Memorandum Number_____

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Western Reach Real Estate Fund, LLC

(A Delaware Limited Liability Company)

A PRIVATE OFFERING OF LIMITED LIABILITY COMPANY MEMBERSHIP UNITS

Price per Unit:	**$2.00**
Minimum Purchase:	**25,000 Units ($50,000) unless lesser amount is allowed**
Minimum Offering Amount:	**None**
Maximum Offering Amount:	**25,000,000 Units ($50,000,000)**

This Confidential Private Placement Memorandum (the "Memorandum") is being furnished to a limited number of sophisticated investors (the "Investors") who may consider the purchase of up to 25,000,000 Units of limited liability company membership interests (the "Units") in the Western Reach Real Estate Fund, LLC (the "Company"). The minimum investment is $50,000 or 25,000 Units (the "Minimum Purchase"), although the Manager may accept smaller amounts, in its sole discretion. There is no Minimum Offering Amount, so all Gross Proceeds from subscriptions will immediately be paid to and available to the Company.

Western Reach Real Estate Fund, LLC was formed on September 21, 2012 by Archon Capital, LLC, a Delaware limited liability company (the "Manager" or "Initial Member") to raise equity capital with which, in combination with debt financing, is intended to purchase existing multi-family real estate properties (sometimes referred to as a "Multifamily Property" or the "Multifamily Properties") in certain California metropolitan and suburban metropolitan areas. The Manager will initially target such opportunities in Los Angeles, San Diego, and San Francisco, and other California metropolitan locations or suburbs of such metropolitan locations that it believes have and will continue to have attractive multi-family real estate markets. No particular Multifamily Property has yet been identified for purchase. The Company expects to hold and manage each acquired property for three to five years, and after having implemented management and financial improvements that will increase cash flows and valuations, to sell the Multifamily Property(ies) at higher prices than those paid for them. The Company may take advantage of real estate opportunities outside of the multifamily market and outside of California when and if those opportunities arise. Such opportunities, together with Multifamily Property or Properties, are hereinafter referred to collectively as "Property" or "Properties."

The Manager's sole member, officers, and staff have significant experience in sourcing, valuing, purchasing, managing, and selling such properties. The Manager believes that there are many attractive opportunities to implement the above-referenced business plan in the California locations identified above and in others within the State, and possibly outside of the State. Additionally, based upon the Manager's experience and knowledge of the current multi-family real estate market, it believes that attractive opportunities for the purchase of such properties can be made with down-payments of equity capital equal to 20% to 25% of the purchase price, and debt financing of approximately 75% to 80% of the remaining amount; however, the Company may engage in transactions without leverage when, in the Manager's judgment, the Manager believes such transactions to be prudent.

The principal objectives of the Company will be to (i) preserve the Members' Capital Contributions, (ii) realize income and capital gains through the acquisition, operation, management, capital appreciation, and sale of the Property(ies), and (iii) make quarterly distributions to the Members. **There can be no assurance that any of these objectives will be achieved.**

Archon Capital, LLC
5455 Wilshire Blvd. Suite 1711
Los Angeles, CA 90036
Telephone (877) 368-3319, Facsimile (323) 372-1231
The date of this Private Placement Memorandum is October 1, 2012

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE MERITS OF THIS OFFERING, THE SECURITIES OFFERED HEREBY OR THE TERMS OF THIS OFFERING, NOR THE PLACEMENT MEMORANDUM OR OTHER SELLING LITERATURE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 AS AMENDED AND STATE SECURITIES LAWS; HOWEVER, NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION. **THE LIMITED LIABILITY COMPANY UNITS OFFERED HEREBY ARE SPECULATIVE SECURITIES AND AN INVESTMENT THEREIN INVOLVES A HIGH DEGREE OF RISK.**

	Price to Investors	**Placement Fees[(1)]**	**Proceeds to Company ("Net Proceeds")**
25,000 Units the Minimum Purchase Amount[(2)]……	$50,000	$4,000	$46,000
No Minimum Offering Amount[(3)]	N/A	N/A	N/A
Maximum Offering Amount 30,000,000 Units……	$50,000,000	$4,000,000	$46,000,000

(1) The Units are being sold on a "best efforts" basis by the Manager, Archon Capital, LLC and, in the Manager's sole discretion, by FINRA-Member broker/dealers that might wish to join the Selling Group. For sales of Units by the Manager or its personnel, there will be no Placement Fees deducted from the Gross Proceeds. Such Investors will receive an extra 2,000 shares for their Minimum Purchase as the Commission Discount. The table above showing 8% commissions, details the Placement Fees that will be paid to any FINRA broker/dealer that joins the Selling Group, if any, based on the broker/dealers sales of the Units.

(2) The Minimum Purchase is $50,000 or 25,000 Units. The Company may, in its sole discretion, accept smaller investments. Additional investments may also be made in multiples of 2,500 Units ($5,000).

(3) There is no Minimum Offering Amount. All Gross Proceeds will immediately be paid to and available to the Company, and will not be escrowed pending any contingency. Placement Fees will be paid by the Company to any Selling Group Member as appropriate from the Gross Proceeds.

If for any reason the Manager rejects a subscription at any time during the course of this Offering, then the Manager will promptly return the Subscription Payment to the subscriber without interest.

THESE ARE SPECULATIVE SECURITIES WHICH INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE UNITS.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY THE ACT AND REGULATION D RULE 506 PROMULGATED

THEREUNDER, AND THE COMPARABLE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.

THIS OFFERING IS NOT UNDERWRITTEN. THE OFFERING PRICE HAS BEEN ARBITRARILY SET BY THE MANAGER OF THE COMPANY. THERE CAN BE NO ASSURANCE THAT ANY OF THE SECURITIES WILL BE SOLD OR OF THE VALUE OF SAID SECURITIES.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY, NOR HAS ANY SUCH REGULATORY BODY REVIEWED THIS OFFERING MEMORANDUM FOR ACCURACY OR COMPLETENESS. BECAUSE THESE SECURITIES HAVE NOT BEEN SO REGISTERED, THERE MAY BE RESTRICTIONS ON THEIR TRANSFERABILITY OR RESALE BY AN INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD PROCEED ON THE ASSUMPTION THAT HE MUST BEAR THE ECONOMIC RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD, SINCE THE SECURITIES MAY NOT BE SOLD UNLESS, AMONG OTHER THINGS, THEY ARE SUBSEQUENTLY REGISTERED UNDER THE APPLICABLE SECURITIES ACTS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. THERE IS NO TRADING MARKET FOR THE COMPANY'S MEMBERSHIP UNITS AND THERE CAN BE NO ASSURANCE THAT ANY MARKET WILL DEVELOP IN THE FUTURE OR THAT THE UNITS WILL BE ACCEPTED FOR INCLUSION ON NASDAQ OR ANY OTHER TRADING EXCHANGE AT ANY TIME IN THE FUTURE. THE COMPANY IS NOT OBLIGATED TO REGISTER FOR SALE UNDER EITHER FEDERAL OR STATE SECURITIES LAWS THE UNITS PURCHASED PURSUANT HERETO, AND THE ISSUANCE OF THE UNITS IS BEING UNDERTAKEN PURSUANT TO RULE 506 OF REGULATION D UNDER THE SECURITIES ACT. ACCORDINGLY, THE SALE, TRANSFER, OR OTHER DISPOSITION OF ANY OF THE UNITS, WHICH ARE PURCHASED PURSUANT HERETO, MAY BE RESTRICTED BY APPLICABLE FEDERAL OR STATE SECURITIES LAWS (DEPENDING ON THE RESIDENCY OF THE INVESTOR) AND BY THE PROVISIONS OF THE SUBSCRIPTION AGREEMENT REFERRED TO HEREIN. THE OFFERING PRICE OF THE SECURITIES TO WHICH THE CONFIDENTIAL TERM SHEET RELATES HAS BEEN ARBITRARILY ESTABLISHED BY THE COMPANY AND DOES NOT NECESSARILY BEAR ANY SPECIFIC RELATION TO THE ASSETS, BOOK VALUE OR POTENTIAL EARNINGS OF THE COMPANY OR ANY OTHER RECOGNIZED CRITERIA OF VALUE.

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THE "MEMORANDUM") HAS BEEN PREPARED ON A CONFIDENTIAL BASIS AND IS INTENDED SOLELY FOR THE USE OF THE RECIPIENT HEREOF IN CONNECTION WITH THIS OFFERING. EACH RECIPIENT, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES NOT TO MAKE A COPY OF THE SAME, DISSEMINATE TO ANY THIRD PARTIES, OR TO DIVULGE THE CONTENTS HEREOF TO ANY PERSON, OTHER THAN A LEGAL, BUSINESS, INVESTMENT, OR TAX ADVISOR IN CONNECTION WITH OBTAINING THE ADVICE OF ANY SUCH PERSONS WITH RESPECT TO THIS OFFERING.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION NOT CONTAINED IN THE MEMORANDUM AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON. NOTHING IN THIS MEMORANDUM SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE.

THE MANAGEMENT OF THE COMPANY HAS PROVIDED ALL OF THE INFORMATION STATED HEREIN. THE COMPANY MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE COMPLETENESS OF THIS INFORMATION OR, IN THE CASE OF PROJECTIONS, ESTIMATES, FUTURE PLANS, OR FORWARD LOOKING ASSUMPTIONS FROM WHICH THEY ARE DERIVED, AND IT IS EXPECTED THAT EACH PROSPECTIVE INVESTOR WILL PURSUE HIS, HER, OR ITS OWN INDEPENDENT INVESTIGATION. IT MUST BE RECOGNIZED THAT ESTIMATES OF THE COMPANY'S PERFORMANCE ARE NECESSARILY SUBJECT TO A HIGH DEGREE OF UNCERTAINTY AND MAY VARY MATERIALLY FROM ACTUAL RESULTS.

NO GENERAL SOLICITATION OR ADVERTISING IN WHATEVER FORM WILL OR MAY BE EMPLOYED IN THE OFFERING OF THE SECURITIES, EXCEPT FOR THIS MEMORANDUM (INCLUDING ANY AMENDMENTS AND SUPPLEMENTS THERETO), THE EXHIBITS HERETO AND DOCUMENTS SUMMARIZED HEREIN, OR AS PROVIDED UNDER REGULATION D OF THE SECURITIES ACT OF 1933. OTHER THAN THE COMPANY'S MANAGEMENT, NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESOPECT TO THE COMPANY OR THE UNITS THAT IS NOT CONTAINED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS SHOULD NOT RELY ON ANY INFORMATION NOT CONTAINED IN THIS MEMEORANDUM.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL OR IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER IF THE PROSPECTIVE INVESTOR IS NOT QUALIFIED UNDER APPLICABLE SECURITIES LAWS.

THIS OFFERING IS MADE SUBJECT TO WITHDRAWAL, CANCELLATION, OR MODIFICATION BY THE COMPANY WITHOUT NOTICE AND SOLELY AT THE COMPANY'S DISCRETION. THE COMPANY RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE NUMBER OF UNITS SUBSCRIBED FOR BY SUCH PROSPECTIVE INVESTOR.

BY ACCEPTANCE OF THIS MEMORANDUM, PROSPECTIVE INVESTORS RECOGNIZE AND ACCEPT THE NEED TO CONDUCT THEIR OWN THOROUGH INVESTIGATION AND DUE DILIGENCE BEFORE CONSIDERING THE PURCHASE OF THE UNITS. THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSIDERED TO BE INVESTMENT, TAX, OR LEGAL ADVICE AND EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH HIS, HER, OR ITS OWN COUNSEL AND ADVISORS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THIS OFFERING.

FORWARD LOOKING INFORMATION

Some of the statements contained in this Memorandum, including information incorporated by reference, discuss future expectations, or state other forward looking information. Those statements are subject to known and unknown risks, uncertainties and other factors, several of which are beyond the Company's control, which could cause the actual results to differ materially from those contemplated by the statements. The forward looking information is based on various factors and was derived using numerous assumptions. In light of the risks, assumptions, and uncertainties involved, there can be no assurance that the forward looking information contained in this Memorandum will in fact transpire or prove to be accurate.

Important factors that may cause the actual results to differ from those expressed within may include, but are not limited to:

- The success or failure of the Company's efforts to successfully identify, purchase, operate, and then profitably sell the Apartment Complexes;
- The Company's ability to attract and retain quality employees;
- The effect of changing economic conditions;
- The ability of the Company to obtain adequate debt financing;

Potential Investors should carefully consider these along with other risks, which are described under "RISK FACTORS." The Company makes no representation and undertakes no obligation to update the forward looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

INDUSTRY AND MARKET DATA

The Company obtained the industry, market, and competitive position data used throughout this Memorandum from their own research, surveys, or studies conducted by third parties and industry, and general publications. While the Company believes that the data obtained from these sources is accurate and reliable, it has not independently verified such data and it makes no representations as to the accuracy of such information.

INVESTORS MAY ASK QUESTIONS OF COMPANY AND OFFICERS

Each prospective investor will be given the opportunity to ask questions of, and receive answers from the management of the Company concerning the terms and conditions of the offering and to obtain any additional information, to the extent the Company possesses the information or can acquire it without unreasonable efforts or expense. If you have any questions whatsoever regarding this offering, or desire any additional information or documents to verify or supplement the information contained herein, please call Richard A. Wagner, at Archon Capital, LLC at (877) 368-3319.

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SUMMARY

The following material is intended to summarize information contained elsewhere in this Memorandum. This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein or as EXHIBITS hereto. Each prospective subscriber should carefully review the entire Memorandum and all materials referred to herein and conduct his or her own due diligence before subscribing for Units.

The Company

Western Reach Real Estate Fund, LLC was established September 21, 2012 with the purpose of investing in Multifamily Property(ies) in California metropolitan areas or suburbs of such metropolitan areas where the Manager believes they can be purchased at favorable prices, management and financial improvements can be made, and the properties can be sold at a profit. The Company may take advantage of real estate opportunities outside of the multifamily market and outside of California when and if those opportunities arise. The Company's legal structure was formed as a limited liability company (LLC) under the laws of the State of Delaware. Its principal offices are presently located at 2831 St. Rose Parkway, Suite 288, Henderson, Nevada, 89052. The Company's telephone number is (877) 368-3319. The Manager of the Company is Archon Capital, LLC a Delaware limited liability company.

