accounts and deposit and maintain funds in the name of the Company in banks, savings and loan associations, “money market” mutual funds and other instruments as the Manager may deem in its discretion to be necessary or desirable;

7.3.10 Cause the Company to make or revoke any of the elections referred to in the Code (the Manager shall have no obligation to make any such elections);

7.3.11 Select as the Company’s accounting year a calendar or fiscal year as may be approved by the Internal Revenue Service (the Company initially intends to adopt the calendar year);

7.3.12 Determine the appropriate accounting method or methods to be used by the Company;

7.3.13 In addition to any amendments otherwise authorized herein, amend this Agreement without any action on the part of the Members by special or general power of attorney or otherwise:

(a) To add to the representations, duties, services or obligations of the Manager or its Affiliates, for the benefit of the Members;

(b) To cure any ambiguity or mistake, to correct or supplement any provision herein that may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Agreement that will not be inconsistent with the provisions of this Agreement;

(c) To amend this Agreement to reflect the addition or substitution of the Members or the reduction of the Capital Accounts upon the return of capital to the Members;

(d) To minimize the adverse impact of, or comply with, any final regulation of the United States Department of Labor, or other federal agency having jurisdiction, defining “plan assets” for ERISA purposes;

(e) To reconstitute the Company under the laws of another state if beneficial;

(f) To execute, acknowledge and deliver any and all instruments to effectuate the foregoing, including the execution, acknowledgment and delivery of any such instrument by the attorney-in-fact for the Manager under a special or limited power of attorney, and to take all such actions in connection therewith as the Manager shall deem necessary or appropriate with the signature of the Manager acting alone; and
(g) To make any changes to this Agreement as requested or required by any lender or potential lender which may be required to obtain financing including, but not limited to, complying with any special purpose entity requirements.

7.3.14 Require in any Company contract that the Manager shall not have any personal liability, but that the Person contracting with the Company is to look solely to the Company and its assets for satisfaction;

7.3.15 Lease personal property for use by the Company;

7.3.16 Establish reserves from income in such amounts as the Manager may deem appropriate;

7.3.17 Temporarily invest the proceeds from sale of Units in short-term, highly-liquid investments;

7.3.18 Make secured or unsecured loans to the Company and receive interest at the rates set forth herein;

7.3.19 Represent the Company and the Members as “tax matters partner” within the meaning of the Code in discussions with the Internal Revenue Service regarding the tax treatment of items of Company income, loss, deduction or credit, or any other matter reflected in the Company’s returns, and, if deemed in the best interest of the Members, to agree to final Company administrative adjustments or file a petition for a readjustment of the Company items in question with the applicable court;

7.3.20 Offer and sell Units through any licensed Affiliate of the Manager, or licensed nonaffiliate, and to employ licensed personnel, agents and dealers for such purpose;

7.3.21 Redeem or repurchase Units on behalf of the Company;

7.3.22 Hold an election for a successor Manager before the resignation, removal or dissolution of the Manager;

7.3.23 Initiate legal actions, settle legal actions and defend legal actions on behalf of the Company;

7.3.24 Admit itself as a Member;

7.3.25 Enter into any transaction with any partnership or venture;

7.3.26 Merge or combine the Company or “roll-up” the Company into a partnership, limited liability company or other entity with a Majority Vote;

7.3.27 Place all or a portion of a Project in a single purpose or bankruptcy remote entity, or otherwise structure or restructure the Company to accommodate any financing for all or a portion of a Project;

7.3.28 Appoint officers of the Company as set forth in Section 7.11;

7.3.29 Perform any and all other acts which the Manager is obligated to perform hereunder; and
7.3.30 Execute, acknowledge and deliver any and all instruments to effectuate the foregoing and all transactions and actions described in, or contemplated by, the Memorandum, and take all such actions in connection therewith as the Manager may deem necessary or appropriate. Any and all documents or instruments may be executed on behalf of and in the name of the Company by the Manager.

7.4 Restrictions on Manager’s Authority. Neither the Manager nor any of its Affiliates shall have authority, without a Majority Vote, to:

7.4.1 Enter into contracts with the Company that would bind the Company after the expulsion, Event of Insolvency, or other cessation to exist of the Manager, or to continue the business of the Company after the occurrence of such event;

7.4.2 Use or permit any other Person to use Company funds or assets in any manner except for the exclusive benefit of the Company;

7.4.3 Alter the primary purpose of the Company;

7.4.4 Receive from the Company a rebate or give-up or participate in any reciprocal business arrangements which would enable it or any Affiliate to do so;

7.4.5 Admit another Person as the Manager, except with the consent of the Members as provided in this Agreement;

7.4.6 Subject to Section 5.2, reinvest Cash From Sale or Exchange in additional Projects;

7.4.7 Commingle the Company funds with those of any other person or entity, except for (i) the temporary deposit of funds in a bank checking account for the sole purpose of making Distributions immediately thereafter to the Members and the Manager or (ii) funds attributable to the Projects and held for use in the management and operations of the Projects; or

7.4.8 Directly or indirectly pay or award any finder’s fees, commissions or other compensation to any person engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchaser regarding the purchase of Units; provided, however, that the Manager shall not be prohibited from paying underwriting or marketing commissions, or finder’s or referral fees to registered broker-dealers or other properly licensed persons for its services in marketing Units as provided for in this Agreement.

7.5 Responsibilities of the Manager. The Manager shall:

7.5.1 Have a fiduciary responsibility for the safekeeping and use of all the funds and assets of the Company;

7.5.2 Devote such of its time and business efforts to the business of the Company as it shall in its discretion, exercised in good faith, determine to be necessary to conduct the business of the Company;

7.5.3 File and publish all certificates, statements, or other instruments required by law for formation, qualification and operation of the Company and for the conduct of its business in all appropriate jurisdictions;
7.5.4 Cause the Company to be protected by public liability, property damage and other insurance determined by the Manager in its discretion to be appropriate to the business of the Company;

7.5.5 At all times use its best efforts to meet applicable requirements for the Company to be taxed as a partnership and not as an association taxable as a corporation; and

7.5.6 Amend this Agreement to reflect the admission of the Members not later than 90 days after the date of admission or substitution.

7.6 Administration of Company. So long as it is the Manager and the provisions of this Agreement for compensation and reimbursement of expenses of the Manager are observed, the Manager shall have the responsibility of providing continuing administrative and executive support, advice, consultation, analysis and supervision with respect to the functions of the Company, including decisions regarding refinancing and sale or other disposition of the Projects, and compliance with federal, state and local regulatory requirements and procedures. In this regard, the Manager may retain the services of its Affiliates or unaffiliated parties as the Manager may deem appropriate to provide management and financial consultation and advice, and may enter into agreements for the management and operation of Company assets. The Manager shall have no other fiduciary or other duties or obligations to the Company or the Members except as set forth in this Agreement.

7.7 Tax Matters Partner. The Members hereby appoint the Manager to act as the “tax matters partner.”

7.8 Indemnification of the Manager and Officers.

7.8.1 The Manager, its shareholders, Affiliates, officers, directors, partners, manager, members, employees, agents and assigns and any officers of the Company, shall not be liable for, and shall be indemnified and held harmless (to the extent of the Company’s assets) from, any loss or damage incurred by them, the Company or the Members in connection with the business of the Company, including costs and reasonable attorneys’ fees and any amounts expended in the settlement of any claims of loss or damage resulting from any act or omission performed or omitted in good faith, which shall not constitute fraud, gross negligence or willful misconduct, pursuant to the authority granted, to promote the interests of the Company. Moreover, neither the Manager nor any officer of the Company shall be liable to the Company or the Members because any taxing authorities disallow or adjust any deductions or credits in the Company’s income tax returns.

7.8.2 Notwithstanding Section 7.8.1, the Company shall not indemnify any Manager, or shareholder, director, officer or other employee thereof, for liability imposed or expenses incurred in connection with any claim arising out of a violation of the Securities Act of 1933, or any other federal or state securities law, with respect to the offer and sale of the Units. Indemnification will be allowed for settlements and related expenses in lawsuits alleging securities law violations, and for expenses incurred in successfully defending such lawsuits, provided that (i) the Manager is successful in defending the action, (ii) the indemnification is specifically approved by the court of law which shall have been advised as to the current position of the Securities and Exchange Commission (as to any claim involving allegations that the Securities Act of 1933 was violated) or the applicable state authority (as to any claim involving allegations that the applicable state’s securities laws were violated) or (iii) in the opinion of counsel for the Company, the right to indemnification has been settled by controlling precedent.
7.8.3 The Members acknowledge that the Manager may own Units and it shall not be a breach of any fiduciary duty or fiduciary obligation or any other duty or obligation if the Manager votes its Units in its own best interest with respect to any Majority Vote.

7.8.4 Neither the Manager nor any of its Affiliates shall have any obligation to cause the Company to take any action that would result in personal liability to the Manager, its principals or any of its Affiliates in their capacity as obligator or guarantor of any loan that is obtained or assumed by the Company, notwithstanding that the failure to take any such action might result in the total or partial loss of the Company’s interest in some or all of the Company’s Property. Such action may include transferring the Projects to a lender pursuant to a deed in lieu of foreclosure. Any action or inaction by the Manager or any of its Affiliates that is intended to avoid personal liability under any obligation or guaranty related to a loan that is obtained or assumed by the Company will not constitute a breach of any fiduciary or other duty that the Manager or its Affiliates may owe the Company or the Members.

7.9 No Personal Liability for Return of Capital. The Manager shall not be personally liable or responsible for the return or repayment of all or any portion of the Capital Contribution of any Member or any loan made by any Member to the Company, it being expressly understood that any such return of capital or repayment of any loan shall be made solely from the assets (which shall not include any right of contribution from any Member) of the Company.

7.10 Authority as to Third Persons.

7.10.1 No third party dealing with the Company shall be required to investigate the authority of the Manager or officers of the Company or secure the approval or confirmation by any Member of any act of the Manager in connection with the Company’s business. No purchaser of any Property owned by the Company shall be required to determine the right to sell or the authority of the Manager to sign and deliver any instrument of transfer on behalf of the Company, or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith.

7.10.2 The Manager shall have full authority to execute on behalf of the Company any and all agreements, contracts, conveyances, deeds, mortgages and other instruments, and the execution thereof by the Manager, executing on behalf of the Company shall be the only execution necessary to bind the Company thereto. Any officer appointed by resolution of the Manager pursuant to Section 7.11 shall have full authority to execute on behalf of the Company any agreements, contract, conveyances, deeds, mortgages and other instruments, to the extent such authority is delegated by the Manager to such officer, and the execution thereof by such officer, executing on behalf of the Company shall be the only execution necessary to bind the Company thereto. No signature of any Member shall be required.