The Offering	The Company is offering up to 25,000,000 Units of membership interest or $50,000,000 at $2.00 per Unit (Minimum Purchase 25,000 Units or $50,000), $.001 par value per Unit. There is no Minimum Offering Amount, so all Subscriptions will be paid to and available to the Company upon acceptance of subscriptions. Each purchaser must execute a Subscription Agreement making certain representations and warranties to the Company, including such details about purchaser's qualifications so that the Manager can determine whether the subscriber qualifies as an Accredited Investor as defined by the Securities and Exchange Act in Rule 501(a) of Regulation D as amended (See "WHO MAY INVEST").
No Minimum Offering Amount/No Escrow	There is no Minimum Offering Amount, so all Subscriptions will immediately be available to the Company for its use as detailed elsewhere throughout this Memorandum. Consequently, there will be no escrow account or escrowing of the Gross Proceeds.
The Offering Period	The Offering of Units will begin on the date of this PPM and will terminate December 31, 2014, unless terminated sooner by the Manager.
Members	The Members of the Company will be the subscribers 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, plus undistributed profits. Units are transferable only upon the satisfaction of certain requirements. Archon Capital, LLC the Manager, became the Initial Member in order to form the Company and will withdraw as a Member upon admission of additional Members (See "SUMMARY OF LIMITED LIABILITY COMPANY AGREEMENT).
Manager Owning Any Units	The Manager may purchase up to 2.5 million units in the same manner as Members.
The Multifamily Property(ies)	The Company has not identified any specific Multifamily Property(ies) to purchase yet.
Use of Proceeds	The Company will use the Net Proceeds as the down-payment on the Company's first Multifamily Property and as a cash reserve for the Company. No Multifamily Property has as yet been identified for purchase, though. Based upon the Manager's experience the Manager believes that such a property(ies) can be purchased with down-payments of 20-25%, and the use of debt financing for the remainder of the purchase price; however, the Manager may engage in transactions without leverage when, in the Manager's judgment, the Manager believes such transactions to be prudent. The total portfolio loan-to-value will be capped at 80%, however, as measured at the time of purchase of each Apartment Complex. The Company, therefore, will not purchase any additional Apartment Complex without first determining its proposed, weighted loan-to-value ratio's effect on the entire portfolio's loan-to-value ratio, and ensuring that the latter is 80% or less. Additional subscriptions accepted by the Manager will be used as down-payments, cash reserves for additional Multifamily Property(ies) as yet to be identified by the Manager or for Properties, and/or for engaging in non-leveraged transactions.
The Manager	Archon Capital, LLC, a Delaware limited liability company, is the Manager of the Company.
Experience of the Manager	The Manager was formed on September 21, 2012. The Manager and its personnel have over fifteen years experience in the sourcing, daily management, and sale of multi-family real estate properties.

Distributions of Cash From Operations, the Sale of Apartment Complexes, and Refinancing	Cash from Operations, the disposition of Property(ies), and refinancing will be distributed in the following order of priority: (1) First, 100% to Members, in proportion to their accrued but undistributed Preferred Return, until the Members have been distributed an amount equal to their accrued but undistributed but undistributed Preferred Return (a 10% cumulative but not compounded annual return on a Member's Capital Contribution); (2) Second, 100% to the Members in proportion to their Net Capital Contributions until the Member's Net Capital Contributions are reduced to zero; (3) Thereafter, 50% to the Members and 50% 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 (2) above, to the extent such Distributions are needed to pay any income tax associated with allocations of Net Income as described below to the Manager. Any such Distribution shall reduce subsequent Distributions to be made to the Manager pursuant to (3) above. The Manager anticipates that Cash From Operations will be distributed quarterly on the 15th day following the end of the quarter. The Distribution to any Member who has not held his or her Units for an entire quarter will be calculated based on the number of days in the quarter such Units are held by the Member.
Clawback	Notwithstanding the above, upon the sale or exchange of the last Property, the Manager will contribute prior Distributions it has received from the Company to the Company to the extent the Distributions under these provisions, determined on a cumulative basis, exceed the amount that would have been distributed to the Manager if these provisions had been made on a portfolio basis, as opposed to an Property basis, and such excess amounts will be distributed to Members in proportion to their outstanding Units (the "Clawback Provision").
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; provided, however, that no Member may be allocated Net Income in excess of the Cash From Operations distributed to them with respect to the Preferred return; (3) Thereafter, 50% to the Members in proportion to their outstanding Units and 50% 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 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 Members to the extent such allocation would cause such Member to have an Adjusted Capital Account Deficit at the end of the fiscal year; and

(3) Thereafter, 100% to the Manager.

Repurchase of Units

The Limited Liability Company 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.

Generally, the Members will not have the right to withdraw from the Company. However, after the Offering Termination Date, the Company may, in the sole discretion of the Manager and upon request of a Member, repurchase the Units held by such Member. Any such repurchases will be made on a first come, first served basis. To the extent Units are repurchased, the purchase price for the repurchased Units will be equal to 90% of the Member's Net Capital Contribution; provided, however, that the purchase price shall not exceed the fair market value of the Units to be purchased.

The Company will limit the transfers of Units to not more than 2% of the total Units per year (the "Annual Transfer Limit") other than transfers for the following: (i) transfers as a result of death or incompetency, (ii) transfers between family members, (iii) other transfers that qualify as "private transfers," and (iv) other transfers that will not result in the Company being treated as a publicly traded partnership as set forth in the Treasury Regulations. The Company's repurchase plan will permit purchases of up to 10% of the Units per year, other than private transfers under Treasury Regulations Section 1.7704-1(e) but including any transfers made pursuant to the Annual Transfer Limit.

Preferred Return

10% cumulative, non-compounded annual return

Estimated Life of The Company

The Manager believes that to successfully execute its business plan, it will take three to five years from the date of the last subscription. Consequently, the Company will wind up operations in five years, although the Manager may extend this period by two one-year periods, to ensure that there is sufficient time to wind-up operations without being forced to sell Property(ies) by a specific date and possibly incurring a less favorable price for the Company.

Suitability Standards

The securities offered hereby are offered exclusively to Accredited Investors as defined pursuant to Regulation D promulgated under the Securities Act of 1933, as amended. A minimum investment of $50,000 is required per investor unless waived by the Manager (See "WHO MAY INVEST").

Risks Factors

An investment in the Units is speculative and involves significant risks that a prospective investor should review under the "RISK FACTORS" section of this Memorandum.

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 Annual Management Fee in the amount of 2.5% paid monthly of the Aggregate Purchase Price of the Property(ies) for as long as those Property(ies) are owned by the Company.

(2) After the Members have received their Preferred Return and return of their Capital Contributions, the Manager will receive 50% of all subsequent Distributions.

(3) The Manager will also receive reimbursement for out-of–pocket expenses and other reimbursements for its work associated with executing its responsibilities to the Company.

(See "COMPENSATION OF THE MANAGER AND SELLING GROUP," the "SUMMARY OF THE LIMITED LIABILITY COMPANY AGREEMENT," and the "Limited Liability Company Agreement, EXHIBIT A).

Plan of Distribution

The Units are being offered on a "best efforts" basis by the Manager. The Manager will not receive any Placement Fees or fees of any other type for subscription it obtains, and all Gross Proceeds will be paid and available to the Company. The Manager may engage FINRA-Member broker/dealers to enter into a selling agreement with the Company and to join are in the Selling Group. For all sales of Units by a broker/dealer in the Selling Group, the Company shall pay the broker/dealer an 8% Placement Fee from the Gross Proceeds of the sales. All Subscription Payments will be deposited directly into the Company's account, and will be immediately available for the Company's use, including the payment of the above-referenced Placement Fees, and other uses as described throughout this Memorandum. (See "PLAN OF DISTRIBUTION"). Additional subscriptions will be accepted until December 31, 2014, unless the Manager terminates the Offering at any time prior to that date, in its sole discretion.

Subscription Procedures

To subscribe for the purchase of Units, each prospective Investor is required to follow each of the following steps:

1. Carefully review and familiarize themselves with all materials contained in this Memorandum (including EXHIBITS).

2. Complete all applicable items contained in the Subscription Agreement (which includes an Investor Questionnaire and the Subscription Agreement).

3. Submit a properly completed and executed original copy of the Subscription Agreement to the Manager, along with a check for the full subscription amount or a wire to the Company's Account (see "PLAN OF DISTRIBUTION" or "SUBSCRIPTION AGREEMENT").

For natural-person investors, photographic, governmentally issued ID may be required to comply with PATRIOT Act requirements, which were designed to deter terrorism and drug tracking. For other entities, e.g., trusts, corporations, other corporate documents may be required.

Subscription Payments

A check for the full subscription amount may be included with a properly completed and executed original copy of the Subscription Agreement and delivered to the Manager. However, Subscription Payments may also be wired directly to the Company's Account. For wiring instructions, refer to the "PLAN OF DISTRIBUTION" or "SUBSCRIPTION AGREEMENT."

Capital Account	A separate Capital Account will be maintained for each Member in accordance with the Internal Revenue Code Section 704 (b) and regulations thereunder.
No Escrow Account	There is no escrow account, because there is no Minimum Offering Amount, and all Gross Proceeds from Subscriptions will immediately be available to the Company.
Restrictions of Transfers	The Units have not been registered under the Securities Act of 1933. Consequently, there is no public market for them, nor is one expected to develop. Subscribers must understand that the Units will be illiquid, and that they must be held for an extended period of time.
Reports to Investors	Within 60 days of the end of each quarter, Management will provide quarterly reports to Investors. These reports will discuss the progress of the Company, financial results, and any other additional information that the Management determines to be relevant. Additionally, the Company's books and records will be audited annually by an independent, PCAOB-registered CPA firm. The results of the audit will be provided to any Member upon request.
Auditors	Paritz & Company, P.A. Certified Public Accountants 15 Warren Street, Suite 25 Hackensack, New Jersey 07601
Conflicts of Interest	There are conflicts of interest associated with the management of the Company, and the broker/dealers in the Selling Group. (See "CONFLICTS OF INTEREST").
Tax Aspects	The Company expects that it will be treated as a partnership for United States federal income tax purposes. Consequently, the Company generally will not be subject to federal income tax, and each member of the Company will be required to include in computing its federal income tax liability its allocable share of the items of income, gain, loss, deduction, and credit of the Company, regardless of whether any distributions have been made by the Company to that Member (See "TAX MATTERS").
Definitions	Terms having their first letter capitalized in this Memorandum and not defined herein are defined in the Limited Liability Company Agreement.

WHO MAY INVEST

Prospective purchasers of the Units offered by this Memorandum should give careful consideration to certain risks described under the "RISK FACTORS" section and especially to the speculative nature of this investment and the limitations described under that caption with respect to the lack of a readily available market for the Units and the resulting long term nature of any investment in the Company. This Offering is available only to suitable Accredited Investors having adequate means to assume such risks and of otherwise providing for their current needs and contingencies should consider purchasing Units.

General Suitability Standards

The Units will not be sold to any person unless such prospective purchaser or his or her duly authorized representative shall have represented in writing to the Company in a Subscription Agreement that:

The prospective purchaser has adequate means of providing for his or her current needs and personal contingencies and has no need for liquidity in the investment of the Units;

The prospective purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his, her, or its net worth and the investment in the Units will not cause such overall commitment to become excessive; and

The prospective purchaser is an "Accredited Investor" (as defined below) suitable for purchase in the Units.

Each person acquiring Units will be required to represent that he, she, or it is purchasing the Units for his, her, or its own account for investment purposes and not with a view to resale or distribution. See "SUBSCRIPTION AGREEMENT."

Investors

The Company will conduct the Offering in such a manner that Units may be sold to "Accredited Investors" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933 (the "Securities Act") and no more than 35 non-accredited investors, with subscription acceptance to be determined at the Manager's sole discretion. In summary, a prospective investor will qualify as an "Accredited Investor" if he, she, or it meets any one of the following criteria:

a) Any natural person whose individual net worth, or joint net worth with that person's spouse, ***and exclusive of his, her, or their primary*** *residence*, at the time of purchase, exceeds $1,000,000. If the debt securing the primary residence exceeds the value of the residence, the difference must be subtracted from the investor's net worth;

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

c) Any bank as defined in Section 3(a)(2) of the 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; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 (the "Exchange Act"); any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, 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;

d) Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;

e) Any organization described in Section 501(c)(3)(d) of the Internal Revenue Code, corporation, business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

f) Any director or executive officer, or general partner of the issuer of the securities being sold, or any director, executive officer, or general partner of a general partner of that issuer;

g) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 506(b)(2)(ii) of Regulation D adopted under the Act; and

h) Any entity in which all the equity owners are Accredited Investors.

Discretion of the Manager.

The Investor Suitability Requirements stated above represent minimum suitability requirements for Investors. Similarly, the satisfaction of applicable state requirements by a prospective 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 Company may modify such requirements in its sole discretion for all or certain investors, and any such modifications may raise the suitability

requirements for such Investors.

The written representations and warrantees made by Investors in the Subscription Agreement will be reviewed to determine the Investors suitability for an investment in the Units. The Company 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.

RISK FACTORS

The purchase of Units is speculative and involves substantial risks. 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 in the multi-family real estate industry.

This Memorandum contains forward-looking statements that involve risks and uncertainties. These statements are only predictions about the future and 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 statement 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, any supplements thereto.

Real Estate Risks

General Risks of Investment in Multifamily Property(ies). The economic success of an investment in the Company will depend upon the results of the operations of the Properties, 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 effect operating results or render the sale or refinancing of the Property(ies) difficult or unattractive. No assurance can be given that certain assumptions as to the future levels of occupancy of the Property(ies)or future costs of operating the Property(ies) 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, the continued enforceability of tenant leases, vacancy rates for rental real property, financial resources of the tenants, rent levels and sales levels in the local areas of the Property(ies), adverse changes in local population trends, market conditions, neighborhood values, local economic and social conditions, supply and demand for property such as the Property(ies), competition from similar apartments complexes, interest rates, real estate tax rates, governmental rules, regulations and fiscal policies, including the effects inflation and enactment of unfavorable real estate, rent control, environmental or zoning laws, hazardous material laws, uninsured losses and other risks. Further, to the extent leases at the Property(ies) if there are commercial tenants at the Property(ies), provide for rents based on a percentage of the tenants gross receipts, the rental income of the property(ies) will be dependent, in part, on the level of retail sales achieved by the tenants.

Unspecified Investments. The Company has not identified any Multifamily Property(ies) to acquire. Consequently, investors will not have an opportunity to evaluate for themselves information about the Multifamily Property(ies), 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. No assurance can be given that the Company will be able to acquire suitable Multifamily Property(ies) 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 Properties to be acquired by the Company is uncertain. It is possible that the Company will only purchase one or two Multifamily Property(ies), limiting the diversification of the investments and increasing the risk of loss to investors. A limited number of Multifamily Property(ies) 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 Property(ies). Consequently, 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 California, 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 any Particular Multifamily Property(es). The Manager is currently in the process of identifying Multifamily Property(es) for potential purchase by the Company, but it has not identified any Multifamily Property(ies) to be acquired, and the purchase price(s) of the Multifamily Property(es) are unknown at this time. There can be no assurances that the Company will be able to enter into any purchase contract(s) for the Multifamily Property(ies).

Management/Operational Improvements Risk. The Company will be targeting Multifamily Property(ies) that, in the Manager's opinion, have been underperforming their full potential as measured by various operational/financial measures. The Company's business plan is to acquire such under-performing Multifamily Property(ies), and through the Manager's knowledge of such multi-family operations and its active management, to improve such operational/financial measures, e.g., occupancy rates, cash flows, and market value. There can be no guarantee that such improvements can be achieved, or, if achieved, that they will necessarily lead to increases to investors' capital.

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 Environment 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 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 at or in the Property(ies). Further, similar defenses in environment liability may not be available under state or local law. If any hazardous materials or hazardous substances are found within the real property underlying the property(ies) 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 possible parties, the financial viability of the Property(ies) may be materially and adversely affected.

Illiquidity of Real Estate Investments. The ownership of the Property(ies) 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 Property(ies) that the Company intends to acquire based on the Property(ies) projected rent levels. However there can be no assurance that the Property(ies) will continue to be occupied at the projected rents or that management and operational improvements will result in increased gross revenues. Residential leases generally have short terms and it is anticipated that the residential leases at the Property(ies) will have terms of not more than two years with most having one year terms. If the tenants of the Property(ies) do not renew or extend their leases, if tenants default under their leases of the Property(ies), if issues arise with respect to the permissibility of certain uses at a Property, if tenants of the Property(ies) terminate their leases, or if the terms of any renewal are less favorable than

existing lease terms, the operating results of the Property(ies) could be substantially affected. As a result, the Company may not be able to make distributions to the Members at anticipated levels.

Difficulty Attracting New Tenants. There can be no assurance that the Company will be able to maintain the occupancy rate at the Property(ies) maintained by the previous owners. The tenants at any Property(ies) may have the right to terminate their leases upon the occurrence of specific events. The residential leases will likely have short terms. Because these leases generally permit the residents to leave at the end of the lease tem without penalty, rental revenues may be impacted by declines in market rents more quickly than if than if these leases were for longer terms. If occupancy rates and rent levels cannot be maintained and/or improved, the Company may not have sufficient funds to make distributions to Members at anticipated levels.

Possible Delays in the Sale of the Property(ies). The Company anticipates that the Property(ies) will be sold in approximately three to five years from the time the Property(ies) are acquired. It may not be possible to sell the Property(ies) at such time and/or to sell them at that time at price that, in the Manager's sole discretion, is acceptable. If the Company couldn't dispose of the Property(ies) in the time-frame or at the price levels anticipated, the Company may not be able to make distributions to the Members at the projected levels.

Hurricanes, Floods, and Tornadoes. The Property(ies) may be located in areas of the United States that have increased risks of hurricanes, high winds, floods, or tornadoes. A hurricane, flood, or tornado could cause structural damage to or destroy a Property(ies). The Company does not intend to obtain wind, flood, or tornado insurance for the Property(ies) unless required to by a lender. It is possible that any such insurance, if obtained, will not be sufficient to pay for damage to any Apartment Complex.

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 insurance unless requires to by a lender. However, there can be no assurance that the insurance carried will be sufficient to cover any such liabilities. Furthermore, insurance against certain risks, such as earthquakes, flood, 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 Property(ies).. 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 to the Company in such cases may be unlimited, but the 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 resale 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 material, mold growth often occurs, 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 increased risk of lawsuits by effected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. In addition, Property(ies) may become more susceptible to toxic mold as they age. 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 experiencing a significant 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 Property(ies) will achieve anticipated cash flows. 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, recent 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 the world and United States economies. Historically, successful terrorist attacks have resulted in decreased travel and tourism to effected areas, increased security measures, and disturbances in financial markets. It is impossible to determine the likelihood of any future terrorist attacks on United States' targets, the nature of any United States' response to such attacks, or the social and economic results of such events. However, any negative change in the general economic conditions in the United States could adversely affect the financial condition and operating results of the Company.

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 modifications 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 definition 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 Property, there can be no assurance that ADA violations do not or will not exist at a specific Property. If other violations do exist, there can be no assurance that there will be funds to pay for any necessary repairs.

Lack of Representations and Warrantees. 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 substances within such real estate, the status of governmental approvals and entitlements for such real estate or other matters adversely affecting such real estate. 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 Apartment Complex.

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 Property(ies). The Property(ies) will experience competition for real property investments from such other properties, as well as from other individuals, corporations, and other entities engaged in real estate investment activities. Competition for investments may increase costs and reduce returns on the Property(ies). It is also possible that tenants from the Property(ies) will move to existing or any new properties in the surrounding area and that the financial performance of the Property(ies) would be adversely affected. Competition may also make it difficult to attract new tenants to the Property(ies). Such competition may result in decreased profits or in losses for the Company.

No Audited Results of Operation. The Company may not obtain audited operating statements regarding the prior operations of a Property(ies). The Company may rely on unaudited financial information provided by the sellers of the Property(ies), if available. Thus, it is possible that information relied upon by the Company with respect to the acquisition of a Property(ies) may not be accurate. There will be less certainty regarding the operations of any such Property(ies).

Condemnation of Land. The Property(ies) or a portion of the Property(ies) 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 property(ies) or the amount of return on investment for the Company.

Financing Risks

Leverage. The Manager plans on using the Company's equity capital in conjunction with debt financing to purchase the Property(ies)for the Company, or other real estate investments when the Manager believes such investments offer an attractive

investment opportunity. The Manager expects that the loan-to-value ratio at the time of purchase of each Property or other property will be 75% to 80%; however, the Manager may engage in non-leveraged transactions when, in the Manager's judgment, the Manager believes such transactions to be prudent. The total portfolio loan-to-value will be capped at 80%, as measured at the time of purchase of each Property or other property. The Company, therefore, will not purchase any additional properties without first determining its proposed, weighted loan-to-value ratio's effect on the entire portfolio's loan-to-value ratio, and ensuring that the latter is 80% or less; provided that the Company may engage in non-leveraged transactions when, in the Manager's judgment, the Manager believes such transaction to be prudent. The Company has not obtained any loan commitments for any purchases. Therefore the amount, terms, and even the availability of loans on good terms or on any terms is uncertain. No assurance can be given that future cash flows will be sufficient to make the debt service payments on any loans and to cover all the operating expenses. If the Property(ies)' revenues or the revenues from other properties 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 Properties and 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, (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 and real estate loans may effect the availability and cost of loans needed for the Property(ies) or other properties. 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 Property(ies) or other properties. 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 Property(ies) or other properties. 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 refinancing will be higher than the current interest rate for such loans, which may have a material and adverse impact on the Apartment Complexes and the Company.

Unknown Loan Terms. The terms of the loans to be obtained by the Company to acquire the properties will vary and the exact terms are unknown. The Company may need to obtain loans to acquire properties and may need to obtain additional loans to finance its internal operations as well as the operations of the properties. The Company has not obtained any commitments for any such financing. Thus, the terms of such future financings are unknown. It may be difficult to obtain financing when needed and the terms and conditions under which financing can be obtained are uncertain and could be unfavorable. Some of the loans to be obtained by the Company may have variable interest rates. As a result, the debt service payments on any such loan may increase and the properties secured by such loan may not generate sufficient cash flow to pay the increasing debt service payments. The loans sought by the Company to finance properties may be short-term and 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 properties or refinancing the related loan for any reason, the ownership of the properties could be jeopardized. If the terms of the loans actually obtained, if any, are less favorable than those assumed by the Manager, the Members may not receive the anticipated return on their capital.

Carve-Outs to Non-Recourse Liability. Although the Company anticipates that any loan it obtains to acquire properties will be non-recourse 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. The Company may also be responsible 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 and/or the Company could each be responsible for all the non-recourse carve-outs or springing recourse events. Members, however, will not be personally liable for any non-recourse carve-outs or springing recourse events.

Recourse Liability. Although the Company anticipates that any loan it obtains to acquire a Property will be non-recourse, the Manager has the discretion to obtain recourse loans. In the event the Company obtains a recourse loan and the related Property(ies) 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 Property(ies), 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 likely that the loans for the Property(ies) will restrict the ability of the Company to sell its interests in the Property(ies). In addition, the loans may place restrictions on the ability of the Members to transfer their Units in the Company.

Current Volatility in the 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 Property(ies). If the Company is not able to acquire Property(ies), because of the difficulty in obtaining debt financing, the projected returns to the Members may not be attained.

Risks Relating 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 all the risks involved with any speculative new venture. No assurance can be given that the Company will be profitable.

Limited Resources of the Manager. The Manager has limited net worth and limited financial resources to satisfy the 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 otherwise financially support the Company.

Potential Adverse Effects of Delays in Investment. Delays which may take place in the selection and acquisition of the Property(ies) 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 Organizational Expenses. A portion of the Offering Proceeds will be used to pay Placement Fees. Thus, the gross amount of the Offering Proceeds will not be available for investments in the Property(ies). See "SOURCES AND USES OF PROCEEDS."

No Guaranteed Cash Distributions. There can be no assurance that cash distributions will 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 Limited Liability Company Agreement provides the Manager with broad authority to invest the Net Proceeds in various types of assets, including assets that do not meet the investment criteria described in the Memorandum. Thus, the use of Net 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 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 in financial institutions in excess of the FDIC limit. The failure of any financial institution in which the Company has funds on deposits in excess of applicable FDIC limits may result in the Company's loss of such excess amounts, which could adversely affect the Company's performance.

Additional Working Capital Requirements. To the extent funds are not available from operations, the Company may require additional capital for operations and the Property(ies) will require additional funds for capital improvements and tenant improvements. The Company will likely be required to obtain loans for such amounts. 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 terms of any such borrowings would be. In addition, the loans obtained to acquire the Apartment Complexes will restrict the ability of the borrowers 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 the Units unless they are willing to entrust all aspects of management to the Manager (and its principals) or its successor(s), including, but not limited to, the selection of the Apartment Complexes. Potential Investors must carefully evaluate the personal experience and business performance of the principals of the Manager. The Company may retain independent contractors to provide services to the Company relating to the Apartment Complexes. Such contractors have no fiduciary duty to the Members, and may not perform as expected.

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

Limited Approval Rights Regarding Operation of the Apartment Complexes. Members will only have limited approval rights regarding the operation of the Property(ies). Most decisions regarding the Property(ies) 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 business 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. 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 believe, however, that they will have sufficient staff, consultants, independent contractors, and business managers to perform adequately their responsibilities to the Company (see "CONFLICTS OF INTEREST").

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 OF THE MANAGER AND SELLING GROUP").

Unaudited Financial Statements of the Manager. This Memorandum contains financial statements of the Manager that have not been audited by an independent auditor.

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 under such circumstance 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 and Affiliates. The Manager and its attorneys, agents, employees, and Affiliates 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 OPERATING AGREEMENT").

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 Limited Liability Company 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 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 resale, 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 securities laws, and that the Units cannot be sold unless they are subsequently registered ort an exemption from 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 the case of an emergency. Further, the sale of the 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 specific circumstances relating to the granting or withholding of the required prior written consent of the Manager, although the Manager will observe the standards of a fiduciary to the Members as a group in determining whether to grant or withhold its consent as to any particular request for a transfer.

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 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 and business advisors.

Raising Only Limited a Limited Amount. It is possible that the Company will only raise limited capital through the Offering, or that it may raise significantly less than the Maximum Offering Amount. In such case, it is likely that the Company will only acquire a limited number of Property(ies) and the return to the Members would be dependent on fewer Property(ies) than if the Maximum Offering Amount were raised.

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 price necessarily reflect current market value for the Apartment Complexes 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 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 the 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.

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, as amended. If the Company should fail to comply with the requirements of such exemption, the Members would have the right o 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.

Projected Aggregate Cash Flow. Any projected cash flow or forward-looking statements included in this Memorandum and all other material 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 their tax, financial, and business advisors concerning the validity and reasonableness of the factual, accounting, and tax assumptions. Neither the Manager nor any 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 the Units.

Purchase of Units by Friends and Family of the Manager. Any purchase of Units by friends and family of the Manager will be on the same terms and conditions as are available to all investors except that the friends and family of the Manager will be able to purchase the Units net of the 8% Placement Fee. Consequently, they will receive 8% more shares than any Investor who purchases Units through a Selling Group Member (see "PLAN OF DISTRIBUTION").

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 representations or warranty as to the future profitability of the Company.

No Representation of Members. Under the Limited Liability Company 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 Members in any respect.

Investment by Tax Exempt Purchasers. In considering an investment in the 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 (to the extent that the Property(ies) generate income, such income will be 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 an 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 receive information regarding the Company's Apartment Complexes that will not be available to early investors. Early Investors will not have an opportunity to review any Apartment Complexes to be acquired with the Net Proceeds. In this regard, later Investors may have an advantage initially deciding whether to invest in the Company.

Compensation of Selling Group Members. Selling Group Members are compensated based on the number of Units they sell, and they may also receive up to 10% of the Manager's Distributions. As a result, Selling Group Members have an incentive to sell a significant amount of Units to one or more investors.

Lack of Firm Commitment Underwriting. The Company is offering the Units on a "best-efforts" basis with no Minimum Offering Amount through the Manager and Selling Group Members, if any. The fact that this is not a firm commitment offering may increase the time necessary to sell the Units

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 paragraph summarizes 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 this 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 this 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 treated as a partnership for federal income tax purposes. If the Company were to be treated for tax purposes as a corporation, the tax benefits associated with an investment in the 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 "TAX MATTERS").

Unrelated Business Taxable Income. 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 "TAX MATTERS").

Sale or Disposition of Company Property. In interests in the Property(ies) constitute capital assets in the hands of the Company, profit or 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 Property(ies) 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 and 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 "TAX MATTERS).

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 or 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, 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 "TAX MATTERS").

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 ant Member were upheld, the tax treatment of the investment for such Member could be adversely affected (see "TAX MATTERS").

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 LLC Agreement, to the extent permitted under the Code, regardless of the dates upon which cash distributions are made to 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 personnel 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 report (see "TAX MATTERS").

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 "TAX MATTERS').

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 the 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 "TAX MATTERS').

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 underpayment to which the penalty applies. The penalty applies to any portion of an 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 their 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 case of an individual and $200,00 in any other case ("TAX MATTERS").

State Income Taxes. 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 the 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.

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CONFLICTS OF INTEREST

The relationships among the Company and the Manager, and/or their respective Affiliates and broker/dealer members of the Selling Group will result in various actual and potential conflicts of interest. These conflicts of interest are described in more detail below. The Company believes that these conflicts of interest will not prevent the Manager from discharging its responsibilities to the Company.

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. Although the Manager, will attempt to monitor these conflicts of interest, it will be extremely difficult if not impossible to ensure that these conflicts will not, in certain circumstances, result in adverse consequences to the Company and investors in this Offering.