7.10.3 The Manager shall have the right by separate instrument or document to authorize one or more individuals or entities to execute leases and lease-related documents on behalf of the Company and any leases and documents executed by such agent shall be binding upon the Company as if executed by the Manager.

7.11 Officers of the Company.

7.11.1 The Manager, in its sole discretion, may appoint officers of the Company at any time. The officers of the Company, if appointed by resolution of the Manager, may include a president, vice president, secretary, and treasurer. The officers shall serve at the pleasure of the Manager. Any individual may hold any number of offices. The Manager’s officers may serve as officers of the Company if appointed by resolution of the Manager. The officers shall exercise such powers and perform such duties as determined and authorized by the Manager.
7.11.2 Any officer may be removed, either with or without cause, by the Manager at any time. Any officer may resign at any time by giving written notice to the Manager. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

8. Rights, Authority and Voting of the Members.

8.1 Members Are Not Agents. Pursuant to Section 7, the management of the Company is vested in the Manager. No Member, acting solely in the capacity of a Member, is an agent of the Company nor can any Member in such capacity bind nor execute any instrument on behalf of the Company.

8.2 Voting by the Members. Members shall be entitled to cast one vote for each Unit they own. Except as otherwise specifically provided in this Agreement, Members (but not Economic Interest Owners) shall have the right to vote only upon the following matters:

8.2.1 Removal of a Manager as provided in Section 9.2;

8.2.2 Admission of the Manager or election to continue the business of the Company after the Manager ceases to be the Manager when there is no remaining Manager;

8.2.3 Amendment of this Agreement (unless otherwise provided for herein);

8.2.4 Any merger or combination of the Company or roll-up of the Company; and

8.2.5 Election to continue the business of the Company as set forth in Section 13.1.2.

8.3 Member Vote; Consent of Manager. Except for the Majority Votes required pursuant to Sections 8.2.1, 8.2.2, 8.2.5, 8.4.3, 9.1, 9.2, 9.3, 9.4, 10.1, 10.1.3, 10.1.4 and 13.3 or as specifically provided in this Agreement which provisions shall only require a Majority Vote, matters upon which the Members may vote shall require a Majority Vote and the consent of the Manager to pass and become effective.

8.4 Meetings of the Members. The Manager may at any time call for a meeting of the Members, or for a vote without a meeting, on matters on which the Members are entitled to vote, and shall call for such a meeting (but not a vote without a meeting) following receipt of a written request therefor of Members holding more than 10 percent of the Units entitled to vote as of the record date. Within 20 days after receipt of such request, the Manager shall notify all Members of record on the record date of the Company meeting.

8.4.1 Notice. Written notice of each meeting shall be given to each Member entitled to vote, either personally or by mail or other means of written communication, charges prepaid, addressed to such Member at its address appearing on the books of the Company or given by it to the Company for the purpose of notice or, if no such address appears or is given, at the principal executive office of the Company, or by publication of notice at least once in a newspaper of general circulation in the county in which such office is located. All such notices shall be sent not less than 10, nor more than 60, days before such meeting. The notice shall specify the place, date and hour of the meeting and the general nature of business to be transacted, and no other business shall be transacted at the meeting.

8.4.2 Adjourned Meeting and Notice Thereof. When a Members’ meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and
place thereof are announced at the meeting at which the adjournment is taken. At the subsequent meeting, the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the subsequent meeting, a notice of the subsequent meeting shall be given to each Member of record entitled to vote at the meeting.

8.4.3 Quorum. The presence in person or by proxy of the persons entitled to vote a majority of the Units shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a Majority Vote or such greater vote as may be required by this Agreement or by law. In the absence of a quorum, any meeting of Members may be adjourned from time to time by the vote of a majority of the Units represented either in person or by proxy, but no other business may be transacted, except as provided above.

8.4.4 Consent of Absentees. The transactions of any meeting of Members, however called and noticed and wherever held, are as valid as though they occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting or an approval of the minutes thereof. All waivers, consents and approvals shall be filed with the Company records or made a part of the minutes of the meeting.

8.4.5 Action Without Meeting. Except as otherwise provided in this Agreement, any action which may be taken at any meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by the Manager and Members having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all entitled to vote thereon were present and voted. In the event the Members are requested to consent on a matter without a meeting, the Manager and each Member shall be given not less than 10, nor more than 60, days notice. In the event the Manager or Members representing more than 10% of the Units, request a meeting for the purpose of discussing or voting on the matter, the notice of a meeting shall be given in the same manner as required by Section 8.4.1 and no action shall be taken until the meeting is held. Unless delayed as a result of the preceding sentence, any action taken without a meeting will be effective 5 days after the required minimum number of voters have signed the consent; however, the action will be effective immediately if the Manager and Members representing at least 80% of the Units have signed the consent.

8.4.6 Record Dates. For purposes of determining the Members entitled to notice of any meeting or to vote or entitled to receive any Distributions or to exercise any rights in respect of any other lawful matter, the Manager (or Members representing more than 10% of the Units if the meeting is being called at their request) may fix in advance a record date, which is not more than 60 nor less than 10 days prior to the date of the meeting nor more than 60 days prior to any other action. If no record date is fixed:

(a) The record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held;

(b) The record date for determining Members entitled to give consent to Company action in writing without a meeting shall be the day on which the first written consent is given;
(c) The record date for determining Members for any other purpose shall be at the close of business on the day on which the Manager adopts it, or the 60th day prior to the date of the other action, whichever is later; and

(d) A determination of Members of record entitled to notice of or to vote at a meeting of Members shall apply to any adjournment of the meeting unless the Manager, or the Members who requested the meeting fix a new record date for the adjourned meeting, but the Manager, or such Members, shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

8.4.7 Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Manager. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy continues in full force and effect until revoked as specified or unless it states that it is irrevocable. A proxy which states that it is irrevocable is irrevocable for the period specified therein.

8.4.8 Chairman of Meeting. The Manager may select any person to preside as chairman of any meeting of the Members, and if such person shall be absent from the meeting, or fail or be unable to preside, the Manager may name any other person in substitution therefor as chairman. The chairman of the meeting shall designate a secretary for such meeting, who shall take and keep or cause to be taken and kept minutes of the proceedings thereof. The conduct of all Members’ meetings shall at all times be within the discretion of the chairman of the meeting and shall be conducted under such rules as he may prescribe. The chairman shall have the right and power to adjourn any meeting at any time, without a vote of the Units present in person or represented by proxy, if the chairman shall determine such action to be in the best interests of the Company.

8.4.9 Inspectors of Election. In advance of any meeting of Members, the Manager may appoint any persons other than nominees for the Manager or other office as the inspector of election to act at the meeting and any adjournment thereof. If an inspector of election is not so appointed, or if any such person fails to appear or refuses to act, the Chairman of any such meeting may, and on the request of any Member or his proxy shall, make such appointment at the meeting. The inspector of election shall determine the number of Units outstanding and the voting power of each, the Units represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members.

8.4.10 Record Date and Closing Company Books. When a record date is fixed, only Members of record on that date are entitled to notice of and to vote at the meeting or to receive a Distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any Units on the books of the Company after the record date.

8.5 Rights of Members. No Owner shall have the right or power to: (i) withdraw or reduce his contribution to the capital of the Company, except as a result of the dissolution and termination of the Company or as otherwise provided in this Agreement or by law, (ii) bring an action for partition against the Company or (iii) demand or receive property other than cash in return for his Capital Contribution. Except as provided in this Agreement, no Owner shall have priority over any other Owner either as to the return of Capital Contributions or as to allocations of the Net Income, Net Loss or Distributions of the Company. Other than upon the termination and dissolution of the Company as provided by this
Agreement, there has been no time agreed upon when the contribution of each Owner (other than the Initial Member) is to be returned.

8.6 Restrictions on the Owners. No Owner shall:

8.6.1 Disclose to any non-Owner other than their lawyers, accountants or consultants and/or commercially exploit any of the Company’s business practices, trade secrets or any other information not generally known to the business community, including the identity of suppliers utilized by the Company;

8.6.2 Do any other act or deed with the intention of harming the business operations of the Company; or

8.6.3 Do any act contrary to this Agreement.

8.7 Return of Capital of Member. In accordance with the Act, an Owner may, under certain circumstances, be required to return to the Company, for the benefit of the Company’s creditors, amounts previously distributed to the Owner. If any court of competent jurisdiction holds that any Owner is obligated to make any such payment, such obligation shall be the obligation of such Owner and not of the Company, the Manager or any other Owner.

8.8 Indemnification of Members. The Company shall indemnify, protect, defend and hold harmless the Members, in their capacity as Members (as opposed to the Manager which is indemnified pursuant to Section 7.8 in its capacity as a Manager), and their agents, employees, general partners and Affiliates and its and their respective successors and assigns, from and against any loss, liability, damage, cost or expense (including legal fees and expenses incurred in defense of any demands, claims or lawsuits) arising from actions or omissions concerning business or activities undertaken by or on behalf of the Company from any source. The Company shall advance to any Person entitled to indemnification pursuant to this Section such funds as shall be required to pay legal fees and expenses incurred in defense of any demands, claims or lawsuits as they become due. Notwithstanding the foregoing, if the claim for indemnification is in connection with an action against the Company, or against another Indemnified Party by the person requesting the indemnification, the Company shall have no such obligation to advance any funds for the payment of legal fees and expenses. The obligations contained herein shall survive the termination or expiration of the Agreement until such time as an action against the Members is absolutely barred by the statute of limitations.

8.9 Deemed Approval. Whenever a Majority Vote is required in this Agreement, the Company shall provide the Members with notice of such required vote, and the Members shall have 15 days after the date such notice is sent by the Company to approve or disapprove of the matter. If a Member does not disapprove of such matter within the 15 day specified response period described above, the Member shall be deemed to have voted in accordance with the vote recommended by the Manager.

9. Resignation, Withdrawal or Removal of the Manager.

9.1 Resignation or Withdrawal of Manager. Subject to Section 10, the Manager shall not resign or withdraw as the Manager or do any act that would require its resignation or withdrawal without a Majority Vote.

9.2 Removal. The Manager may be removed by a Majority Vote only for (i) fraud, gross negligence or willful misconduct of the Manager, as evidenced by a final, non-appealable decision of a court of competent jurisdiction or (ii) upon the occurrence of an Event of Insolvency of the Manager. Removal of the Manager shall not be effective until the Manager receives in cash the full value of its
interest in the Company and in the event Section 9.3.1 is elected, and all lenders have released the Manager from all liability under any loan to the Company.