The Manager and its Personnel will Face Conflicts of Interest Relating to Time Management that may Potentially Result in Lower Returns to Investors

Richard A. Wagner, the sole member of the Manager, and other officers and employees of the Manager are actively involved in the operation and management of other businesses; consequently, they will not be devoting all their time to the Western Reach Real Estate Fund, LLC. During times of intense activity in other programs and ventures, this individual comprising the Company's management may devote less time and resources to the Company's business than is necessary or appropriate, because these principals and/or Affiliates are also engaged independently in other business ventures and activities of every nature and description, for his or their own accounts and for the accounts of others, whether such ventures are or might be competitive with the business activities of the Company. Because the Manager's sole member and its officers and employees may have interests in other investments and operational businesses, each will have conflicts of interest in allocating their time between the Company's business and these other activities. Also, prospective Investors should note that the limited liability company agreement does not necessarily require the any of the individuals comprising management to devote their respective full-time business efforts to the activities of the Company. The sole member of the Manager and its officers and employees are currently involved in, and will continue to be involved in, other activities and ventures with respect to which investors in the Company will not, by reason of such investment, have any Units or rights.

The Sole Member of the Manager, Its Officers, and Employees are Involved in Other Real Estate Businesses in the Same Market as the Western Reach Real Estate Fund, LLC

Richard A. Wagner, the sole member of the Manager, and its officers and employees have been and will continue to be involved in the purchase, management, and sale of other real estate projects in California and other areas. Some of these projects may be in direct competition with the Company for multi-family complexes, tenants, goods and services, or other resources. These individuals that comprise the management of the Company will have conflicts of interest in the allocation of potential tenants, management time, competition for third party goods and service providers, and other functions between various existing enterprises or future enterprises with which they may become involved. The Company cannot be sure that its principals, officers, or other key personnel acting on behalf of the Company will act in the Company's best interest when deciding whether to allocate limited goods and service providers, potential purchasers, or other limited resources to the Company. Such conflicts that are not resolved in the Company's favor could result in a reduced level of distributions that the Company may be able to pay the investors and/or the value of the Investor's interest in the Company.

Receipt of Compensation by the Manager, Selling Group Members, and/or Their Respective Affiliates

The Manager, the Selling Group Members, and/or their respective Affiliates will receive certain compensation from the Company, regardless of whether the Company ever distributes cash to the Members. See "COMPENSATION OF THE MANAGER AND SELLING GROUP." Although the Company believes that the fees to be paid to the Manager and the Selling Group Members and/or

their respective Affiliates will be competitive with those that otherwise could be provided by third-parties (taking into account the quality, amount, and degree of specialization of services provided), any such fees will not be determined by arm's-length negotiations. As a result, the Manager will determine its own compensation and the Members will not have approval rights for such compensation. Additionally, these fees and expenses will be paid prior to and in preference to any repayment of the Members' capital and investment return.

Manager's Carried Interest

As described under "SUMMARY" and in greater detail in the Limited Liability Company Agreement, after the Company has made Distributions to the Members such that the 10% Preferred Return has been paid and 100% of the Members' Capital Contributions have been returned, the Company will distribute 50% of any remaining Distributions to the Members based on their respective Unit holdings and 50% to the Manager. These Distributions to the Manager represent a "carried interest" or "promote" that will reward the Manager for establishing and managing the Company and its assets without making any capital contributions to the Company. The existence of this carried interest may create an incentive for the Manager to make more speculative investments on behalf of the Company than the Manager otherwise would make in the absence of such carried interest.

By the same token, the Manager has agreed to share 10% of its Distributions or carried interest with the broker/dealers in the Selling Group, based on the Selling Group Member's pro rata gross sales of Units. This sharing arrangement may reduce the Manager's incentive to maximize the Company's investment performance and return to investors. Investors are hereby advised that the payment of such incentive compensation, or even the possibility of such payment, may create an additional conflict of interest, when broker/dealer members of the Selling Group offer the Units to potential investors.

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 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 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 the authority to enter into a settlement on his or her behalf.

No Separate Representation of Investors by Counsel to the Company

The Company's legal counsel does not represent the Members in connection with the organization or business of the Company or the offering of the Units. The Company's legal counsel disclaim any fiduciary or, in the case of legal counsel, attorney-client relationship with the Members. Prospective Members should obtain the advice of their own financial advisor regarding an investment in the Units and the advice of their own legal counsel regarding legal matters in connection with an investment in the Units.

By subscribing for the Units, each investor will be deemed to have consented to the conflicts of interest described above and to have agreed not to assert any claim that any such conflicts violate any duty owed by the Manager or its Affiliates to the Members.

SOURCES AND USES OF PROCEEDS

There is no Minimum Offering Amount of Units and a Maximum Offering Amount of $50,000,000 of Units. The Net Proceeds to the Company from the sale of Units in this Offering, after deducting the Placement Fees (if any) (the "Net Proceeds") will be $46,000 per Minimum Purchase, and $46,000,000 if the Maximum Offering Amount is subscribed. The following table sets forth the details of these fees and funds available for investment.

	Sale of Minimum Purchase Amount	Percentage of Gross Proceeds	Sale of Maximum Offering Amount	Percentage of Gross Proceeds
Gross Proceeds from Investors	$50,000	100%	$50,000,000	100%
Less: Placement Fee[(1)]	$4,000	8%	$4,000,000	8%
Net Proceeds To the Company	$46,000	92%	$46,000,000	92%

_____

(1) A Placement Fee in an amount up to 8% of the subscription amount of the Units will be paid to the Selling Group Member responsible for such subscription. All Gross Proceeds from such sales will be paid to the Company without deduction, from which the Company will pay the Selling Group Member the Placement Fee. Sales of Units by the Manager or its personnel will not incur any Placement Fee, and such Investors will receive 8% more Units on full minimum subscription amount.

(2) The Manager expects that the Property(ies) will be acquired with cash down-payments of approximately 20-25% of the total purchase price. Amounts available for investment will be used to acquire the Property(ies) and to pay Property(ies) acquisition expenses including, but not limited to, closing costs, title and escrow costs, due diligence costs, and loan fees cost.

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DESCRIPTION OF UNITS

The Company is offering a maximum of 25,000,000 limited liability company membership Units at a price of $2.00 per limited liability company membership Unit, $.001 par value per unit. Limited liability company membership Units are equal in all respects, and upon completion of the Offering, the Units will comprise the only class of representation of ownership that the Company will have issued and outstanding.

LLC Membership Units

The Units sold through this Offering are limited liability company membership Units. These Units first provide for an annual, non-compounded Preferred Return of 10.0%, and then a return of the Member's Capital Contribution. After those returns are met, 50% of all remaining Distributions will be paid to Members, and 50% will be paid to the Manager. The Manager will re-allow 10% of its Distributions to the Selling Group Member, if any, based on each Selling Group Member's pro rata sales of Units. The return of the Member's Capital Contribution and Preferred Return shall be provided prior to any Distributions being made to the Manager.

Each Member is entitled to one vote for each Unit held on each matter submitted to a vote of the Members.

Units are not redeemable and do not have conversion rights. There are currently no Units outstanding, and the Units to be issued upon completion of this Offering will be fully-paid and non-assessable.

In the event of the dissolution, liquidation or winding up of the Company, the assets then legally available for distribution to the Members will be distributed ratably among such Members in proportion to their Units.

With the exception of their Capital Contribution and Preferred Return, Members are only entitled to profit distributions proportionate to their Units of ownership when and if declared by the Manager out of funds legally available therefrom. Future profit distribution policies are subject to the discretion of the Manager and will depend upon a number of factors, including among other things, the capital requirements and the financial condition of the Company.

PLAN OF DISTRIBUTION

Capitalization

The Offering is for a Maximum Offering Amount of $50,000,000 limited liability company membership Units, with no Minimum Offering Amount.

Qualifications of Investors

These securities are being offered solely to Accredited Investors who certify that they meet the definition of Accredited Investor under Regulation D of the Securities Act of 1933, as amended (see "WHO MAY INVEST").

Sales of Units

The full purchase price of $50,000 for 25,000 Units (the "Minimum Purchase") must be submitted along with a completed Subscription Agreement to the Manager. Subscriptions for less than 25,000 Units may also be accepted by the Manager, in its sole discretion. All Subscription Payments will be deposited into the Company's bank account and immediately available to it.

Marketing of the Units

The Units will be offered and sold to Accredited Investors on a "best efforts" basis by the Manager, Archon Capital, LLC, which may also, in its sole discretion, engage FINRA-registered broker/dealers to join the Selling Group to offer the Units to their clients.

After the Company commences operations, it will pay any Selling Group Member broker/dealer 10% of all Distributions paid to the Manager on a pro rata basis depending on that Selling Group Member's sales of the total Units.

Owners, officers, and employees of the Company or its Affiliates may also solicit Accredited Investors who are prior business contacts or "friends and family" to subscribe to the Units. In the event that any Accredited Investor so introduced subscribes to the Units, there will be no commissions or any other fees deducted from the Gross Proceeds and all such funds shall be available to the Company. Such Subscribers will also receive an extra 2,000 Units per Minimum Purchase as the Commission Discount.

Offering Materials

This Memorandum is the only sales material that may be used to solicit Accredited Investors to subscribe to the Offering. No broker/dealer, salesman, or any other person is authorized to make any representation or provide any information other than that contained in this Memorandum. *If any such representation or information is given or made, it must not be relied upon in making a subscription decision*.

Sales of Units by the Manager or its Personnel, and/or Purchase of Units by "Friends and Family" of the Manager or its Personnel

Through the Manager's experience in multi-family real estate operations, and the financing of the equity portion of those activities, its owners and personnel have a number of contacts that may have an interest in purchasing Units of this Offering. All such sales procured by the Manager or its personnel to such parties, and/or the purchase of Units by the "friends and family "of the Manager or its personnel will be done on the same terms and conditions as are available to all Accredited Investors, except that they will purchase the Units without incurring the eight percent (8%) commission. Consequently, they will receive 8% more Units for each Minimum Purchase or other subscription amount. For example, for such a Subscriber for the Minimum Purchase, he or she will receive 27,000 shares versus 25,000 shares for a Subscriber introduced by a Selling Group Member.

Subscription Procedures

Accredited Investors who wish to subscribe to the Units may do so by completing the Subscription Documents attached hereto as EXHIBIT C. All subscriptions are payable at the time of subscription. All checks should be made payable to the "Western Reach Real Estate Fund, LLC." Completed and manually executed Subscription Agreement along with a check for the full amount of the Units subscribed for should be delivered to:

Archon Capital, LLC
5455 Wilshire Blvd. Ste 1711
Los Angeles, CA 90036
Phone: (877) 368-3319
Fax (323) 372-1231
E*Mail: info@westernreach.com

Subscription Payments may also be wired directly to the Company's bank account using the following instructions, however, originally executed subscription documents must still be delivered to Archon Capital, LLC.

To Wire Subscription Funds Directly to the Company's Account, Use the Following Instructions:

Bank:	Chase Bank
ABA Number:	322271627
Account:	Western Reach Real Estate Fund, LLC
Account Number:	212023917
Address:	101 North Larchmont Boulevard Los Angeles, CA 90004

Acceptance of Subscriptions

Upon receipt of the properly completed and executed Subscription Agreement, along with a check for the full subscription amount, the Manager will review and verify the subscriber's investment qualifications, conduct reviews of certain PATRIOT Act requirements, and conduct other reviews they deem necessary prior to accepting the Investor as a Member. The Company may, in its sole discretion, accept or reject any subscription.

Limitation of Offering

The offer and sale of the securities offered hereby are made in reliance upon exemptions from the Securities Act of 1933 as Amended and state' securities laws. Accordingly, the distribution of this Private Placement Memorandum is strictly limited to persons satisfying the suitability requirements described herein, and this Memorandum does not constitute an offer to sell or the solicitation of the an offer to buy with respect to any person not satisfying those requirements.

Western Reach Real Estate Fund, LLC Business Plan

Overview

The Manager of the Company plans to identify existing Multifamily Properties in and around certain California cities where economic activity is relatively robust when compared to other U.S. metropolitan statistical areas ("MSAs"), and where the Manager believes it will remain so. The Manager believes that these geographic areas with their stronger economies should provide significant and sustained rental demand for the Company's Multifamily Propertiy(ies). The initial cities in which the Manager plans to search for, identify, purchase, manage, and sell Property(ies) for the Company include Los Angeles, San Diego, and San Francisco, although it may acquire Property(ies) in other California MSA's, and may may take advantage of real estate opportunities outside of the multifamily market and outside of California when and if those opportunities arise.

The Manager's sole member and officers have extensive historical and current experience in the identification, valuation, acquisition, management, and disposition of multi-family real estate in this region already, as it and its owners and officers have been immersed in this business on a daily basis for over five years.

The Current Multi-Family Market in Target Markets

The target markets were very strong in 2011. Below are excerpts and citations from a number of independent market research centers.

The Executive Summary from the Multifamily Market Forecast 2012 Report from the USC Lusk Center, says,

> Although the economy still has a long way to go to fully recover from the financial crisis and crushing economic slowdown of 2008-2009, 2011 was a very good year for Southern California apartment demand, with positive net absorption and increased occupancy rates for all four metro areas. Los Angeles County and San Diego both experienced higher levels of net absorption than in 2010, while Orange County and the Inland Empire were unable to repeat their 2010 performances. All four metro markets have returned to vacancy rates that are very close to their "natural" levels—the level at which inflation adjusted rents remain constant – and exceeded the overall occupancy rate for the US as a whole (94.6). Only the Inland Empire fell short of the occupancy rate in the West region (95.2 percent).
>
> Southern California rents also rose across the board, both on an average and same-store basis. To go along with a remarkable 22,340 net move-ins (nearly quadruple the number from 2010), average rents in LA jumped 6.2 percent, the most of any metro area. Orange County reported the largest increase in same-store rents, with an increase 4.9 percent, and the weakest performance in average rents, with an increase of only 3.2 percent. Overall, the Southern California region fell short of the same-store rent growth experienced in both the US as a whole (4.7 percent) and the West region (5.2 percent).
>
> Thirty-nine out of forty submarkets in Southern California saw positive rent growth on an average and same-store basis. This is a vast change from two years earlier, in which three submarkets reported rising average rents. Between a sharp drop in new construction, a dwindling supply of shadow-market units, a migration of households from shadow-market to "traditional" multifamily units, and improvements to the macroeconomy, we are observing a continued strengthening of fundamentals on both the supply and demand side, which is serving to boost asking rents, reduce or eliminate concessions, and fill units.
>
> We forecast continued rising rents for all four areas over the next two years, and believe the growth rate will be slower in 2013 than in 2012. We expect LA to record the strongest performance among the metro areas, followed by Orange County, San Diego, and the Inland Empire **.** ("Multifamily Market Forecast 2012 Report." Casden Real Estate Economics Forecast. 2012. USC Lusk Center. October 1, 2012. <http://www.usc.edu/schools/price/lusk/casden/pdfs/multifamily-report-2012.pdf>.

In the Q1 2012 East Bay Area | California, Research & Forecast Report, Colliers International, says, "The East Bay Multi-Family market continues to look healthy and several factors point towards growth in 2012 as the economy continues to improve albeit at a slower pace" (See EXHIBIT B for full text).