9.3 Purchase of Manager’s Interest.

9.3.1 Upon the removal of a Manager pursuant to Section 9.2 or its withdrawal with the approval of a Majority Vote, (i) the removed Manager’s interest in the Distributions and allocations of Net Income and Net Loss set forth in this Agreement and (ii) its interest in its right to the earned but unpaid fees and other compensation remaining to be paid under this Agreement, shall be purchased by the Company for a purchase price equal to the aggregate fair market value of the Manager’s interest determined according to the provisions of Section 9.4; provided, however, that in the event the Manager is removed as a result of fraud, willful malfeasance or gross negligence as determined by a court of law, the purchase price shall be reduced by any damages caused by any such fraud, willful misconduct or gross negligence. The purchase price of such interest shall be paid by the Company to the Manager in cash within 60 days of the determination of the aggregate fair market value.

9.4 Purchase Price of the Manager’s Interest. The fair market value of a Manager’s interest to be purchased by the Company pursuant to Section 9.3 shall be determined by agreement between the Manager and the Company, which agreement is subject to approval by a Majority Vote. For this purpose, the fair market value of the interest of the terminated Manager shall be computed as the present value of the future amount which could reasonably be expected to be realized by such Manager upon the sale of the Company’s assets in the ordinary course of business at the time of removal, including its interest as a Member. If the Manager and the Company cannot agree upon the fair market value of such Company interest within 30 days, the fair market value thereof shall be determined by appraisal, the Company and the terminated Manager each to choose one appraiser and the two appraisers so chosen to choose a third appraiser. The decision of a majority of the appraisers as to the fair market value of such Company interest shall be final and binding and may be enforced by legal proceedings. The terminated Manager and the Company shall each compensate the appraiser appointed by it and the compensation of the third appraiser shall be borne equally by such parties.

10. Assignment of a Manager’s Interest.

10.1 Permitted Assignments. Except as otherwise provided in this Agreement, the Manager may not sell or otherwise transfer any part or all of its interest in the Company except with a Majority Vote, which consent may be withheld by such Members in their sole discretion. If the Members consent to the transfer, the interest may only be sold to the proposed transferee within the time period approved by the Members, or within 90 days of such consent on the proposed terms and price, if later. All costs of the transfer, including reasonable attorneys’ fees (if any), shall be borne by the transferring Manager. The Manager may encumber its interest without the consent of the Members.

10.1.1 Any assignment or transfer of the Manager’s interest provided for by this Agreement can be an assignment or transfer of all of its interest or any portion or part of its interest.

10.1.2 Any transfer of all or a part of the Manager’s interest may be made only pursuant to the terms and conditions contained in this Section 10.

10.1.3 Any such assignment shall be by a written instrument of assignment, the terms of which are not in contravention of any of the provisions of this Agreement, and which has been duly executed by the assignee of the Manager’s interest and accepted by the Members pursuant to a Majority Vote.

10.1.4 The assignor and assignee shall have executed, acknowledged, and delivered such other instruments as the Members pursuant to a Majority Vote, may deem necessary or desirable
to effect such substitution of any such proposed transfer, and which shall include the written acceptance and adoption by the assignee of the provisions of this Agreement.

10.2 Substitute Manager. Upon acceptance by the Members of an assignment by the Manager, any assignee of such Manager’s interest in compliance with this Section 10 shall be substituted as the Manager.

10.3 Transfer in Violation Not Recognized. Any assignment, sale, exchange or other transfer in contravention of the provisions of this Section 10 shall be void and ineffectual and shall not bind or be recognized by the Company.

10.4 Transfers to Affiliates. Notwithstanding the above, the Manager may assign its interest to an Affiliate without the consent of the Members.

11. Assignment of Units.

11.1 Permitted Assignments. A Member may only sell, assign, hypothecate, encumber or otherwise transfer any part (but not less than the lesser of (i) one Unit or (ii) the Member’s entire interest in the Company) or all of his or her Units if the following requirements are satisfied:

11.1.1 The Manager consents in writing to the transfer;

11.1.2 No Member shall sell, transfer, assign or convey or offer to transfer, assign or convey all or any portion of a Unit to any Person who does not possess the financial qualifications required of all persons who become Members, as described in the Memorandum;

11.1.3 No Member shall have the right to transfer any Unit to any minor or to any Person who, for any reason, lacks the capacity to contract for himself under applicable law. Such limitations shall not, however, restrict the right of any Member to transfer any one or more Units to a custodian or a trustee for a minor or other person who lacks such contractual capacity;

11.1.4 The Manager, with advice of counsel, must determine that such transfer will not jeopardize the applicability of the exemptions from the registration requirements under the Securities Act of 1933, as amended, and registration or qualification under state securities laws relied upon by the Company and Manager in offering and selling the Units or otherwise violate any federal or state securities laws;

11.1.5 The Manager, with advice of counsel, must determine that, despite such transfer, Units will qualify for one of the safe harbors described in the Treasury Regulations related to the publicly traded partnership rules and will not cause the Company’s Units to be deemed to be “traded on an established securities market” or “readily tradable on a secondary market (or the substantial equivalent thereof)” under the provisions applicable to publicly traded partnership status. In making this determination, the Manager shall be entitled to limit any transfers so that the transfers comply with one of the safe harbors in the Treasury Regulations; provided, however that the Manager may, in its sole discretion and upon receipt of an opinion from counsel that the Company will not be treated as a publicly traded partnership for federal income tax purposes, permit transfers that do not qualify for one of the safe harbors;

11.1.6 Any such transfer shall be by a written instrument of assignment, the terms of which are not in contravention of any of the provisions of this Agreement, and which has been duly executed by the assignor of such Units and accepted by the Manager in writing. Upon such acceptance by the Manager, such an assignee shall take subject to all terms of this Agreement and shall become an Economic Interest Owner;
11.1.7 A transfer fee shall be paid by the transferring Member in such amount as may be required by the Manager to cover all reasonable expenses, including attorneys’ fees and lender’s fees, connected with such assignment;

11.1.8 The transfer will not result in Employee Benefit Plans owning 25% or more of the Units;

11.1.9 The transfer will not result in more than 1,900 Owners;

11.1.10 The transfer will not cause a default with respect to any financing obtained by the Company; and

11.1.11 The buyer and the seller shall comply with and use the terms described in the FINRA Uniform Practice Code, if applicable.

11.2 Substituted Member.

11.2.1 Conditions to be Satisfied. No Economic Interest Owner shall have the right to become a Substituted Member unless the Manager shall consent thereto in accordance with Section 11.2.2 and all of the following conditions are satisfied:

(a) A duly executed and acknowledged written instrument of assignment shall have been filed with the Company, which instrument shall specify the number of Units being assigned and set forth the intention of the assignor that the assignee succeed to the assignor’s interest as a Substituted Member in his place;

(b) The assignor and assignee shall have executed, acknowledged and delivered such other instruments as the Manager may deem necessary or desirable to effect such substitution, which may include an opinion of counsel regarding the effect and legality of any such proposed transfer, and which shall include: (i) the written acceptance and adoption by the assignee of the provisions of this Agreement and (ii) the execution, acknowledgment and delivery to the Manager of a special power of attorney, the form and content of which are more fully described herein; and

(c) A transfer fee sufficient to cover all reasonable expenses connected with such substitution shall have been paid to the Company.

11.2.2 Consent of Manager. The consent of the Manager shall be required to admit an Economic Interest Owner as a Substituted Member. The granting or withholding of such consent shall be within the sole discretion of the Manager.

11.2.3 Consent of Members. By executing or adopting this Agreement, each Member hereby consents to the admission of additional or Substituted Members, and to any Economic Interest Owner becoming a Substituted Member upon consent of the Manager and in compliance with this Agreement.

11.3 Rights of Economic Interest Owner. An Economic Interest Owner shall be entitled to receive Distributions from the Company attributable to the Units acquired by reason of such assignment from and after the effective date of the assignment; provided, however, that notwithstanding anything herein to the contrary, the Company shall be entitled to treat the assignor of such Units as the absolute owner thereof in all respects, and shall incur no liability for allocations of Net Income and Net Loss or Distributions, or for the transmittal of reports or other information until the written instrument of assignment has been received by the Company and recorded on its books. The effective date of such
assignment shall be the date on which all of the requirements of this Section have been complied with, subject to Section 4.9.

11.4 Right to Inspect Books. Economic Interest Owners shall have no right to inspect the Company’s books or records, to vote on Company matters, or to exercise any other right or privilege as Members, until they are admitted to the Company as Substituted Members except as required by the Act.

11.5 Assignment of 50% or More of Units. Without the consent of the Manager in its sole discretion, no assignment of any Units may be made if the Units to be assigned, when added to the total of all other Units and Manager Interests assigned within the 13 immediately preceding months, would, in the opinion of counsel for the Company, result in the termination of the Company under the Code.

11.6 Transfer Subject to Law. No assignment, sale, transfer, exchange or other disposition of any Units may be made except in compliance with the applicable governmental laws and regulations, including state and federal securities laws.

11.7 Transfer in Violation Not Recognized. Any assignment, sale, transfer, exchange or other disposition in contravention of the provisions of this Section 11 shall be void and ineffectual and shall not bind or be recognized by the Company.

11.8 Conversion to Economic Interest. Upon the transfer of a Unit in violation of this Agreement, the Membership Interest of a Member shall be converted into an Economic Interest.

11.9 Repurchase of Units. After a period of one year following the Offering Termination Date, the Company shall have the right, in the sole discretion of the Manager, to repurchase Units upon written request of a Member.

11.9.1 A Member wishing to have his Units repurchased must mail or deliver a written request to the Company (executed by the trustee or authorized agent in the case of a retirement plan) indicating his desire to have such Units repurchased. Such requests will be considered by the Manager in the order in which they are received. No repurchase may result in a Member owning a partial Unit.

11.9.2 The purchase price for the Units to be repurchased shall be (i) beginning one year after the Offering Termination Date for a period of two years, 85% of the original purchase price for the Units to be repurchased, and (ii) thereafter, 90% of the original purchase price for the Units to be repurchased; provided, however, that in each of the foregoing cases, the purchase price of the repurchased Units shall not exceed the fair market value of the repurchased Units, as determined in the sole discretion of the Manager. In the event of the disability or death of a Member and upon the request of such Member (or his or her heirs), the Company may repurchase the Units of such Member (or his or her heirs) in the sole discretion of the Manager for an amount equal to 90% of the original purchase for the Units to be repurchased.

11.9.3 In the event that the Manager decides to honor a request, they will notify the requesting Member in writing of such fact within 30 days of the Company’s receipt of the Member’s notice described in Section 11.9.1 (subject to Section 11.9.6) and, after determination of the purchase price for the repurchased Units, will forward to such Member the documents necessary to effect such repurchase transaction.

11.9.4 The effective date of the repurchase transaction shall be not less than 60 nor more than 90 calendar days following the receipt of the written request by the Company described in Section 11.9.1.
11.9.5 Fully executed documents to effect the repurchase transaction must be returned to the Company at least 30 days prior to the effective date of the repurchase transaction.

11.9.6 Upon receipt of the required documentation, the Company will, on the effective date of the repurchase transaction and subject to approval by the Manager, repurchase the Units, provided that if sufficient amounts are not then available, in the Manager’s sole discretion, to repurchase all of such Units, only a portion of such Units will be repurchased, unless otherwise approved by the Manager as set forth herein. Units repurchased by the Company pursuant to this Section 11.9 shall be promptly cancelled.

11.9.7 In the event that insufficient funds are available, in the Manager’s sole discretion, to repurchase all of such Units, the Member will be deemed to have priority for subsequent Company repurchases over Members who subsequently request repurchases.

11.9.8 Repurchases of Units shall be subject to the restrictions set forth in Section 11.1.

11.9.9 In no event shall Units owned by the Manager or its Affiliates be repurchased by the Company.

11.9.10 Notwithstanding the above or the restrictions in Section 11.1, the Company shall not purchase more than 10% in the aggregate of the total Units of the Company per annum reduced by the percentage of any transfers made under Treasury Regulation Sections 1.7704-1(g) or transfers that do not qualify for safe harbor treatment under the Treasury Regulations (which excludes private transfers described in Treasury Regulation Section 1.7704-1(e)).

11.10 Right of First Refusal. If any Owner, other than the Manager, desires to transfer their Units, such Owner shall give the Company written notice of such proposed transfer (the “Transfer Notice”) and offer to sell such Units to the Company and, at the election of the Company, to the other Members, pro-rata based on their Units, at the price at which such Units are intended to be transferred by the Owner to a third party in a bona fide transaction. The Transfer Notice shall set forth the intended terms, conditions, price and the name and address of such third party. The Company (and the other Members if the Company so elects) shall have the option for a period of 10 business days from the date of receipt of such written offer (the “Offer Period”) to accept such offer, and 2 months from the date of the receipt of such written offer to purchase the Units (the “Option Period”) on the terms and conditions set forth therein. If the offer has not been accepted in writing prior to the expiration of the Offer Period, or, if so accepted in writing, the closing of the purchase of the Units by the Company or Members delivering such written acceptance has not occurred within the Option Period, the transferring Owner shall have the right for a period of 180 days following the end of the Offer Period (where no acceptance has been delivered by the Company or the Members) or the Option Period (where acceptance of the offer has been delivered but the applicable Units has not been purchased on or prior to the expiration of the Option Period), as applicable, to dispose of all (but not less than all) of such Units in accordance with the terms set forth in the Transfer Notice.


12.1 Records. The Company shall maintain at its principal office the Company’s records and accounts of all operations and expenditures of the Company including the following:

12.1.1 A current list of the name and last known business, residence or mailing address of each Owner and Manager;
12.1.2 A copy of the Certificate of Formation and all amendments thereto, together with any powers of attorney pursuant to which the Certificate of Formation or any amendments thereto were executed;

12.1.3 Copies of the Company’s federal, state and local income tax or information returns and reports, if any, for the six most recent fiscal years;

12.1.4 Copies of this Agreement and any amendments thereto together with any powers of attorney pursuant to which any written accounting or any amendments thereto were executed;

12.1.5 Copies of any financial statements of the Company, if any, for the six most recent years; and

12.1.6 The Company’s books and records as they relate to the internal affairs of the Company for at least the current and past four fiscal years.

12.2 Delivery to Members and Inspection. Subject to limitations set forth in this Section 12.2 and Section 12.6, each Member, or its representative designated in writing, has the right, upon reasonable written request for purposes reasonably related to the interest of that person as a Member, which purposes are set forth in the written request, to receive from the Company:

12.2.1 True and full information regarding the status of the business and financial condition of the Company;

12.2.2 Promptly after becoming available, a copy of the Company’s federal, state and local income tax returns for each year;

12.2.3 A current list of the name and last known business, residence or mailing address of each Owner and Manager;

12.2.4 A copy of this Agreement and the Certificate of Formation and all amendments thereto, together with executed copies of any written powers of attorney pursuant to which this Agreement and the Certificate of Formation and all amendments thereto have been executed; and

12.2.5 True and full information regarding the amount of cash and a description and statement of the agreed value of any property or services contributed by each Owner and which each Owner has agreed to contribute in the future, and the date on which each became an Owner.

12.3 Annual Report. The Manager will cause the Company, at the Company’s expense, to prepare an annual report containing a year-end balance sheet and income statement. Copies of such statements shall be distributed to each Member within 120 days after the close of each fiscal year of the Company.

12.4 Tax Information. The Manager shall cause the Company, at the Company’s expense, to prepare and timely file income tax returns for the Company with the appropriate authorities, and shall cause all Company information necessary in the preparation of the Owners’ individual income tax returns to be distributed to the Owners not later than 90 days after the end of the Company’s fiscal year. The Manager shall also distribute a copy of the Company’s tax return to a Member, if requested by such Member.

12.5 Confidentiality. The Manager shall have the right to keep confidential from the Owners, for such period of time as the Manager deems reasonable, any information which the Manager reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Manager in
good faith believes is not in the best interest of the Company or could damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential.

12.6 Limitations. Notwithstanding Section 12.5, the Manager, in its sole discretion, may restrict receipt of the information identified in Section 12.2, if the Manager reasonably believes that disclosure of such information is not in the best interest of the Company or could damage the Company or its business.

13. Termination and Dissolution of the Company.

13.1 Termination of Company. The Company shall be dissolved, shall terminate and its assets shall be disposed of, and its affairs wound up upon the earliest to occur of the following:

13.1.1 Upon the happening of any event of dissolution specified in the Certificate of Formation;

13.1.2 The occurrence of a Dissolution Event unless the business of the Company is continued by the consent of the remaining Members within 90 days following the occurrence of the event;

13.1.3 A determination by the Manager to terminate the Company;

13.1.4 Upon the entry of a decree of judicial dissolution;

13.1.5 The sale of the last Project, or the receipt of the final payment on any seller financing provided by the Company on the sale of the last Project, if later; or

13.1.6 The expiration of the term of the Company.

13.2 Certificate of Cancellation. As soon as possible following the occurrence of any of the events specified in Section 13.1, the Manager who has not wrongfully dissolved the Company or, if none, the Members, shall execute a Certificate of Cancellation in such form as shall be required by the Act.

13.3 Liquidation of Assets. Upon a dissolution and termination of the Company, the Manager (or in case there is no Manager, the Members or Person designated by a Majority Vote) shall take full account of the Company assets and liabilities, shall liquidate the assets as promptly as is consistent with obtaining the fair market value thereof, and shall apply and distribute the proceeds therefrom in the following order:

13.3.1 To the payment of creditors of the Company but excluding secured creditors whose obligations will be assumed or otherwise transferred on liquidation of Company assets;

13.3.2 To the setting up of any reserves as required by law for any liabilities or obligations of the Company; provided, however, that said reserves shall be deposited with a bank or trust company in escrow at interest for the purpose of discharging such reserves for the payment of any of the aforementioned contingencies and, at the expiration of a reasonable period, for the purpose of distributing the balance remaining in accordance with remaining provisions of this Section 13.3; and

13.3.3 To the Owners as set forth in Section 5.1, which is intended to be in proportion to their positive Capital Account balances as of the date of such Distribution, after giving effect to all Capital Contributions, Distributions and allocations for all periods, including the period during which such Distribution occurs.
13.4 **Distributions Upon Dissolution.** Each Member shall look solely to the assets of the Company for all Distributions and its Capital Contributions, and shall have no recourse therefor (upon dissolution or otherwise) against any Manager or any Member. No Member shall be required to restore any deficit in the Member’s Capital Account.

13.5 **Liquidation of Member’s Interest.** If there is a Liquidation of a Member’s or Manager’s interest in the Company, any liquidating Distribution pursuant to such Liquidation shall be made only to the extent of the positive Capital Account balance, if any, of such Member or Manager for the taxable year during which such Liquidation occurs after proper adjustments for allocations and Distributions for such taxable year up to the time of Liquidation. Such Distributions shall be made by the end of the taxable year of the Company during which such Liquidation occurs, or if later, within 90 days after such Liquidation.

14. **Special and Limited Power of Attorney.**

14.1 **Power of Attorney.** The Manager shall at all times during the term of the Company have a special and limited power of attorney as the attorney-in-fact for each Member, with power and authority to act in the name and on behalf of each such Member to execute, acknowledge, and swear to in the execution, acknowledgment and filing of documents which are not inconsistent with the provisions of this Agreement and which may include, by way of illustration but not by limitation, the following:

14.1.1 This Agreement, as well as any amendments to the foregoing which, under the laws of the State of Delaware or the laws of any other state, are required to be filed or which the Manager shall deem it advisable to file;

14.1.2 Any other instrument or document that may be required to be filed by the Company under the laws of any state or by any governmental agency or which the Manager shall deem it advisable to file;

14.1.3 Any instrument or document that may be required to effect the continuation of the Company, the admission of Substituted Members, or the dissolution and termination of the Company (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement);

14.1.4 Any contract for purchase or sale of real estate, and any deed, deed of trust, mortgage, or other instrument of conveyance or encumbrance, with respect to Property; and

14.1.5 Any and all other instruments as the Manager may deem necessary or desirable to effect the purposes of this Agreement and carry out fully its provisions, including, but not limited to, those in Section 16.

14.2 **Provision of Power of Attorney.** The special and limited power of attorney of the Manager:

14.2.1 Is a special power of attorney coupled with the interest of the Manager in the Company, and its assets, is irrevocable, shall survive the death, incapacity, termination or dissolution of the granting Member, and is limited to those matters herein set forth;

14.2.2 May be exercised by the Manager by and through one or more of the officers of the Manager for each of the Members by the signature of the Manager acting as attorney-in-fact for all of the Members, together with a list of all Members executing such instrument by their attorney-in-fact or by such other method as may be required or requested in connection with the recording or filing of any instrument or other document so executed; and
14.2.3 Shall survive an assignment by a Member of all or any portion of his Units except that, where the assignee of the Units owned by the Member has been approved by the Manager for admission to the Company as a Substituted Member, the special power of attorney shall survive such assignment for the sole purpose of enabling the Manager to execute, acknowledge and file any instrument or document necessary to effect such substitution.