From an article from GlobeSt.com, "Multifamily fundamentals are expected to remain positive in the next five, seven years, even ten years from now, said Mark Obrinsky, vice president of the National Multi Housing Council, during a morning panel at the Moscone Center in downtown San Francisco." (Sara Maddux. "CA Multifamily Recovery Well Under Way." Globest.com. 2011. October 1, 2012. http://www.globest.com/news/12_124/west/multifamily/CA-Multifamily-Recovery-Well-Under-Way-311543.html)

Characteristics of Potential Multifamily Acquisitions

Personnel of the Manager have been successfully identifying, purchasing, improving operations, and selling multi-family properties for over six years. They plan to continue with this strategy by investing Company funds with the same, proven methodology. The Manager intends to target Property(ies) for the Company that exhibit one or more of the following characteristics:

* initially target markets will be in the MSAs of Los Angeles, San Diego, and San Francisco although the Manager may make purchase in other California MSA's,

* occupancy rates of 70% to 85%, which is significantly below "full" occupancy and leaves room for increases and improved valuations,

* in or near a city with a strong economy, and strong population and employment growth,

* below market rental rates that allow for increases,

* Property(ies) that don't require significant capital improvements/expenditures,

* Institutionally or large-company owned with less or limited ability to control expenses and maximize revenues,

* Property(ies) that demonstrate higher expense ratios than other existing assets of the Manager.

The Manager believes that it will target acquisitions that are valued between $ 0 and $5,000,000. Through its sources and experience in this industry, the Manager believes that there are a significant number of opportunities that meet many of the above-listed qualities.

Improvements to the occupancy rates, cash flows, and value can be achieved through the active, professional management of the properties, including expense management and control.

All Classes of Multi-Family Apartment Complexes Might Be Purchased

The Manager may purchase any Class of Property(ies) for the Company. Industry participants generally define Class "A" apartments as large apartment complexes that are less than ten years old in the most favorable locations featuring many amenities and having low deferred maintenance. These properties are typically occupied by white-collar workers and have amenities such as in-unit washer/dryers, pools, spas, exercise facilities, club-houses, and so on.

Class "B" apartments are generally those properties that are in good areas with many of the same amenities as Class "A" properties except that they may be have fewer rental units, may not be in the most favorable locations, and are more than ten but less than twenty years old. Tenants are typically a mixture of blue-collar and white-collar workers.

Additionally, industry participants and experts generally believe that while Cap Rates for Class "A" and Class "B" are lower than Cap Rates for Class "C" and "D," the appreciation potential of Class "A" and "B" properties is usually greater.

Anticipated Capital Structure of Multi-Family Acquisitions

Management believes that the Company will provide a down-payment of approximately 20-25% of the total purchase amount of each Apartment Complex from the Company's capital, and it will finance the remainder with debt financing. The total portfolio loan-to-value, however, will be capped at 80%, as measured at the time of purchase of each Property. The Company, therefore, will not purchase any additional Property without first determining its proposed, weighted loan-to-value ratio's effect on the entire portfolio's loan-to-value ratio, and ensuring that the latter is 80% or less. Although there has been significant turmoil in the real estate industry, and banks are often requiring larger-than-normal down-payments, the Manager's experience and relationships with lenders make them confident that they can still obtain bank financing at today's very favorable rates with the 20-25% down-payment. Some of the Manager's largest purchases have occurred in 2008, after the real estate turmoil began in 2006-2007. Despite purchasing in the midst of this broad decline, the Manager obtained financing at very favorable interest rates with the 20-25% down-payments referred to above. The Company reserves the right to engage in non-leveraged transactions.

Current Appraisals

The Manager will not purchase any Property(ies) for the Company without first obtaining a current appraisal report from a qualified, independent appraiser of it or the potential lenders choosing. The Manager will may, however, pay more than the appraisal report's valuation, if it feels that the opportunity merits it. Any appraisal relied upon by the Manager will be dated within 90 days of the closing date on any Multifamily Property.

Operation

The Manager will engage an independent, third party property manager to manage the day to day operations of the Property(ies). Any such engagement will be undertaken in an arms-length transaction.

THE MANAGER

The Manager of the Company, Archon Capital, LLC was formed on September 21, 2012 under the laws of the State of Delaware. Its sole member is Richard A. Wagner. The Manager, through Mr. Wagner, has the exclusive authority to manage and control all aspects of the business of the Company. In the course of its management of the Company, the Manager may, in its sole discretion, employ such persons, including Affiliates of the Manager, as it deems necessary. The Manager also has operational responsibilities to a number of other business entities that require Mr. Wagner's time to manage. Consequently, not all of Mr. Wagner's time will be spent managing the Company's business (See "CONFLICTS OF INTEREST").

Richard A. Wagner has been a professional real estate and business developer for over 10 years. His primary focus has centered on the real estate and private equity sectors where he helped companies secure financing from high net worth individuals. He previously managed a portfolio of assets for an entrepreneurial real estate investment fund based in Southern California and operated his own real estate consulting company. Richard's other notable positions have been as follows: President of GTG Property Services; Senior Commodity Advisor at Statewide FX; Vice-President, Investor Relations for Extraordinary Media. He has passed the Financial Industry Regulatory Authority Series 3 examination, which allowed him to hold a Series 3 license.

He will be involved in overseeing market research, analysis, appraisal of properties, as well as the day-to-day operations of the company. He has proven experience, as well as the contacts in the real estate and real estate management business, which will prove to be a valuable asset.

He grew up in Alma, Kansas and currently resides in Los Angeles, California.

COMPENSATION OF MANAGER AND SELLING GROUP

OFFERING AND ORGANIZATIONAL STAGE

Sales Commissions	For sales of Units by the Manager, there will be no Placement Fees deducted from the Gross Proceeds.	None
	For sales of Units by any FINRA-Member broker/dealer in the Selling Group, it shall receive Placement Fees equal to 8% of the Gross Proceeds received by the Company from the sale of Units.	The actual amount will depend on the total amount of subscriptions.

OPERATING STAGE

Expense Reimbursement	The Manager will each be reimbursed for all reasonable expenses incurred in connection with the operation of the Company.	Cannot be determined at this time.
Annual Management Fee	The Manager will receive an Annual Management Fee of 2.5% per annum, paid monthly, of the Aggregate Purchase Price of the Property(ies) then owned by the Company.	Cannot be determined at this time.
Manager's Distributions	After the Members receive payment of their Cumulative 10% Preferred Return and 100% of their Capital Contribution, all remaining Distributions will be paid in the following Manner: 50% to Members and 50% to the Manager.	Cannot be determined at this time.

DISTRIBUTIONS

The Company will make cash Distributions to the Members out of the net cash flow from operations, the sale of Property(ies) (although the Company may, in the Manager's sole discretion, reinvest proceeds from the sale of Property(ies) that occur within two years of the end of the Offering Period), and other cash available for Distribution, net of working capital requirements at such times as the Manager shall determine, in its sole discretion.

Distributions shall be distributed to Members *pro rata* in the following priority:

(1) First, one hundred percent (100%) to Members until (a) the Member has received cumulative distributions in an amount equal to a ten percent (10.0%) per annum, cumulative, non-compounded return on its Capital Contribution (the "Preferred Return"), and (b) 100% of Distributions until each Member has received cumulative Distributions in an amount equal to its Capital Contributions,

(2) Then, all remaining distributions shall be allocated fifty percent (50%) to LLC Members, and fifty percent (50%) to the Manager, which will re-allow 10% of its Distribution to the Selling Group Members responsible for the subscriptions on a pro rata basis.

Please refer to Section 5 of the Limited Liability Company Agreement, "Distributions" for a full discussion of these matters.

SUMMARY OF THE LIMITED LIABILITY COMPANY AGREEMENT

General

The rights and obligations of the Members will be governed by the Limited Liability Company 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 Limited Liability Company Agreement before subscribing. The following is merely a summary of some of the significant provisions of the Limited Liability Company Agreement and is qualified in its entirety by reference thereto.

The Company has been formed under the Delaware Limited Liability Act. The Manager is Archon Capital, LLC. The Initial Member is Archon Capital, LLC, the Manager, who will withdraw as a Member on the first business day after the admission of a new member. 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 identification, acquisition, operation, and sale of Property(ies). The principal place of business of the Company (and the mailing address of the Company) is 2831 St. Rose Parkway, Suite 288, Henderson, Nevada, 89052, and the telephone number is (877) 368-3319.

Term and Dissolution

The term of the Company will continue until the fifth anniversary of the date of the admission of the last Member. However, the Manager, in its sole discretion, has the right to extend the term for two additional one-year periods so as to prevent a forced and unfavorable liquidation of assets, and to ensure that an orderly winding-up occurs. Additionally, it may dissolve sooner upon the happening of certain events. The anticipated operating life of the Company is approximately five years.

Allocations 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; provided however no Member may be allocated Net Income in excess of the Cash From Operations distributed to them with respect to their Preferred Return;

(3) Thereafter, 50% to the Members, in proportion to their outstanding Units and 50% 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;

(3) Thereafter, 100% to the Manager.

Distributions of Cash from Operations

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 (a 10% cumulative but not compounded annual return on a Member's Net Capital Contribution);

(2) Second, 100% to the Members in proportion to their Net Capital Contributions until the Members' Net Capital Contributions are reduced to zero;

(3) Thereafter, 50% to the Members and 50% to the Manager.

Notwithstanding the above, the Company, at the option of the Manager, may make Distributions to the Manager prior to making the Distributions set forth in (2) above, to the extent such Distributions are needed to pay income taxes associated with allocations of Net Income as described above to the Manager. Any such Distribution shall reduce subsequent Distributions to be made to the Manager pursuant to (3) above.

The Manager anticipates that Cash Flow From Operations will be distributed quarterly on the 15th day following the end of each quarter. 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. The Manager anticipates that Distributions will begin at the end of the first full calendar quarter after the Minimum Offering Amount is raised.

Clawback

Notwithstanding the above, upon the sale or exchange of the last Multifamily Property, the Manager will contribute prior Distributions it has received from the Company to the Company to the extent that the Distributions under these provisions, determined on a cumulative basis, exceed the amount that would have been distributed to the Manager if these provisions had been made on a portfolio basis, as opposed to on a Multifamily Property by Multifamily Property basis, and such excess amounts will be distributed to the Members in proportion to their outstanding Units (the "Clawback Provision").

Repurchase of Units

The Limited Liability Company Agreement provides that under certain circumstances the Company may, in the sole discretion of the Manager and upon the request of the Member, repurchase the Units held by such Member. Generally, the Members will not have the right to withdraw from the Company. However, after the Offering Termination Date, the Company may, in the sole discretion of the Manager and upon the request of a Member, repurchase the Units held by such Member. Any such repurchase will be made on a first come, first served basis. To the extent the Units are repurchased, the purchase price for the repurchased Units will be equal to 90% of the Member's Net Capital Contributions; provided, however, the purchase price shall not exceed the fair market value of the Units to be repurchased.

The Company will limit the transfers of Units to transfers of not more than 2% of the total Units per year (the "Annual Transfer Limit") other than transfers for the following: (i) transfers as a result of death or incompetency, (ii) transfers between family members, (iii) other transfers that qualify as "private transfers" and (iv) other transfers that will not result in the Company being treated as a publicly traded partnership as set forth in the Treasury Regulations. The Company's repurchase plan will permit repurchases of up to 10% of the Units per year, other than private transfers under Treasury Regulations Section 1.7704-1(e) but including any transfers made pursuant to the Annual Transfer Limit.

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 as 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 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. 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 or from the purchase of the Units by the Company out of the Repurchase Reserve or its other assets. 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 may, in its sole discretion, honor additional requests for repurchase provided that such repurchase would not cause the Company to be considered, or treated as, publicly traded.

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 twenty-percent vote but only for (i) intentional fraud or intentional misconduct or (ii) upon the occurrence of an Event of Insolvency with respect to the Manager.

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) Removal of a Manager as provided in the Limited Liability Company 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 Limited Liability Company Agreement;

(4) Any merger or combination of the Company or roll-up of the Company;

(5) Dissolve and wind up the Company; and

(6) 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 which the Members are entitled to vote. In addition, a meeting of the Members will be called by the Manager upon receipt of a 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 Limited Liability Company 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 the 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 Limited Liability Company 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.

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 taxes as it deems appropriate, and the fiscal year of the Company will be the calendar year.

Amendments

The Limited Liability Company Agreement may be amended by the Manager with the consent of the Majority Vote, except that the Manager may amend the Limited Liability Company Agreement without action by the Members to (i) modify the allocation of provisions of the Limited Liability Company Agreement to comply with Code Sections 704(b) and 514; (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 provisions in the Limited Liability Company Agreement that may be inconsistent with any other provision, or make any other provision with respect to matters or questions arising under the Limited Liability Company Agreement that will not be inconsistent with the provisions of the Limited Liability Company Agreement, (iv) amend the Limited Liability Company Agreement to reflect the addition or substitution of Members or the reduction of 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, acknowledgement 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 Limited Liability Company 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 a 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.

Alabama and California Orders

There is no current litigation or threatened litigation against Mr. Wagner or any companies in which we serve as officers, directors, principals, or partners. There is no litigation pending nor any litigation threatened against Archon Capital, LLC or Western Reach Real Estate Fund, LLC. In matters unrelated to Western Reach Real Estate Fund, LLC or Archon Capital, LLC, on April 1, 2011, the Alabama Securities Commission issued a cease and desist order to Ascending Growth Properties, LLC, Mr. Wagner, as its President/CEO, and another natural person directing these parties to cease and desist from further offers or sales of any security into, within or from the State of Alabama. On July 5, 2011, the California Corporations Commissioner issued a desist and refrain order to Ascending Growth Properties, LLC and Mr. Wagner as its manager and president, from the further offer or sale in the State of California of securities, unless and until qualification has been made under State securities laws. Mr. Wagner has taken all necessary steps and to correct these orders and believes to have filed all the documents to be in compliance and within the qualification guidelines.

Prohibitions

The Limited Liability Company Agreement provides that the Manager may not receive any rebate or kick-back 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 Limited Liability Company Agreement prohibiting certain types of dealings between the Manager, its Affiliates, and the Company. Neither the Manager nor any Affiliates in the Company will directly or indirectly pay or award 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 Limited Liability Company Agreement.

TAX MATTERS

Federal Tax Matters

This summary is not intended as a substitute for careful tax planning. The Company, its managers, its counsel, and consultants do not assume any responsibility for the tax consequences of this transaction to any Member. Each Member will be required to represent in the Member's Subscription Agreement that such Member has relied only on the Member's own tax advisor with respect to Federal, state, local, and foreign tax consequences arising from the purchase.

The following discussion summarizes certain Federal income tax considerations generally applicable to the Company and the Members, given the anticipated nature of the Company's activities. Except where specifically addressing considerations applicable to tax-exempt investors, the discussion assumes that the Member is a U.S. resident individual or a domestic corporation that is not tax-exempt. In some cases, the activities of a Member other than its investment in the Company may affect the tax consequences to such Member of an investment in the Company. The discussion does not deal with all tax considerations that may be relevant to specific investors in light of their particular circumstances. Furthermore, no state, local, or foreign tax considerations are addressed.