14.3 Notice to Members. The Manager shall promptly furnish to a Member a copy of any amendment to this Agreement executed by the Manager pursuant to a power of attorney from the Member.

15. Relationship of this Agreement to the Act. Many of the terms of this Agreement are intended to alter or extend provisions of the Act as they may apply to the Company or the Members. Any failure of this Agreement to mention or specify the relationship of such terms to provisions of the Act that may affect the scope or application of such terms shall not be construed to mean that any of such terms is not intended to be a limited liability company agreement provision authorized or permitted by the Act or which in whole or in part alters, extends or supplants provisions of the Act as may be allowed thereby.

16. Amendment of Agreement.

16.1 Admission of Member. Amendments to this Agreement for the admission of any Member or Substituted Member shall not, if in accordance with the terms of this Agreement, require the consent of any Member.

16.2 Amendments with Consent of Member. In addition to any amendments otherwise authorized herein, this Agreement may be amended by the Manager with a Majority Vote.

16.3 Amendments Without Consent of the Members. In addition to the Amendments authorized pursuant to Section 4.10 and Section 7.3.13 or otherwise authorized herein, the Manager may amend this Agreement, without the consent of any of the Members, to (i) change the name and/or principal place of business of the Company or (ii) decrease the rights and powers of the Manager (so long as such decrease does not impair the ability of the Manager to manage the Company and conduct its business and affairs); provided, however, that no amendment shall be adopted pursuant to this Section 16.3 unless the adoption thereof (A) is for the benefit of or not adverse to the interests of the Members and (B) does not affect the limited liability of the Members or the status of the Company as a partnership for federal income tax purposes.

16.4 Execution and Recording of Amendments. Any amendment to this Agreement shall be executed by the Manager, and by the Manager as attorney-in-fact for the Members pursuant to the power of attorney contained in Section 14. After the execution of such amendment, the Manager shall also prepare and record or file any certificate or other document which may be required to be recorded or filed with respect to such amendment, either under the Act or under the laws of any other jurisdiction in which the Company holds any Property or otherwise does business.

17. Miscellaneous.

17.1 Counterparts. This Agreement may be executed in several counterparts, and all so executed shall constitute one Agreement, binding on all of the parties hereto, notwithstanding that all of the parties are not signatory to the original or the same counterpart.

17.2 Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the respective Members.
17.3 **Severability.** In the event any sentence or Section of this Agreement is declared by a court of competent jurisdiction to be void, such sentence or Section shall be deemed severed from the remainder of this Agreement and the balance of this Agreement shall remain in full force and effect.

17.4 **Notices.** All notices under this Agreement shall be in writing and shall be given to the Member or Economic Interest Owner entitled thereto, by personal service or by mail, posted to the address maintained by the Company for such person or at such other address as he may specify in writing.

17.5 **Manager’s Address.** The name and address of the Manager is as follows:

Dahn America360 Manager, LLC  
18552 MacArthur Boulevard, Suite 495  
Irvine, California 92612

17.6 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

17.7 **Captions.** Section titles or captions contained in this Agreement are inserted only as a matter of convenience and reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provisions hereof.

17.8 **Gender.** Whenever required by the context hereof, the singular shall include the plural, and vice versa, the masculine gender shall include the feminine and neuter genders, and vice versa.

17.9 **Time.** Time is of the essence with respect to this Agreement.

17.10 **Additional Documents.** Each Member, upon the request of the Manager, shall perform any further acts and execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement, including, but not limited to, providing acknowledgment before a Notary Public of any signature made by a Member.

17.11 **Descriptions.** All descriptions referred to in this Agreement are expressly incorporated herein by reference as if set forth in full, whether or not attached hereto.

17.12 **Binding Arbitration.** Any controversy arising out of or related to this Agreement or the breach thereof or an investment in the Units shall be settled by arbitration in Orange County, California, in accordance with the rules of The American Arbitration Association, and judgment entered upon the award rendered may be enforced by appropriate judicial action. The arbitration panel shall consist of one member, which shall be the mediator if mediation has occurred or shall be a person agreed to by each party to the dispute within 30 days following notice by one party that he desires that a matter be arbitrated. If there was no mediation and the parties are unable within such 30 day period to agree upon an arbitrator, then the panel shall be one arbitrator selected by the Orange County office of The American Arbitration Association, which arbitrator shall be experienced in the area of real estate and limited liability companies and who shall be knowledgeable with respect to the subject matter area of the dispute. The losing party shall bear any fees and expenses of the arbitrator, other tribunal fees and expenses, reasonable attorney’s fees of both parties, any costs of producing witnesses and any other reasonable costs or expenses incurred by him or the prevailing party or such costs shall be allocated by the arbitrator. The arbitration panel shall render a decision within 30 days following the close of presentation by the parties of their cases and any rebuttal. The parties shall agree within 30 days following selection of the arbitrator to any prehearing procedures or further procedures necessary for the arbitration to proceed, including interrogatories or other discovery; provided, in any event each Member shall be entitled to discovery.
17.13 **Attorneys’ Fees.** In the event that litigation is commenced to enforce any of the provisions of this Agreement, to recover damages for breach of any of the provisions of this Agreement, or to obtain declaratory relief in connection with any of the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys’ fees and costs, whether or not such action proceeds to judgment. The prevailing party shall be determined by either the officiating judge in the matter or by the presiding judge of the Orange County, California Superior Court.

17.14 **Venue.** Any Action relating to or arising out of this Agreement shall be brought only in a court of competent jurisdiction located in Orange County, California.

17.15 **Partition.** The Members agree that the assets of the Company are not and will not be suitable for partition. Accordingly, each of the Members hereby irrevocably waives any and all rights that he may have, or may obtain, to maintain any action for partition of any of the assets of the Company.

17.16 **Integrated and Binding Agreement.** This Agreement contains the entire understanding and agreement among the Members with respect to the subject matter hereof, and there are no other agreements, understandings, representations or warranties among the Members other than those set forth herein except the Subscription Agreement. This Agreement may be amended only as provided in this Agreement.

17.17 **Legal Counsel.** Each Member acknowledges and agrees that counsel representing the Company, the Manager and its Affiliates does not represent and shall not be deemed under the applicable codes of professional responsibility to have represented or to be representing any or all of the Members, other than the Manager (if applicable), in any respect. In addition, each Member consents to the Manager hiring counsel for the Company which is also counsel to one or more of the Manager.

17.18 **Title to Company Property.** All Property owned by the Company shall be owned by the Company as an entity and, insofar as permitted by applicable law, no Member shall have any ownership interest in any Company Property in its individual name or right, and each Member’s membership interest shall be personal property for all purposes.
IN WITNESS WHEREOF, this Agreement is effective as of the date first set forth in the preamble.

MANAGER:

Dahn America360 Manager, LLC, a Delaware limited liability company

By: Dahn America360, LLC, a Delaware limited liability company, its sole member

By: ________________________________
    Brian A. Dahn, President

INITIAL MEMBER:

Dahn Corporation, a California corporation

By: ________________________________
    Brian A. Dahn, President
EXHIBIT A

DEFINITIONS

“Acquisition Fee” shall have the meaning set forth in Section 6.1.1.

“Act” shall mean the Delaware Limited Liability Company Act, as the same may be amended from time to time.

“Adjusted Capital Account Deficit” shall mean, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which the Member is obligated to restore and the Member’s share of Member Minimum Gain and Company Minimum Gain; and


“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 10% or more of the outstanding voting securities of such other Person, (iii) any officer, director or partner of such other Person and (iv) if such other Person is an officer, director or partner, any company for which such Person acts in any capacity.

“Agreement” shall mean this Limited Liability Company Agreement, as amended from time to time.

“Asset Management Fee” shall have the meaning set forth in Section 6.1.2.

“Book Gain” shall mean the excess, if any, of the fair market value of the Property over its adjusted basis for federal income tax purposes at the time a valuation of the Property is required under this Agreement or Treasury Regulations Section 1.704-1(b) for purposes of making adjustments to the Capital Accounts.

“Book Loss” shall mean the excess, if any, of the adjusted basis of Property for federal income tax purposes over its fair market value at the time a valuation of the Property is required under this Agreement or Treasury Regulations Section 1.704-1(b) for purposes of making adjustments to the Capital Accounts.

“Book Value” shall mean the adjusted basis of Property for federal income tax purposes increased or decreased by Book Gain, Book Loss, Built-In Gain and Built-In Loss as reduced by depreciation, amortization or other cost recovery deductions, or otherwise, based on such Book Value.

“Built-In Gain (or Loss)” shall mean the amount, if any, by which the agreed value of contributed Property exceeds (or is lesser than) the adjusted basis of Property contributed to the Company by a Member immediately after its contribution by the Member to the capital of the Company.

“Capital Account” with respect to any Member (or such Member’s assignee) shall mean such Member’s initial Capital Contribution adjusted as follows:
(i) A Member’s Capital Account shall be increased by:

(a) such Member’s share of Net Income;

(b) any item of income or gain specially allocated to a Member and not included in Net Income or Net Loss;

(c) any additional cash Capital Contribution made by such Member to the Company; and

(d) the fair market value of any additional Capital Contribution, as determined by the Manager, consisting of property contributed by such Member to the capital of the Company reduced by any liabilities assumed by the Company in connection with such contribution or to which the Property is subject.

(ii) A Member’s Capital Account shall be reduced by:

(a) such Member’s share of Net Loss;

(b) any loss or deduction specially allocated to a Member and not included in Net Income or Net Loss;

(c) any cash Distribution made to such Member; and

(d) the fair market value, as determined by the Manager, of any Property (reduced by any liabilities assumed by the Member in connection with the Distribution or to which the distributed Property is subject) distributed to such Member; provided that, upon liquidation and winding up of the Company, unsold Property will be valued for Distribution at its fair market value and the Capital Account of each Member before such Distribution shall be adjusted to reflect the allocation of gain or loss that would have been realized had the Company then sold the Property for its fair market value. Such fair market value shall not be less than the amount of any nonrecourse indebtedness that is secured by the Property.

Property other than money may not be contributed to the Company except as specifically provided in this Agreement. Property of the Company may not be revalued for purposes of calculating Capital Accounts unless the Manager determines the fair market value of the Property and the Company complies with the requirements of Treasury Regulations Section 1.704-1(b)(2)(iv)(f) and (g); provided, however, for purposes of calculating Book Gain or Book Loss (but not for purposes of adjusting Capital Accounts to reflect the contribution and distribution of such Property), the fair market value of Property shall be deemed to be no less than the outstanding balance of any nonrecourse indebtedness secured by such Property.

The Capital Account of a Substituted Member shall include the Capital Account of his transferor. Notwithstanding anything to the contrary in this Agreement, the Capital Accounts shall be maintained in accordance with Treasury Regulations Section 1.704-1(b). For purposes of this Agreement, any references to the Treasury Regulations shall include corresponding subsequent provisions.

“Capital Contribution” shall mean the gross amount invested in the Company by a Member and shall be equal in amount to the cash purchase price paid by such Member for the Units sold to him by the Company. In the plural, “Capital Contributions” shall mean the aggregate amount invested by all of the Members in the Company and shall equal, in total, the sum of the amount attributable to the purchase of Units and the contributions of the Manager. For purposes of any Member who purchases a Unit pursuant
to Section 3.2.3, the Capital Contribution shall be deemed $5,000 per Unit for purposes of determining
the Preferred Return and for purposes of determining Net Capital Contributions.

“Cash From Operations” shall mean the net cash realized by the Company from all sources (other
than Capital Contributions), including, but not limited to, the operations of the Company, including the
sale, exchange or transfer of a Project, after payment of all cash expenditures of the Company, including,
but not limited to, all operating expenses including all fees payable to the Manager or Affiliates, all
payments of principal and interest on indebtedness, expenses for repairs and maintenance, capital
improvements and replacements, and such reserves and retentions as the Manager reasonably determines
to be necessary and desirable in connection with Company operations with its then existing assets and any
anticipated acquisitions.

“Certificate of Formation” shall mean the Certificate of Formation of the Company as filed with
the Secretary of State of Delaware as the same may be amended or restated from time to time.

“Code” shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions
of subsequently enacted federal revenue laws.

“Company” shall refer to America360, LLC.

“Company Minimum Gain” shall have the same meaning as “partnership minimum gain” as set
forth in Treasury Regulations Section 1.704-2(d).

“Construction Management Fee” shall have the meaning set forth in Section 6.1.4.

“Depository Account” shall have the meaning set forth in Section 3.2.5.

“Disposition Fee” shall have the meaning set forth in Section 6.1.6.

“Dissolution Event” shall mean with respect to the Manager one or more of the following: the
death, insanity, withdrawal, retirement, resignation, expulsion, Event of Insolvency or dissolution (unless
reconstituted by the Manager) of the Manager unless the Members consent to continue the business of the
Company pursuant to Section 8.2.5.

“Distribution” shall refer to any money or other property transferred without consideration (other
than repurchased Units) to Members or Owners with respect to their interests or Units in the Company,
but shall not include any payments to the Manager pursuant to Section 6.

“Economic Interest” shall mean an interest in the Net Income, Net Loss and Distributions of the
Company but shall not include any right to vote or to participate in the management of the Company.

“Economic Interest Owner” shall mean the owner of an Economic Interest who is not a Member.

“Employee Benefit Plan” shall have the meaning set forth in Section 3(3) of the Employee

“Event of Insolvency” shall occur when an order for relief against the Manager is entered under
Chapter 7 of the federal bankruptcy law, or (A) the Manager: (1) makes a general assignment for the
benefit of creditors, (2) files a voluntary petition under the federal bankruptcy law, (3) files a petition or
answer seeking for that Manager a reorganization, arrangement, composition, readjustment, liquidation,
dissolution or similar relief under any statute, law or regulation, (4) files an answer or other pleading
admitting or failing to contest the material allegations of a petition filed against the Manager in any proceeding of this nature or (5) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of that Manager or of all or a substantial part of that Manager’s properties or (B) the expiration of 60 days after either (1) the commencement of any proceeding against the Manager seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law, or regulation, if the proceeding has not been dismissed or (2) the appointment without the Manager’s consent or acquiescence of a trustee, receiver, or liquidator of the Manager or of all or any substantial part of the Manager’s properties, if the appointment has not been vacated or stayed (or if within 60 days after the expiration of any such stay, the appointment is not vacated).

“Financing Fee” shall have the meaning set forth in Section 6.1.5.

“Impound Release Date” shall have the meaning set forth in Section 3.2.5.

“Initial Member” shall refer to Dahn Corporation, a California corporation.

“Interest” shall mean a Membership Interest or an Economic Interest.

“Liquidation” shall mean in respect to the Company the earlier of the date upon which the Company is terminated under Section 708(b)(1) of the Code or the date upon which the Company ceases to be a going concern (even though it may exist for purposes of winding up its affairs, paying its debts and distributing any remaining balance to its Members), and in respect to a Member where the Company is not in Liquidation shall mean the date upon which occurs the termination of the Member’s entire interest in the Company by means of a distribution or the making of the last of a series of Distributions (whether or not made in more than one year) to the Member by the Company.

“Majority Vote” shall mean the vote of more than 50% of the Units entitled to vote. Members shall be entitled to cast one vote for each Unit they own, and a fractional vote for each fractional Unit they own.

“Manager” shall refer to Dahn America360 Manager, LLC, a Delaware limited liability company. The term “Manager” shall also refer to any successor or additional Manager who is admitted to the Company as the Manager.

“Manager Promote” shall mean that Distributions made to the Manager pursuant to Section 5.1.3, in its capacity as Manager and not as a Member.

“Member” shall mean any holder of a Unit who is admitted to the Company as a Member, including the Manager to the extent it has acquired Units.

“Member Minimum Gain” shall mean “partner nonrecourse debt minimum gain” as determined under Treasury Regulations Section 1.704-2(i)(3).

“Member Nonrecourse Debt” shall mean “partner nonrecourse debt” as set forth in Treasury Regulations Section 1.704-2(b)(4).

“Member Nonrecourse Deductions” shall mean “partner nonrecourse deductions” and the amount thereof shall be as set forth in Treasury Regulations Section 1.704-2(i).
“Membership Interest” shall mean a Member’s entire interest in the Company including such Member’s Economic Interest and such voting and other rights and privileges that the Member may enjoy by being a Member.

“Memorandum” shall mean the Confidential Private Placement Memorandum pertaining to the Offering distributed to potential purchasers of Units, as may be amended or supplemented from time to time.

“Minimum Offering Amount” shall have the meaning set forth in Section 3.2.6.

“Net Capital Contribution” shall mean the Members original Capital Contribution reduced by any Distribution to the Members pursuant to Section 5.1.2.

“Net Income” or “Net Loss” shall mean, respectively, for each taxable year of the Company the taxable income and taxable loss (exclusive of Built-In Gain or Loss) of the Company as determined for federal income tax purposes in accordance with Section 703(a) of the Code (including all items of income, gain, loss, or deduction required to be separately stated pursuant to Section 703(a)(1) of the Code) (other than any specific item of income, gain (exclusive of Built-In Gain), loss (exclusive of Built-In Loss), deduction or credit subject to special allocation under this Agreement), with the following modifications:

(iii) The amount determined above shall be increased by any income exempt from federal income tax;

(iv) The amount determined above shall be reduced by any expenditures described in Section 705(a)(2)(B) of the Code or expenditures treated as such pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i);

(v) Depreciation, amortization and other cost recovery deductions shall be computed based on Book Value instead of on the amount determined in computing taxable income or loss. Any item of deduction, amortization or cost recovery specially allocated to a Member and not included in Net Income or Net Loss shall be determined for Capital Account purposes in a similar manner; and

(vi) For purposes of this Agreement, Book Gain and Book Loss attributable to a revaluation of Property attributable to unrealized gain or loss in such Property shall be treated as Net Income and Net Loss.

“Nonrecourse Debt” shall have the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

“Nonrecourse Deductions” shall have the meaning, and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(c).

“Offer Period” shall have the meaning set forth in Section 11.10.

“Offering” shall mean the offering and sale of the Units made in accordance with the provisions of Section 3.1.

“Offering Termination Date” shall mean the date the Offering of Units will terminate, which is the earliest of (i) the date all 10,000 Units are sold, (ii) August 30, 2015, which date can be extended to
July 31, 2016 in the sole discretion of the Manager or (iii) the Manager determines, in its sole discretion, to terminate the Offering.

“Option Period” shall have the meaning set forth in Section 11.10.

“Organization and Offering Expenses” shall mean all expenses incurred in connection with the organization and formation of the Company, the preparation of the offering materials, and the marketing and sale of the Units, including but not limited to legal, accounting, tax planning fees, promotional fees or expenses, filing and recording fees, market research and surveys, property inspections and research, engineering services, printing costs, securities sales commissions, travel expenses and other costs or expenses incurred in connection therewith.

“Owner” shall mean a Member or the holder of an Economic Interest.

“Person” shall mean a natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, statutory trust or other organization, whether or not a legal entity, and a government or agency or political subdivision thereof.

“Preferred Return” shall mean an amount equal to an 8% cumulative but not compounded annual return on a Member’s Net Capital Contribution.

“Prime Rate” shall mean the reference rate announced from time-to-time by the Wall Street Journal, and changes in the Prime Rate shall be deemed to occur on the date that changes in such rate are announced.

“Projects” shall refer to the real estate properties and projects acquired by the Company directly or through special purpose entities.

“Property” shall refer to any or all of such real and tangible or intangible personal property or properties as may be acquired by the Company, including the Projects.

“Property Management Fee” shall have the meaning set forth in Section 6.1.3.

“Property Manager” shall mean Dahn America360 Management, Inc., a Delaware corporation.

“Regulatory Allocations” shall mean the allocations set forth in Sections 4.2.1 through 4.2.7.

“Subscription Agreement” means the agreement, in the form attached to the Memorandum, by which each person desiring to become a Member shall evidence (i) the number of Units which such person wishes to acquire, (ii) such person’s agreement to become a party to, and be bound by the provisions of, this Agreement and (iii) certain representations regarding the person’s finances and investment intent.

“Subscription Payment” shall mean the cash payment that must accompany each subscription for Units sold through the Offering.

“Substituted Member” shall mean any Person admitted as a substituted Member pursuant to this Agreement.

“Tax Payment” shall have the meaning set forth in Section 4.12.
“Transfer Notice” shall have the meaning set forth in Section 11.10.

“Unit” shall represent an interest in the Company entitling the owner of the Unit if admitted as a Member to the respective voting and other rights afforded to a Member, and affording to such Member a share in Net Income, Net Loss and Distributions as provided for in this Agreement.
EXHIBIT B

INSTRUCTIONS TO INVESTORS AND SUBSCRIPTION AGREEMENT
America360, LLC

INSTRUCTIONS TO INVESTORS
AND
SUBSCRIPTION AGREEMENT

Please read carefully the Confidential Private Placement Memorandum of Units in America360, LLC dated August 1, 2014, and all Exhibits and supplements thereto (the “Memorandum”) before deciding to subscribe.