The discussion of Federal income tax matters contained herein is based on existing law as contained in the Internal Revenue Code (the "Code"), Treasury Regulations ("Regulations"), legislative history of the Code, existing administrative rulings and practices of the Internal Revenue Service ("IRS") and court decisions as of the date of the Memorandum. Future changes to the law may, on either a prospective or retroactive basis, give rise to materially different tax considerations. Finally, no rulings have been or will be requested from Federal tax authorities as to any matter and there can be no assurance that such tax authorities will not successfully assert a position contrary to one or more of the legal conclusions discussed herein.

Circular 230 Notice: This discussion is not intended or written to be used, and you cannot use it, for the purpose of avoiding penalties that may be imposed on you. This discussion was prepared to support the promotion and marketing of the Offering by Warren Street Partners, LLC. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor

Tax Status of the Company

The Company will be treated as a partnership for federal income tax purposes. Partnerships that are classified as "publicly traded partnerships" are treated as corporations for federal income tax purposes. The Company should not be classified as a publicly traded partnership, because its Units are not traded on an established securities market, on a secondary market, or on the substantial equivalent of a secondary market, or because it meets another exception to the publicly traded partnership rules. Accordingly, the Company as an entity should not be subject to Federal income tax.

Taxation of Profits and Losses of the Company

Members must report on their income tax return their allocable share of income, gains, losses, and deductions for each taxable year, even if the Company does not make cash distributions to its Members. Members must report on their return items the Company allocates to them consistent with the treatment of the Company's informational return or they must, alternatively, identify and explain any inconsistency to the IRS. Each Member's allocable share of such items will be determined under the terms of the LLC Agreement.

Tax Basis of Units

A Member's tax basis for such Member's Units will be, initially, the amount that such Member paid for such Units less any Selling Commissions and due diligence expenses paid in connection with the purchase of the Units. The Member's tax basis will be increased by: (i) such Partner's additional capital contributions to the Company; (ii) such Member's allocable share of any Company taxable income; (iii) such Members allocable share of certain Company indebtedness; and (iv) such Member's allocable share of Company income exempt from tax. Such tax basis will be decreased (but not below zero) by: (i) distributions from the Company which may include a reduction in certain Company liabilities; (ii) such Member's allocable share of Company losses; and (iii) such Member's allocable share of non-deductible expenditures that are not chargeable to capital. To the extent a Member's share of Company losses exceeds the basis for such Members Preferred units, such excess losses may not be utilized for any purpose in the year in which such losses occur, but would be allowed as a deduction in any subsequent year to the extent to the extent of any increase in the Member's basis in such subsequent year. In general, to the extent cash distributions to a Member exceed the basis for such Member's preferred Units, the amount of such excess distributions would be recognized by the Member as gain from the sale or exchange of a Preferred Unit in the year received.

Passive Activity Loss Limitation

Under the passive activity loss provisions of the Code, losses and credits from trade or business activities in which the taxpayer does not materially participate, will generally only be deductible or credited against income from such activities or the income tax resulting from such income. Therefore, such losses cannot be used to offset salary or other earned income, active business income, or "portfolio income" such as dividends, interest, royalties, and non-business capital gains. The passive activity loss limitation applies to individuals, estates, trusts, and most personal service corporations. A modified form of the rule also applies to closely held Subchapter C corporations.

"At Risk" Loss Limitation

Under the Code, Members who are individuals or closely-held corporations are subject to the "at risk" rules. In general, these rules prevent a Member from deducting losses that exceed the Member's risk investment, and can create taxable income if the risk investment is reduced to zero. Under the Code, a Members "risk investment" for loss limitation purposes will generally equal the amount of such Member's cash contribution to the Company reduced by such Member's allocable share of Company losses and by distributions made by the Company and increased by such Member's allocable share Company income.

Company Organization Fees, Start-up Expenditures, and Syndication Expense

The Company will pay certain expenses in connection with its organization and start-up. Except for a limited amount of expenses (up to $5,000) which may be deducted currently, any expenses paid by the Company that constitute organizational and start-up must be capitalized, but may be amortized upon proper election of the Company, over a period of not less than 180 months. Examples of organizational expenses of the Company include organizational activities of Western Reach real Estate Fund, LLC, legal fees and other services incident to the Company, such as the preparation of the Limited Liability Company Agreement and related documents, accounting fees for establishing an accounting system, and necessary filing fees. Examples of start-up expenses include wages and other expenses incurred prior to commencing its development activities.

Expenses incurred in connection with the sale of the Units (for example, promotional expenses, and most of the printing costs, and professional fees incurred in connection with the preparation of this Memorandum) are treated as syndication expenses and are not deductible by the Company or the Members. Such costs must be capitalized.

Disposition of Units

In the event a Member should dispose of its Units in a taxable transaction, any recognized gain or loss will generally be treated as a long-term capital gain or loss (except for that portion of any gain attributable to such Member's share of the Company's "unrealized receivables" and "inventory items" as defined in Section 751 of the Code, which portion would be taxable as ordinary income), provided the Member is not a "dealer" in thee Units, and has held the Units for more than one year. Generally, a Member will

recognize capital gain or loss on a sale or other taxable disposition of Units in an amount equal to the difference between the amount realized by such Member on such sale or disposition and such Member's tax basis in such Units. In addition, both the tax basis in Units and the amount realized on a sale of Units would include the Member's allocable share of the Company's liabilities. A Member acquiring Units at different prices may be required to maintain a single aggregate adjusted tax basis in its Units, and, upon sale or other disposition of some Units, to allocate a portion of such aggregate tax basis to Units sold (rather than maintaining a separate tax basis in each Unit for purposes of computing gain or loss on a sale of such a Unit). To the extent a taxpayer has a gain pursuant to Section 1231 of the Code, the taxpayer must recapture as ordinary income the aggregate amount of any non-recaptured net Section 1231 loss it had during the five most recent preceding taxable years.

Individual taxpayer's net long-term capital gain (the excess of net long-term capital gain over net short-term capital loss) will generally be taxed at the rate of 15%. Long-term capital gain is attributable to an asset held for more than one year.

Capital loss generally may be deducted only to the extent of capital gains, except for non-corporate taxpayers who are allowed to deduct $3,000 of capital losses per year against ordinary income without regard to capital gains. Corporate taxpayers may carry back unused capital losses for three years and may carry forward such losses for five years; non-corporate taxpayers may carry forward unused capital losses indefinitely.

In determining the amount realized upon the sale or exchange of a Member's units, the Member's allocable share of the Company's non-recourse indebtedness must be included. Accordingly, it is possible that gain realized upon the sale of a Member's Units (and possibly tax liability thereon) may exceed any cash realized by the Member for the disposition. The normal capital gain characterization of gains arising from the sale of a Unit may be subject to re-characterization in the hands of any particular Member, depending upon its personal tax situation which could affect the maximum tax rate applicable to its and/or its ability to offset capital losses.

Unrelated Business Taxable Income

Generally speaking, most types of tax-exempt entities (such as qualified pension plans, charitable organizations, etc.) are exempt from federal income tax on their "passive" investment income (e.g., capital gains and most types of real estate rental income) whether such amounts are realized by the tax exempt entity directly or indirectly through an entity which is taxed as a "partnership." However, in some cases, a tax-exempt entity may be subject to tax (and return filing requirements) on a part of their share of income from certain types of investment partnerships. For example, the general exemption from tax for tax-exempt entities does not apply to any "unrelated business taxable income" ("UBTI") realized by the tax-exempt entity. Any potential investor in the Company which is a tax-exempt entity should consult with its own tax advisors regarding the application of these special rules under their own particular circumstances. In particular, and without limitation. Charitable remainder trusts and similar entities can be subject to particularly harsh income tax consequences in the event that any of the income recognized by such entity during any particular year is UBTI.

Alternative Minimum Tax

Individual and corporate taxpayers have potential liability for alternative minimum tax. Certain items from the Company could affect a Member's alternative minimum tax liability. Since such liability is dependent upon each Member's own circumstance, Members should consult their own tax advisors concerning the alternative minimum tax consequences of being a Member.

Information Returns and Schedules

The Company will file an annual informational return with the Internal Revenue Service and, as soon as reasonably practicable, will provide each Member with the information necessary for the preparation of the Member's annual Federal income tax return. The Managing Member will have the right under the Limited Liability Company Agreement to make, or to decline to make, all applicable tax elections on behalf of the Company.

IRS Audits

If the IRS audits the Company, the Company will take primary responsibility for contesting any proposed Federal income tax adjustments. If an audit results in an adverse adjustment, Members may be required to pay additional taxes, interest, and penalties. The Company may extend the statute of limitations as to all Members and, in certain circumstances, bind each Member to such

adjustment. Although the Company will attempt to inform each Member of the commencement and disposition of any such audit or subsequent proceedings, prospective Members should be aware that their participation in tax administrative or judicial proceedings relating to the Company will be substantially restricted.

Possible Tax Law Changes

The foregoing discussion is only a summary and is based upon U.S. federal income tax law as in effect as of the date hereof. Prospective investors should recognize that the U.S. federal income tax treatment of an investment in Units may be modified at any time by legislative, judicial, or administrative action. Any such changes may have retroactive effect with respect to existing transactions and investments and may modify the statements above.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated hereunder (hereinafter collectively "ERISA"), imposes certain fiduciary and prohibited transaction restrictions on fiduciaries and other "parties of interest" to employee pension and welfare benefit plans subject to ERISA ("ERISA Plans"). IRC Section 4975 imposes similar prohibited transaction restrictions for tax-qualified retirement or annuity plans including those described in IRC Sections 401(a) or 403(a) and on individual retirement accounts described in IRC Section 408 (hereinafter collectively referred to as "Code Plans").

(ERISA Plans and Code Plans are hereinafter collectively referred to as "Qualified Plans").

Generally speaking, any person who has discretionary authority or control respecting the management or disposition of the assets of any Qualified Plan (the assets of a Qualified Plan hereinafter referred to as "Plan Assets"), and any person who provides investment advise with respect to such Plan Assets for a fee, is a fiduciary of the Qualified Plan involved. A party in interest is generally the Qualified Plan fiduciary, the Qualified Plans sponsoring employer, a person or entity that provides services to the Qualified Plan, and certain other persons and entities with a specified relationship to the Qualified Plan.

ERISA Fiduciary Rules

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification, requirements respecting the delegation of investment authority, and the requirement that an ERISA's Plans investment is made in accordance with the documents governing the ERISA Plan. ERISA Plan fiduciaries must give appropriate consideration to, among other things, the role that an investment in the Company has in the ERISA Plan's investment portfolio, taking into account the ERISA Plan's purposes the risk of loss, the potential return in respect to such investment, the composition of the ERISA Plan's portfolio, the liquidity and current return to the ERISA Plan's funding objectives, Keogh plans and IRA investors should also consider whether an investment in the Company is appropriate for the Keogh plan or IRA.

ERISA Plan Assets

Under ERISA, an ERISA Plan that acquires Units in the Company acquires both an equity interest in the Company and it acquires an undivided interest in each of the individual assets of the Company, unless either (i) less than 25% of the Units in the Company are held by Qualified Plans (hereinafter the "25% Test") or (ii) the Company qualifies as a real estate operating company as defined in ERISA (hereinafter the "REOC Test").

With respect to the first exception, the 25% Test, the individual assets of the Company will not be treated as Plan Assets if, immediately following the most recent acquisition of Units in the Company, less than 25% of the total value of the Units in the Company are held by Qualified Plans, excluding the value of those Units held by persons other than Benefit Plan Investors (defined below) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. The term "Benefit Plan Investors is generally defined to include any employee benefit plans subject to Title 1 of ERISA or Section 4975 of the IRC (including Keogh Plans and IRSs), as well as any entity with assets that include Plan Assets by reason of a plan's investment in such entity (e.g., an entity of which 25% or more of the value of any class of equity interest is held by the Benefit Plan Investors and which does not satisfy another exception under ERISA). Thus, absent satisfaction of another exception under ERISA, if 25% or more of the value of the Units in the Company were held by

specified Plan Investors, an undivided interest in each of the underlying assets of the Company would be deemed to be Plan Assets if any ERISA Plan that invests in the Company.

With respect to the second exception, the REOC Test, ERISA provides that the Company qualifies as a REOC if, generally on its initial valuation date and annually thereafter, at least 50% of its assets valued at cost (other than short term investments pending long term commitment or distribution to investors) are invested in real estate which is managed or developed and with respect to which entity has the right to substantially participate directly in the management or development activities. In addition, to qualify as a REOC, the Company must in the ordinary course of business actually be engaged directly in such real estate management or development activities. ERISA does not provide specific guidance regarding what rights will qualify as management rights, and the United States Department of Labor has consistently taken the position that such determination can only be made in light of the surrounding facts and circumstances of each particular case, substantially limiting the degree to which it can be determined with certainty whether particular rights will satisfy this requirement.

If the assets of the Company were deemed to be Plan Assets under ERISA, this could result, among other things, in (i) the application of the investment prudence and other ERISA fiduciary responsibility rules discussed above to investments made by the Company, and (ii) the possibility that certain transactions in which the Company might seek to engage would constitute "prohibited transactions" (as defined by ERISA and the IRC). If a prohibited transaction occurs for which no exemption is available, the Company, the investment advisor and/or any other fiduciary that has engaged in the prohibited transaction could be required to, among other things, (i) restore the ERISA Plan any profit realized on the transaction, and (ii) reimburse the ERISA Plan for any losses suffered by the ERISA Plan as a result of the investment. In addition, each "disqualified person" (as defined in IRC Section 4975) involved could be subject to an excise tax equal to 15% of the amount involved in the prohibited transaction for each year the transaction continues, and, unless the transaction is corrected within statutorily required periods, to an additional tax of 100%. ERISA Plan fiduciaries who decide to invest in the Company could, under certain circumstances, be liable for prohibited transactions or other violations as a result of their investment in the Company or as co-fiduciaries for actions taken by or on behalf of the Company. With respect to an IRA, or such individual's beneficiaries, could cause the IRA to lose its tax-exempt status.

Western Reach Real Estate Fund, LLC intends to use reasonable efforts so that the underlying assets of the Company do not constitute Plan Assets of any ERISA Plan which invests in the Company by either (i) limiting the number of Units sold to specified Benefit Plan Investors to less than 25% of the collective value of the Units in the Company, or (ii) operating the Company in such a manner so as to qualify the Company as a REOC. However, there can be no assurance that, notwithstanding the reasonable efforts of the Company, the structure of particular investments of the Company will satisfy ERISA, or the underlying assets of the Company will not otherwise be deemed to be Plan Assets.