You should examine the suitability of this type of investment in the context of your own needs, investment objectives, and financial capabilities and should make your own independent investigation and decision as to suitability and as to the risk and potential gain involved. Also, you are encouraged to consult with your own attorney, accountant, financial consultant or other business or tax advisor regarding the risks and merits of the proposed investment.

This Offering is limited to investors who certify that they meet all of the qualifications set forth in the Memorandum. This Offering is being conducted in reliance on Rule 506(c) of Regulation D which permits certain general solicitation and requires that each investor provide information verifying their “accredited investor” status to the Managing Broker Dealer.

If you meet these qualifications and desire to purchase Units, then please complete, execute and deliver the Subscription Agreement together with your check payable to “First Republic Trust Company, as Escrow Agent for America360, LLC” to the following address:

Orchard Securities, LLC
170 Interstate Plaza, Suite 320
Lehi, Utah 84043

Upon receipt of the signed Subscription Agreement, verification of your investment qualifications, and acceptance of your subscription by the Company, the Company will execute the Subscription Agreement and notify you of the receipt and acceptance of your subscription. The Company may accept or reject any subscription in whole or in part for a period of 30 days after receipt of the Subscription Agreement, payment in full and any other subscription documents requested by the Company. Any subscription not accepted within 30 days of receipt will be deemed rejected.

Important Note: In all cases, the person or entity actually making the investment decision to purchase Units should complete and sign the Subscription Agreement. For example, if the investor purchasing Units is a retirement plan for which investments are directed or made by a third party trustee, then that third party trustee must complete the Subscription Agreement rather than the beneficiaries under the retirement plan. This also applies to trusts, custodial accounts and similar arrangements. You must list your principal place of residence rather than your office or other address on the signature page to the Subscription Agreement so that the Company can confirm compliance with appropriate securities laws. If you wish correspondence sent to an address other than your principal residence, please provide a mailing address where indicated in “Item C. - Investor Information” on the signature page to the Subscription Agreement.
America360, LLC
SUBSCRIPTION AGREEMENT

This is the offer and agreement (the “Subscription Agreement”) of the undersigned to purchase _______ membership units (the “Units”) to be issued by America360, LLC (the “Company”) for a purchase price of $5,000 per Unit (5 Units or $25,000 minimum) for a total purchase price of $____________ (the “Subscription Price”), subject to the terms, conditions, acknowledgments, covenants, representations and warranties stated herein and in the Memorandum. Simultaneously with the execution and delivery hereof, I am transmitting a check payable to the order of “First Republic Trust Company, as Escrow Agent for America360, LLC” in the amount of the Subscription Price. All terms utilized herein shall have the meanings set forth in the Memorandum.

In order to induce the Company to accept this Subscription Agreement and as further consideration for such acceptance, I hereby make the following acknowledgments, representations and warranties with the full knowledge that the Company will expressly rely on the following acknowledgments, representations and warranties in making a decision to accept or reject this Subscription Agreement:

1. I hereby adopt, confirm and agree to all of the covenants, representations and warranties set forth in this Subscription Agreement, including all applicable attachments.
2. My primary state of residence is: ____________________________________________
3. My date of birth is: ________________________________________________
4. If a natural person, I hereby represent and warrant (check as appropriate):
   (i) that I have an individual net worth, or joint net worth with my spouse, meaning the excess of total assets at fair market value over the total liabilities, excluding the value of the principal residence owned by a natural person, including the related amount of indebtedness secured by the primary residence up to its fair market value, other than any increase in such indebtedness in the 60 days preceding the date of this Subscription Agreement which was unrelated to the acquisition of the primary resident, of more than $1,000,000; or
   (ii) that I have individual income in excess of $200,000, or joint income with my spouse in excess of $300,000, in each of the two most recent years and I have a reasonable expectation of reaching the same income level in the current year.
5. If other than a natural person, such entity represents and warrants (check if appropriate):
   __________________________
   (i) that it is an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”).
   (ii) that it is an “accredited investor” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”).
   (iii) that it is an “accredited investor” as defined by the SEC has issued certain no-action letters and interpretations are very fact specific and should not be relied upon without close consideration of your unique facts.
6. I represent and warrant, in addition to the other representations and warranties contained herein, that I qualify under the following categories (check all applicable categories).
   __________________________
   (a) By reason of my business or financial experience, I have the capacity to protect my own interests in connection with the purchase of the Units.
   (b) I have a preexisting personal or business relationship with the Company, the Manager, or any of their officers or directors, of a nature and duration as would allow me to be aware of the character, business acumen, general business and financial circumstances of the Manager or of the person with whom such relationship exists.
7. I certify that I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Units. The following is a description of my experience in financial and business matters:
   __________________________________________
   __________________________________________
   __________________________________________
   (a) Separate or individual property. (In community property states, if the purchaser is married, then his (her) spouse must sign and submit the Consent of Spouse form attached hereto as Attachment A.)
   (b) Husband and wife as community property. (Community property states only. Husband and wife should sign all required documents.)
   (c) Joint Tenants with right of survivorship. (Both parties must sign all required documents.)
   (d) Tenants in common. (Both parties must sign all required documents.)
   (e) Trust. (Include name of trust, name of trustee and date trust was formed.)
   (f) Partnership. (Include evidence of partnership authority for person who executes required documents.)
   (g) Limited Liability Company. (Include evidence of limited liability company authority for person who executes required documents.)
   (h) Corporation. (Include evidence of corporate authority for person who executes required documents.)
   (i) Other, including IRA, 401(k), profit sharing plan, etc. (indicate)

Subscriber’s Signature: X ____________________________________________ Date: ______________________
Subscriber’s Signature: X ____________________________________________ Date: ______________________
REPRESENTATIONS, WARRANTIES AND COVENANTS OF INVESTOR

1. I understand that in the event this Subscription Agreement is not accepted or, if accepted, the Company does not receive and accept Subscriptions for at least 200 Units ($1,000,000) on or before the Minimum Offering Termination Date, then the funds transmitted herewith shall be returned to the undersigned and this Subscription Agreement shall be terminated and of no further effect.

2. I acknowledge that I have received, read and fully understand the Memorandum and all Exhibits, supplements and attachments thereto. I acknowledge that I am basing my decision to invest in the Units on the Memorandum and all Exhibits and attachments thereto and I have relied only on the information contained in said materials and have not relied upon any representations made by any other person. I understand that an investment in the Units is speculative and involves substantial risks and I am fully cognizant of and understand all of the risk factors relating to a purchase of the Units, including, but not limited to, those risks set forth under “Risk Factors” in the Memorandum.

3. My overall commitment to investments that are not readily marketable is not disproportionate to my individual net worth, and my investment in the Units will not cause such overall commitment to become excessive. I have adequate means of providing for my financial requirements, both current and anticipated, and have no need for liquidity in this investment. I can bear and am willing to accept the economic risk of losing my entire investment in the Units.

4. All information that I have provided to the Company herein concerning my suitability to invest in the Units is complete, accurate and correct as of the date of my signature on the last page of this Subscription Agreement. I hereby agree to notify the Company immediately of any material change in any such information occurring prior to the acceptance of this Subscription Agreement, including any information about changes concerning my net worth and financial position.

5. I have had the opportunity to ask questions of, and receive answers from, the Company and the officers and employees of the Manager concerning the Company, the creation or operation of the Company, or the terms and conditions of the offering of the Units, and to obtain any additional information deemed necessary. I have been provided with all materials and information requested by either me or others representing me, including any information requested to verify any information furnished to me.

6. I am purchasing the Units for my own account and for investment purposes only and have no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the Units. I understand that, due to the restrictions referred to in Section 8, and the lack of any market existing or to exist for the Units, my investment in the Company will be highly illiquid and may have to be held indefinitely.

7. I understand that (i) legends will be placed on any certificates evidencing the Units with respect to restrictions on distribution, transfer, resale, assignment or subdivision of the Units imposed by federal and state securities laws, (ii) the Units have not been registered with the Securities and Exchange Commission and are being offered and sold in reliance on an exemption from registration, which reliance is based in part upon my representations set forth herein and (iii) the Units have not been registered under state securities laws and are being offered and sold pursuant to exemptions specified in said laws, and unless registered, the Units may not be re-offered for sale or resold except in a transaction or as a security exempt under those laws.

8. I hereby adopt the America360, LLC Limited Liability Company Agreement as a Member of the Company.

9. I acknowledge that First Republic Trust Company is acting solely as Escrow Agent in connection with the Offering of the Units, and makes no recommendations with respect thereto. I understand that First Republic Trust Company has made no investigation regarding the Offering, the Company, the officers and Manager of the Company, or any other person or entity involved in the Offering.

10. This Subscription Agreement shall be construed in accordance with and governed by the laws of the State of California, except as to the type of registration of ownership of Units, which shall be construed in accordance with the state of principal residence of the subscribing investor.

11. Notice to Residents of All States: The Units offered hereby have not been registered under the Securities Act, or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and such laws. The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under said act and such laws pursuant to registration or exemption therefrom. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Units or passed upon the accuracy or adequacy of the Memorandum. Any representation to the contrary is a criminal offense.

12. Pennsylvania Residents: By signing this Subscription Agreement, I acknowledge and understand (i) that I am prohibited from selling the Units for a period of 12 months after the date of purchase, except in accordance with waivers established by rule or order of the Pennsylvania Securities Commission, (ii) that the Units have not been registered under the Pennsylvania Securities Act of 1972 in reliance upon an exemption therefrom, and (iii) that no subsequent resale or other disposition of the Units may be made within 12 months following their initial sale in the absence of an effective registration, except in accordance with waivers established by rule or order of the Pennsylvania Securities Commission, and thereafter only pursuant to an effective registration or exemption.

13. I hereby covenant and agree that any dispute, controversy or other claim arising under, out of or relating to this Subscription Agreement or any of the transactions contemplated hereby, or any amendment thereof, or the breach or interpretation hereof or thereof, shall be determined and settled in binding arbitration in the County of Orange. State of California, in accordance with the rules and procedures of the American Arbitration Association. The prevailing party shall be entitled to an award of its reasonable costs and expenses including, but not limited to, attorneys’ fees, in addition to any other available remedies. Any award rendered therein shall be final and binding on each and all of the parties thereto and their personal representatives, and judgment may be entered thereon in any court of competent jurisdiction.