Under the LLC Agreement, the Manager will have the power to take certain actions to avoid having the assets of the Company characterized as "plan assets," including, without limitation, the right to cause a Member that is a Benefit Plan Investor to withdraw from the Company. While the Manager and the Company do not expect that the Manager will need to exercise that power, neither the Manager nor the Company can give any assurance that such power will not be exercised.

Government Plans

Governmental plans, as defined in ERISA Section 3(32), and non-US employee benefit plans which are not subject to Title I if ERISA or the prohibited transaction provisions under IRC Section 4975 may be subject to laws or regulations governing the investment and management of their assets which may contain fiduciary and other requirements similar to those under ERISA and the Code discussed above. Accordingly, fiduciaries of such plans, in consultation with their advisors, should consider the impact of their respective pension codes on an investment in the Company, an, to the extent applicable, the considerations discussed above.

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EXHIBIT A

WESTERN REACH REAL ESTATE FUND, LLC

LIMITED LIABILITY COMPANY AGREEMENT

This Limited Liability Company Agreement (as the same may be amended and/or supplemented, this "***Agreement***") is entered into effective as of October 1, 2012, by and among Archon Capital, LLC, a Delaware limited liability company (the "***Manager***"); and each Person who has executed a Subscription Agreement, tendered a Subscription Payment, and whose Subscription has been accepted by the Manager (each, a "***Member"*** and, collectively, the "***Members").*** Capitalized terms shall have the meaning set forth in **EXHIBIT A**.

RECITALS

A. On September 21, 2012 the Manager filed a Certificate of Formation with the Delaware Secretary of State for the Western Reach Real Estate Fund, LLC, thereby forming the entity (the "***Company***") as a limited liability company under and pursuant to the LLC Act.

B. The parties hereto are entering into this Agreement in order to set forth their agreements with respect to the operation of the Company and their respective rights and duties as Members of the Fund.

AGREEMENT

Now, therefore, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1

1. ORGANIZATIONAL MATTERS

1.1 Formation and Continuation. The Company was formed on September 21, 2012, upon the filing of the Company's Certificate of Formation (as the same may be amended from time to time) with the Delaware Secretary of State. The Manager shall execute, acknowledge, file, record, 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. The parties hereto agree that the Company shall be continued as a limited liability company pursuant to and in accordance with the Agreement, as the same may be modified, supplemented, or updated from time to time. The parties further agree to the execution, filing, publishing, an/or recording by the Manager, on and to the performance of such acts as may be necessary or appropriate from time to time to comply with all applicable requirements for the existence, continuation, and/or operation of the Company under the laws of, the ownership and operation of assets in, and the carrying out of its activities in the State of Delaware and, to the extent applicable, in other jurisdictions. The parties agree that the operation of the Company and the relationship of the Members with respect to the Company shall be governed by this Agreement and the LLC Act.

1.2 Name. The name of the Fund shall be the **WESTERN REACH REAL ESTATE FUND, LLC** or such other name(s) as the Manager may subsequently select. The Company may conduct its business under such name or under such assumed name(s) as the Manager may select from time to time.

1.3 Registered Office; Registered Agent for Service of Process**.** The registered office that the Company is required under the LLC Act to maintain in the State of Delaware shall be located at 16192 Coastal Highway, Lewes, Delaware 19958, or at such other place as may be designated from time to time by the Manager. The name and address of the resident agent for service of process on the Company in the State of Delaware shall be Harvard Business Services, Inc., 16192 Coastal Highway, Lewes, Delaware 19958, or such other Person and address as shall be designated by the Manager.

1.4 Principal Business Office. The principal business office of the Company shall be located at 2831 St. Rose Parkway, Suite 288, Henderson, Nevada, 89052 or at such other place as may be designated from time to time by the Manager. The Company may have a principal business office in such other location, and may maintain such other office(s), as the Manager may designate from time to time, including offices in other states.

1.5 Term. The term of the Company began on the date the Certificate of Formation was filed. The Company shall continue until, and the Company shall dissolve on, the first to occur of (i) the sale or other disposition of, or any other event(s) that results in the Company ceasing to have any interest in, all or substantially all the Company's Assets, unless such event(s) result in the acquisition of receivables by the Company, in which case, at the option of the Manager, the Company shall continue until all such receivables have been collected; (ii) the occurrence of any event that would, under the LLC Act (notwithstanding the provisions of this Agreement) or under the terms of this Agreement, result in the dissolution of the Company; (iii) the fourth (4^{th}) anniversary of the Final Admission Date, except the Manager in its discretion may extend the term for up to two (2) additional one (1) year periods following such anniversary if necessary for an orderly liquidation of the Company's Assets; and (iv) if, in order to avoid selling Assets at a loss, the Company has not been fully liquidated at the end of the period designated in subsection (iv) immediately above, the Manager, with Majority Member Consent, may further extend the term for an orderly liquidation of the Funds investments.

1.6 Business and Purpose of the Fund. The primary purpose of the Company is to (i) acquire, own, lease, operate, manage, and transfer Property(ies), and to that end, hold, improve, mortgage, maintain, refinance, manage, lease and dispose of the Property(ies), (ii) engage in any other activities related to or incidental as necessary to accomplish such purpose, and (iii) engage in such other lawful activities as determined by the Manager.

1.7 Title to Property.

1.7.1 All property of the Company, whether real or personal, tangible or intangible, shall be acquired, held, and disposed of in the name of the Company or its designated nominee. All contracts of the Company shall be made, all instruments and documents shall be executed, and all acts of the Company shall be done in the name of the Company.

1.7.2 Each Member shall have and own an undivided interest in the Company in accordance with the terms hereof; *provided*, however, that no Member shall have any specific ownership interest in any Company contracts or other Assets of the Company and no Member shall hold any Company contracts or other Assets of the Company in its individual name. Each Member acknowledges that its Units are and shall continue to be personal property for all

purposes. Each member irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

1.8 Certain Transaction. Any Manager, Member, Economic Interest 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 Property(ies), and no Manager or other person or entity shall have any interest in such other business or venture by reason of their interest in the Company.

2. Definitions.

2.1 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 to become Manager.

3.2 Member's Capital Contributions.

3.2.1 General. The Manager is hereby authorized to offer or cause FINRA broker/dealers to offer, on behalf of the Company, Units in the Company from time to time to investors who sign a Subscription Agreement and make cash contributions to the Company, and to admit such persons as Members. The terms and conditions of admission of Members to the Company (including the amount of the Capital Contribution of each Member) shall be determined by the Manager.

3.2.2 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.

3.2.3 Units. The Company is hereby authorized to sell and issue not more than 25,000,000 Units at a purchase price of $2.00 per Unit, with no Minimum Offering Amount, to admit persons who acquire such Units as Members. The Minimum purchase shall be twent-five thousand Units ($50,000), except that the Manager may, in its sole discretion, sell and issue Units in increments of less than twenty-five thousand (25,000). In no event shall the Company have more than 480 Owners. The Manager shall, in its sole discretion, increase the minimum investment required by the Members in order to ensure that the Company does not have more than 480 Owners. This Offering shall terminate on the Offering Termination Date. The Company will not sell 25% or more of the Units to Employee Benefits Plans. In addition, the Company will not accept a charitable remainder trust as a Member.

3.2.4 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. Sales of Units by the Manager or its personnel may be made to certain persons without the 8% Placement Fee provided to Selling Group Members. This Commission Discount will be provided to such Investors by granting such Members 2,000 more Units per Minimum Purchase (or multiples thereof) than Investors solicited by Selling Group Members.

3.2.5 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 correct full Subscription Payment of the Units so subscribed. The Company shall accept or reject each Subscription Agreement within 30 days after the Company's receipt of such Subscription Agreement (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 3.2.5, upon the acceptance of a Subscription Agreement, the accompanying Subscription Payment shall become a Capital Contribution by such subscriber.

3.2.6 No Escrow Account. There is no Escrow Account. All Subscription Proceeds will immediately be paid to and available to the Company.

3.2.7 Cancellation of Offering. The Offering shall terminate on December 31, 2014; however, the Manager may terminate the Offering anytime prior to that, in its sole discretion.

3.2.8 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.

3.2.9 Liabilities of Members. Except as specifically provided in this Agreement, the Manager and the Members shall not 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 Manager or Member 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, any Member, or any creditor of the Company any portion or all of any deficit balance in a Member's Capital Account.

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 Manager until the Net Income allocated to the Manager 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 Manager pursuant to Section 4.1.2(e) for all previous fiscal years;

(b) Second, to the Members until the Net Income allocated to the Members pursuant to this Section 4.1.1(b) 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;

(c) Third, 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; provided, however no Member may be allocated Net Income under this Section 4.1.1(c) in excess of the Cash from Operations distributed to them pursuant to Section 5.1.1;

(d) Thereafter, 50% to the Members in proportion to their outstanding Units and 50% 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 Manager in proportion to and to the extent of Net Income previously allocated to the Manager pursuant to Section 4.1.1(e) until the aggregate Net Loss is 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 Manager pursuant to Section 4.1.1(e) for all previous fiscal years;

(b) Second, among 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(d) until the aggregate Net Loss allocated to the Manager and the Members pursuant to this Section 4.1.2(b) 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(d) for all previous fiscal years;

(c) Third, to the Members in proportion to and to the extent of Net Income previously allocated to the Members pursuant to Section 4.1.1(c) until the aggregate Net Loss allocated to 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(c) for all previous fiscal years;

(d) Fourth, 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 the Member to have an Adjusted Capital Account Deficit at the end of the fiscal year;

(e) Thereafter, to the Manager.

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 Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of 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 an 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 Deficit at the end of the fiscal year. In the event any Member has an Adjusted Capital Account Deficit at the end of a 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 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 guaranty, refinancing, or other change in 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 shall not apply to the extent the net decrease in Member Minimum Gain arises because the liability ceases to be a Member Nonrecourse Debt due to conversion, refinancing, or other change in a debt instrument that causes it to become partially or wholly a Nonrecourse Debt. This Section 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 attributable 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 in the same proportion.

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 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 Members 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 3.2.4, such Member shall receive an additional 2,000 Units per Minimum Purchase, which is equal to the $4,000 Placement Fee not incurred by such an Investor's purchase. For example, an Investor solicited by a Selling Group member will receive 25,000 Units per $50,000 Minimum Purchase. An Investor solicited by the Manager or its personnel will receive 27,000 Units per $50,000 Minimum Purchase. Purchases by Investors solicited by the Manager or its

personnel for multiples of more or less than the Minimum Purchase will receive a similar 8% Commission Discount and additional Units as above.

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 apportioned 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 Distribution. An assignee who receives Units during the first fifteen (15) days of the month will receive any allocations relative to that month. An assignee who acquires Units on or after the sixteenth (16^{th}) 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) and Section 514(c)(9) 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) and Section 514(c)(9) 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, not withstanding 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 (ii) such Member shall pay to the Company prior to such Distribution an amount of cash equal to such Tax Payment. 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 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 the 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. Not withstanding the other provisions in this Section 4 (but subject to Section 4.10), in the year of the sale of the last Apartment Complex, 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, Sales of Property(ies), and Refinancings. Except as otherwise provided in Section 13 and subject to the Manager's discretion pursuant to Section 5.3, Cash from Operations with respect to each calendar year shall be distributed as follows:

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

5.1.2 Second, 100% to the Members in proportion to their Net Capital Contributions until the Members' Net Capital Contributions are reduced to zero;

5.1.3 Thereafter, 50% to the Members and 50% 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 an Apartment Complex is sold or refinanced within two years after the Offering Termination Date, the Manager may, in its sole discretion, reinvest cash from the sale, exchange, or refinance of an Apartment Complex in a new Apartment Complex.

5.3 Tax Distribution. Notwithstanding the provisions set forth in Section 5.1, 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(d) and 4.1.1(e) to the Manager. Any such 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 Apartment Complex, the Manager shall contribute prior Distributions of Cash from Operations it has received to the Company to the extent that all actual Distributions of Cash from Operations to the Manager, determined on a cumulative basis, exceed the amount that would have been distributed to the Manager if all Distributions of Cash from Operations had been made pursuant to Section 5.1 on a cumulative basis. Any such excess amounts contributed by the Manager shall be distributed to the Members as set forth n 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 Annual Management Fee in an amount of 2.5% of the Aggregate Purchase Price of the Property(ies) which will be paid monthly. To compute this monthly payment, the Aggregate Purchase Price of all the Multifamily Properties owned by the Company on the last day of the preceding month will be calculated. Then, that Aggregate Purchase Price will then be multiplied by 0.025 (2.5%) and then divided by 12 to determine the next month's monthly payment.

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 costs of personnel employed by the Company and directly involved in the Company's business; (ii) all compensation due to the Manager or its Affiliates; (iii) all costs of personnel employed by the Manager or its Affiliates and directly involved in the business of the Company; (iv) all costs of borrowed money, taxes, and assessments on the Property and other taxes applicable to the Company; (v) legal, accounting, audit, brokerage, and other fees; (vi) fees and expenses paid to independent contractors, mortgage bankers, real estate brokers, and other agents; (vii) costs of leasing, acquiring, owning, constructing, improving, operating, and disposing of Property; (viii) expenses incurred in connection with the construction, alteration, maintenance, repair, remodeling, refurbishment, leasing, and operation of Property; (ix) all expenses incurred in connection with the maintenance of the Company's 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; (x) expenses incurred in preparing and filing reports or other information with appropriate regulatory agencies; (xi) expenses of insurance as required in connection with the business of the Company, other than insurance insuring the Manager against losses for which it is not entitled to be indemnified under Section 7.7; (xii) 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; (xiii) the actual costs of goods and materials used by or for the Company; (xiv) 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; (xv) expenses of Company administration, accounting, documentation, and reporting; (xvi) expenses of revising, amending, modifying, or terminating this Agreement; (xvii) all other costs and expenses incurred in connection with the Company's business, including travel to

and from the Property(ies); (xiii) the portion of the Manager's payroll expenses allocable to work performed for the Company; and (xix) all other costs and expenses incurred in connection with the business of the Company exclusive of those set forth in Section 6.2.2.

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 Property(ies), including down payments, closing costs, travel, legal, toxic and other studies, surveys, escrow deposits and costs.

7. Authority and Responsibilities of the Manager

7.1 Management. The business and affairs of the Company shall be managed by its 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. The Company shall have one Manager which shall be Archon Capital, LLC, a Delaware limited liability company. The Manager shall hold office until such Manager is removed or withdraws or resigns as set forth in this Agreement.

7.2 Manager Authority. The Manager shall have all authority, rights, and powers conferred by law (subject to Section 7.3 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:

7.2.1 Take all actions as the buyer of the Property(ies), either directly or through special purpose entities.

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

7.2.3 Acquire, hold, develop, lease, rent, operate, sell, exchange, subdivide and otherwise dispose of Property including the Property(ies);

7.2.4 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;

7.2.5 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;

7.2.6 Enter into such contracts and agreements as the Manager determines to be reasonably necessary and 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;

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

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

7.2.9 Open accounts and deposits 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;

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

7.2.11 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);

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

7.2.13 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, acknowledgement, 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 requirement.