14. I hereby agree to indemnify, defend and hold harmless the Company, the Manager, and all of its shareholders, officers, directors, affiliates and advisors from any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys’ fees) that they may incur by reason of my failure to fulfill all of the terms and conditions of this Subscription Agreement or by reason of the untruth or inaccuracy of any of the representations, warranties or agreements contained herein or in any other documents I have furnished to any of the foregoing in connection with this transaction. This indemnification includes, but is not limited to, any damages, losses, liabilities, costs and expenses (including reasonable attorneys’ fees) incurred by the Company, the Manager, or any of its shareholders, members, partners, managers, officers, directors, affiliates or advisors defending against any alleged violation of federal or state securities laws that is based upon or related to any untrue or inaccuracy of any of the representations, warranties or agreements contained herein or in any other documents I have furnished to any of the foregoing in connection with this transaction.

15. Miscellaneous: (a) I may not transfer or assign this Subscription Agreement, or any interest therein, and any purported transfer shall be void; (b) I hereby acknowledge and agree that I am not entitled to cancel, terminate or revoke this Subscription Agreement and that this Subscription Agreement will be binding on my heirs, successors and personal representatives; provided, however, that if the Company rejects this Subscription Agreement, this Subscription Agreement shall be automatically canceled, terminated and revoked; (c) This Subscription Agreement and the Operating Agreement, together with all attachments and exhibits thereto, constitute the entire agreement among the parties hereto with respect to the sale of the Units and may be amended, modified or terminated only by a writing executed by all parties (except as provided herein with respect to rejection of this Subscription Agreement by the Company); (d) Within five days after receipt of a written request from the Company, the undersigned agrees to provide such information and to execute and deliver such documents as may be reasonably necessary to comply with any and all laws and regulations to which the Company is subject; and (e) The representations and warranties of the undersigned set forth herein shall survive the sale of the Units pursuant to this Subscription Agreement.
A. REGISTRATION INFORMATION

Please print the exact name (registration) you desire on the account. (Note: If the registration name you list is inconsistent with the legal title requested in Section 8 and as reflected in any accompanying documents, the Company may require clarification):

(If a trust, please forward a copy of the relevant provisions of the trust documents regarding revocability.)

Address of Principal Place of Residence:

B. DISTRIBUTIONS

Please indicate to whom distributions should be sent, if not to the address set forth in Item A above.

Name:
Address:
Account Number:

C. INVESTOR INFORMATION

Please send all investor correspondence to the following:

Name:
Address:
Investor Phone: Business ( ) Home ( )
Primary State of Residence: Investor E-mail Address:
Social Security or Federal Tax ID Number ("TIN"):

Certain sections of the Code and the California Revenue and Taxation Code require a partnership to pay a withholding tax with respect to a partner’s allocable share of the partnership’s taxable income and with respect to certain transfers of property to a partner, if the partner is a foreign person. To inform the Company that such provisions do not apply, I hereby certify under penalty of perjury, that (a) I am not a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and regulations thereunder); (b) the number shown above is my correct TIN; and (c) the address shown in Item A above is my correct residence or office address. I hereby agree to notify the Company within thirty (30) days of the date I become a foreign person. I understand that this certification may be disclosed to the IRS or the State taxing authority and the California Franchise Tax Board and that any false statement made herein could be punished by fine, imprisonment or both. I also certify under penalty of perjury that I am not subject to a federal backup withholding either because (i) I have not been notified that I am subject to federal backup withholding as a result of a failure to report all interest or dividends, or (ii) the Internal Revenue Service has notified me that I am no longer subject to federal backup withholding. (Please strike out the foregoing sentence if you have been notified that you are subject to federal backup withholding due to under-reporting and you have not received a notice from the Internal Revenue Service advising you that federal backup withholding has terminated.) Further, investors who are not residents of California will be subject to 7% withholding on all or a portion of the profits of the Company and may be required to file a California income tax return. The Internal Revenue Service does not require your consent to any provision of this Subscription Agreement other than the certifications required to avoid backup withholding.

x Signature (Investor, or authorized signatory)

x Signature (Investor, or authorized signatory)

D. SIGNATURES

THE UNDERSIGNED HAS THE AUTHORITY TO ENTER INTO THIS SUBSCRIPTION AGREEMENT ON BEHALF OF THE PERSON(S) OR ENTITY REGISTERED IN ITEM A ABOVE.

Executed this _____ day of ______________, ____________

X ____________________________
Signature (Investor, or authorized signatory)

X ____________________________
Signature (Investor, or authorized signatory)

E. SUBMIT SUBSCRIPTION

Make check payable to “First Republic Trust Company, as Escrow Agent for America360, LLC” and mail check together with this completed Subscription Agreement to:

Orchard Securities, LLC
170 Interstate Plaza, Suite 320
Lehi, Utah 84043

F. COMPANY ACCEPTANCE

To be completed by the Company upon acceptance of this Subscription Agreement.

The Company hereby accepts this Subscription Agreement.

Dated: ______________, 20__

America360, LLC, a Delaware limited liability company

By: ____________________________
Name: Dahn America360 Manager, LLC, a Delaware limited liability company, its Manager

By: ____________________________
Name: ____________________________
Title: ____________________________
Investor suitability requirements have been established by the Company and are in the Memorandum under “Who May Invest.” Before recommending the purchase of Units, we have reasonable grounds to believe, on the basis of information supplied by the subscriber concerning his or her investment objectives, other investments, financial situation and needs, and other pertinent information that: (i) the subscriber is an “accredited investor” as defined in Section 501(a) of Regulation D of the Securities Act and the undersigned has taken all steps necessary to confirm such “accredited investor” status as required pursuant to Rule 506(c) of Regulation D; (ii) the subscriber meets the investor suitability requirements established by the Company; (iii) the subscriber has a net worth and income sufficient to sustain the risks inherent in the Units, including loss of investment and lack of liquidity; (iv) the Units are otherwise a suitable investment for the subscriber; and (v) we have established a pre-existing relationship with the subscriber prior to the Company contemplating or initiating the offering of Units. We will maintain in our files documents disclosing the basis upon which the suitability of this subscriber was determined as well as documents establishing a pre-existing relationship with the subscriber.

The Offering is being made in reliance on Rule 506(c) of Regulation D. The undersigned certifies that it has complied with all of the requirements of Rule 506(c) of Regulation D including with respect to the determination of the “accredited investor” status of any investor recommended by the broker-dealer for the purchase of Units.

We verify that the above subscription either does not involve a discretionary account or, if so, that the subscriber’s prior written approval was obtained relating to the liquidity and marketability of the Units during the term of the investment.

Name of Investor: ____________________________________________

Broker/Dealer Firm Name: ______________________________________

Registered Representative: _____________________________________

(Please Print)

Registered Representative’s BRANCH ADDRESS, City, State, Zip

E-mail address: __________________________ Branch Phone Number: (___) __________

We hereby certify that the Broker-Dealer is registered in the State of sale.

we hereby certify that the Registered Representative is not or has not been:

(a) Convicted, within 10 years of the date hereof (the “Effective Date”) of any felony or misdemeanor that was:
    (i) In connection with the purchase or sale of any security;
    (ii) Involving or making of any false filing with the Securities and Exchange Commission (or “SEC”); or
    (iii) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities.

(b) Subject to any order, judgment or decree of any court of competent jurisdiction, entered within 5 years before the Effective Date, that restrains or enjoins such person from engaging or continuing in any conduct or practice:
    (i) In connection with the purchase or sale of any security;
    (ii) Involving the making of any false filing with the SEC; or
    (iii) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities.

(c) Subject to a final order of a state securities commission (or an agency or officer of a state performing like functions), a state authority that supervises or examines banks, savings associations or credit unions, a state insurance commission (or an agency or officer of a state performing like functions), an appropriate federal banking agency, the U.S. Commodity Futures Trading Commission or the National Credit Union Administration that:
    (i) As of the Effective Date, bars the person from:
        (1) Association with an entity regulated by such commission, authority, agency or officer;
        (2) Engaging in the business of securities, insurance or banking; or
        (3) Engaging in savings association or credit union activities.
    (ii) Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct entered within 10 years before the Effective Date.

(d) Subject to an order of the SEC pursuant to sections 15(b) or 15B(c) of the Exchange Act or section 203(e) or (f) of the Investment Advisers Act that, at the time of such sale:
    (i) Suspends or revokes such person’s registration as a broker, dealer, municipal securities dealer or investment advisor;
    (ii) Places limitations on the activities, functions or operations of such person; or
    (iii) Bars such person from being associated with any entity or from participating in the offering of any penny stock.
Subject to any order of the SEC entered within 5 years before the Effective Date, as of the date hereof, that orders the person to cease and desist from committing or causing a violation or future violation of:

(i) Any scienter-based anti-fraud provisions of the federal securities laws including, without limitation, section 17(a)(1) of the Securities Act, section 10(b) of the Exchange Act and 17 CFR 240.10b-5, section 15(c)(1) of the Exchange Act and section 206(1) of the Investment Advisers Act, or any other rule or regulation thereunder; or

(ii) Section 5 of the Securities Act.

Suspended or expelled from membership in, or suspended or barred from association with, a member of a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade.

Filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the SEC that, within 5 years of the Effective Date, was the subject of a refusal order, stop order or order suspending the Regulation A exemption or, is, at the time of such sale, the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued.

Subject to a United States Postal Service false representation order entered within 5 years before the Effective Date, or is, at the Effective Date, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

The representations and warranties above are and shall be continuing representations and warranties throughout the term of the Offering. In the event that any of these representations or warranties become untrue, the Registered Representative and Broker-Dealer will immediately notify the Company in writing of the fact which makes the representation or warranty untrue.

Signature of Registered Representative

Broker-Dealer Principal Approval Signature

Date

Date
ATTACHMENT A

CONSENT OF SPOUSE

(For purchasers in community property states, which are currently Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin)

I, ____________________________, spouse of ____________________________, have read and hereby approve of the Instructions to Investors and Subscription Agreement of America360, LLC for Units in the Company (the “Subscription Agreement”), which my spouse has signed. I hereby appoint my spouse as my attorney-in-fact with respect to the exercise of any rights related to a purchase of any such Units and agree to be bound by the provisions of the Subscription Agreement, the Confidential Private Placement Memorandum of Units in America360, LLC dated August 1, 2014, and all Exhibits thereto (“Memorandum”), and any other documents related to the purchase of any such Units (collectively, the “Purchase Documents”) insofar as I may have any rights in said Purchase Documents or any property or interest subject thereto under the community property laws of the State of ________________ or similar laws relating to marital property in effect in the state of our residence as of the date of signing of the Subscription Agreement and/or the Purchase Documents.

Dated: _____________, 20__

[signature]
## UNAUDITED BALANCE SHEET
### AUGUST 1, 2014

**ASSETS**
- Cash: $1,000.00
- Total Assets: $1,000.00

**LIABILITIES AND MEMBERS’ EQUITY**
- Liabilities: $0.00
- Members’ Equity: $1,000.00
- Total: $1,000.00