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

7.2.15 Lease personal property for use by the Company;

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

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

7.2.18 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;

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

7.2.20 Redeem or repurchase Units on behalf of the Company;

7.2.21 Hold an election for a successor Manager before the resignation, expulsion, or dissolution of the Manager;

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

7.2.23 Admit itself as a Member;

7.2.24 Enter into any transaction with any partnership or venture;

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

7.2.26 Place all or a portion of an Apartment Complex 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 an Apartment Complex;

7.2.27 Appoint officers of the Company as set forth in Section 7.10;

7.2.28 Perform any and all other acts which the Manager is obligated to perform hereunder; and

7.2.29 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.

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

7.3.1 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;

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

7.3.3 Alter the primary purpose of the Company, which is to identify, purchase, manage, and then sell Apartment Complexes.

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

7.3.5 Admit another person or entity as the Manager, except with the consent of the Members as provided in this Agreement;

7.3.6 Subject to Section 5.2, reinvest cash from the sale or exchange in additional Apartment Complexes;

7.3.7 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 Apartment Complexes and held for use in the management and operations of the Apartment Complexes;

7.3.8 Cause the Company to loan to any Manager or Affiliates Company assets or employ, or permit employment of, the funds or assets of the Company in any manner except for the exclusive benefit of the Company; or

7.3.9 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 commission, 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.

7.4 Responsibilities of the Manager. The Manager shall:

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

7.4.2 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;

7.4.3 Obtain insurance not less than the amount required by law;

7.4.4 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;

7.4.5 Cause the Company to be protected by public liability, property damage, and other insurance determined by the Manager in its discretion to be appropriate for the business of the Company;

7.4.6 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

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

7.5 Administration of the 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 the refinancing and sale or other disposition of the Apartment Complexes, 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.

7.6 Tax Matters Partner. The Members hereby appoint the Manager to act as the "tax matters partner."

7.7 Indemnification of the Manager and Officers.

7.7.1 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 intentional fraud or intentional wrongdoing 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.

7.7.2 Notwithstanding Section 7.7.1, 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, as amended, 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 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.

7.9 Authority as to Third Persons.

7.9.1 No third party dealing with the Company shall be required to investigate the authority of the Manager or secure the approval or confirmation by any Member of any act of the Manager in connection with the Company business. No purchaser of any property or interest 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.

7.9.2 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 7.10 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.

7.9.3 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.

7.10 Officers of the Company.

7.10.1 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.

7.10.2 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 as described in Section 16.2;

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

8.2.5 Dissolution and winding up of the Company as set forth in Section 13.1; and

8.2.6 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 of the Units required pursuant to Sections 8.2.1, 8.2.2, 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 of 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 his address appearing on the books of the Company or given by him 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. 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.

8.4.2 Adjourned Meeting and Notice Thereof. When a Member's meeting is adjourned to another time and 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 adjourned 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 adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned 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 whether 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 provide 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 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, 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 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 the 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 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 by 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 the 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 thereof 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 interest of the Company.

8.4.9 Inspectors of Election. In advance of any meeting of Members, the Manager may appoint any person other than nominees 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 poles 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 the 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 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 is to be returned.

8.6 Restrictions on the Member. No member shall:

8.6.1 Disclose to any non-Member other than their lawyer, 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.

9. Resignation, Withdrawal, or Removal of the Manager.

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

9.2 Removal. The Manager may only be removed by a twenty-percent (20%) vote exclusive of the Units held by the Manager for (i) intentional fraud or intentional wrongdoing, or (ii) upon the occurrence of an Event of Insolvency of the Manager. Removal of the Manager shall not be effective until consummation of the transaction described in Sections 9.3.1 or 9.3.2, as elected by the Manager.

9.3 Purchase of Manager's Interest; Conversion to Economic Interest. Upon the removal of the Manager, the removed Manager shall elect one of the two following provisions:

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 the result of intentional fraud or intentional misconduct as determined by a court of law, the purchase price shall be reduced by any damages caused by any such intentional fraud or intentional misconduct. 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;

9.3.2 The Manager's interest in the Net Income, Net Loss, and Distributions, and assets of the Company will be converted into an Economic Interest which will entitle the Manager to its share of Net Income, Net loss, and Distributions in accordance with this Agreement, but no voting or other rights with respect to the management or operation of the Company other than those granted to any assignee. In such event, all earned but unpaid fees shall be paid at the closing.

9.4 Purchase Price of a 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. 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 in legal proceedings. The terminated Manager and the Company shall each compensate the appraiser appointed buy 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, assign, hypothecate, encumber, or otherwise transfer any part or all of its interest in the Company except with the consent of a Majority Vote of the Units, 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.

10.1.1 Any assignment or transfer of the Manager's interest provided for by this Agreement can be an assignment 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 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) on 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 ;which shall not be unreasonably withheld; provided, however that it shall not be unreasonably in any case for the Manager to disapprove any transfer or assignment if such transfer or assignment would cause the Company to be treated as a publicly traded partnership for federal income tax purposes;

11.1.2 No Member shall sell, transfer, assign, or convey or offer to transfer 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 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 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 and does not 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 not be deemed "traded on an established securities market" or "readily tradeable 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 transfers so that the transfers comply with one of the safe harbors in the Treasury Regulations and/or federal and state securities laws.

11.1.6 Any such transfer shall be by 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 expense, including attorneys' fees , lenders' fees, and for the Manager's time and efforts connected with such assignment;

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

11.1.9 The transfer will not result in more than 480 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 Manual, 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, acknowledgement, 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 Termination of Membership 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 a 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 90% of the original purchase price for the Units to be repurchased; provided, however, that the purchase price shall not exceed the fair market value of the Units to be repurchased.

11.9.3 In the event that the Manager decides to honor a request, it 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 Members 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 the approval of 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, then 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, (i) the Company shall not purchase more than 10% in the aggregate of the total Units of the Company per annum, other than private transfers described in Treasury Regulation Section 1.7704-1(e) and (ii) the transfer of Units may not result in the Company transferring more than 2% of the aggregate capital or profits in the Company during any taxable year, excluding transfers that comply with Treasury Regulations Sections 1.7704-1(e) or (g).

12. Books, Records, Accounting, and Reports.

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. Each Member, or its representative designated in writing, has the right, upon five (5) days written request for the purposes 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 the 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 the 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;

12.2.5 Copies of any appraisal, environment report, or structural report related to any Apartment Complex acquired by the Company, and

12.2.6 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, audited income statement, and statement of changes in financial position. Upon a Member's Request, copies of such statements shall be distributed to each Member within 120 days after the close of each fiscal year of the Company or as soon as possible thereafter if not complete at such time.

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 75 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 to disclose 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.

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 Apartment Complex; 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 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 supply 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 disbursing such reserves for the payment of any aforementioned contingencies and, at the expiration of a reasonable period, for the purpose of distributing the balance remaining in accordance with the 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 thereof (upon dissolution or otherwise) against any Manager or any Member. No Manager or Member shall be required to restore any deficit in the Manager's or 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 to swear to in the execution, acknowledgement, 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 the 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 Provisions 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 of the Units; provided, however, that any amendment that would treat a specific Member less favorably than another Member (in application but not in effect) shall require the vote of such adversely affected Member.

16.3 Amendments Without Consent of the Members. In addition to the amendments authorized pursuant to Section 4.10 and Section 7.2.13 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 of the Manager (so long as such decrease does not impair the ability of the Manager to manage the Company and conduct 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 effect 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 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:

Archon Capital, LLC
5455 Wilshire Blvd. Suite 1711
Los Angeles, CA 90036

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

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 acknowledgement before a Notary Public of any signature made by the 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 Henderson, Nevada, 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 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 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 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, include 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 attorney's 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 Las Vegas, Nevada 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 Las Vegas, Nevada.

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 the Manager.

IN WITNESS WHEREOF, the Manager has caused this Agreement to be executed below and each Member has executed this Agreement by executing and causing to be affixed hereto a signed Signature Page from the Subscription Agreement.

Archon Capital, LLC, a Delaware limited liability company
Manager and Initial Member

By: _____

Printed Name: Richard A. Wagner
Title: Sole Member

EXHIBIT A

DEFINITIONS

"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 of any amounts which the Member is obligated to restore and the member's share of Member Minimum Gain and Company Minimum Gain; and

(ii) Debit to such Capital Account the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

"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. The term "person" shall include any natural person, corporation, partnership, trust, unincorporated association, or other legal entity.

"Aggregate Purchase Price" shall mean the sum of the purchase price(s) of every Mutlifamily Property(ies) owned by the Company at any particular time.

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

"Annual Management Fee" shall mean 0.025 (2.5%) of the Aggregate Purchase Price. The Annual Management Fee shall be paid to the Manager in twelve, equal monthly installments for as long as the Company is in existence. See Section 6.1.1 above for the formula to compute the monthly payment.

"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 lower 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 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 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 agreed to by the Manager and the Members pursuant to a Majority Vote, 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 Company complies with the requirements of treasury Regulations Section 1.7041(b)(2)(iv)(f) and (g); provided, however, for purposes of calculation 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 $10,000 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, including, but not limited to, the operations of the Company including the sale financing, refinancing or other disposition of the Apartment Complexes 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 (other than the Asset Management Fee), 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 the 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.

"Commission Discount" shall refer to the additional Units granted to Investors who subscribed to the Units based upon solicitations by the Manager, its officers, or personnel. The Commission Discount shall provide an extra 2,000 Units (8%) to such Investors for every Minimum Purchase. For example, the Minimum Purchase will provide 27,000 shares to such Investors, whereas Investors introduced by broker/dealer members of the Selling Group will receive 25,000 shares.

"Company" shall refer to the Western Reach Estate Fund, LLC.

"Company Minimum Gain" shall have the meaning set forth in Section 3.2.5.

"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 8.2.6.

"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 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 Retirement Income Security Act of 1974.

"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 acquiesces 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).

"FINRA" shall mean to the Financial Industry Regulatory Authority, the self-regulatory organization of the securities industry.

"Initial Member" shall refer to Archon Capital, LLC also known as the "Manager."

"Interest" shall mean a Membership Interest or an Economic Interest.

"Liquidation" means 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 means 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 for each fractional Unit they own.

"Manager" shall refer to Archon Capital, 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.

"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 recourse debt" as set forth in 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 have the same meaning a "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.

"Multifamily Property(ies)" shall mean the real estate properties of two or more rental units acquired by the Company, directly or through special purpose entities. "Properties" shall mean any real estate property, including Multifamily Property(ies).

"Net Capital Contribution" shall mean the Member's 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:

(a) The amount determined above shall be increased by any income exempt from federal income tax;

(b) 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);

(c) 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

(d) For purposes of this Agreement, Book Gain and Book Loss attributable to 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).

"Offering" shall mean the offering and sale of the Units made in accordance with the provisions of Section 3.2.

"Offering Termination Date" shall mean the date the Offering of the Units will terminate, which is the earliest of (i) the date all 25,000,000 Units are sold (ii) December 31, 2014, or (iii) anytime the Manager, in its sole discretion, decides to terminate the Offering.

"Owner" shall mean a Member or the holder of an Economic Interest.

"Preferred Return" shall mean an amount equal to 10% 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.

"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 Property(ies).

"Property Management Fee" shall have the meaning set forth in Section 6.1.3.

"Regulatory Allocations" shall mean the allocations set forth in Sections 4.2.1 through 4.2.7.

"Selling Group" shall refer to all the FINRA-Member broker/dealers that enter into an Agreement with the Manager to offer Units.

"Selling Group Member" shall refer to any individual FINRA-Member broker/dealer that is a member of the Selling Group.

"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.

"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 LLC Agreement

EXHIBIT B ON FOLLOWING PAGE

EAST BAY AREA | CALIFORNIA

RESEARCH & FORECAST REPORT

MARKET INDICATORS

	Q1	PROJECTED Q2
OCCUPANCY	⇔	⇔
APARTMENT RENTS	↑	↑
INVESTMENT CAP RATES	↓	↓
EMPLOYMENT	↑	↑

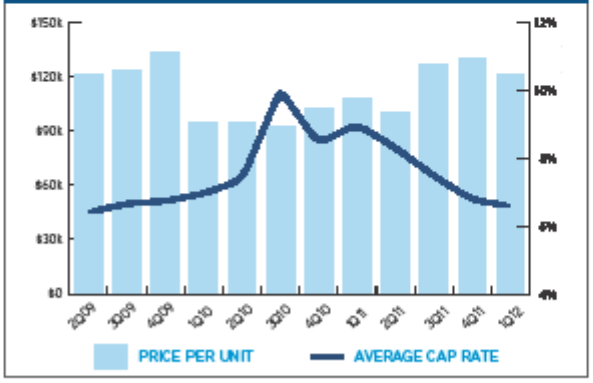
East Bay Multi-Family Market

INTRODUCTION

The East Bay Multi-Family market continues to look healthy and several factors point towards growth in 2012 as the economy continues to improve albeit at a slow pace. Some of these factors include; an improving jobs outlook with growth across several industries, overall population growth in the region, a continued slide in home ownership rates, and rent growth across most East Bay submarkets. Although the East Bay has not experienced the robust tech and social media boom of the Silicon Valley and the SOMA district of San Francisco, conditions are improving. According to the California Employment Development Department, the overall unemployment rate in California was 11.5 percent during the first quarter. Alameda and Contra Costa counties added 6,200 jobs during the February 2012 – March 2012 period resulting in a blended unemployment rate of 9.8 percent. East Bay unemployment inched up 20 basis points during the first quarter, however the labor force grew by 6.6 percent during that same period, with the majority of hiring coming from the health care and leisure and hospitality services industries.

According to The McGraw Hill Companies, after five years of shrinking multi-family construction starts in the San Francisco metropolitan area, permits to build new apartment inventory as well as new multi-residential project construction is on the upswing. Contributing to this uptick in construction starts, is that there has been virtually no new multi-family deliveries over the past several years; resulting in increased occupancy levels throughout the East Bay. That coupled with a distressed single family market and East Bay population growth, has led to overall increases in rents throughout the region. New multi-family development projects are going through the various stages of the approval process in many East Bay cities, including Walnut Creek, Dublin, Lafayette, Pleasanton and Oakland.

EAST BAY MULTI-FAMILY AVG. PRICE PER UNIT VS. AVG. CAP RATE



Average Cap Rates continued to decline while average price per unit inched upward

Trends & Topics

ECONOMY

- Jobs outlook improving with growth across several industries.
- Overall population growth in The East Bay.
- Contra Costa and Alameda Counties added 6,200 jobs during the Febrary-March 2012 period resulting in an unemployment rate of 9.8%.
- Permits to build new apartment inventory as well as new multi-residential projects that are soon to start construction are on the upswing.

SALES

- Nationally, cap rates continued their steady decent with the downward pace accelerating slightly during the first quarter.
- Fewer sales in the first quarter following the typical upsurge in sales at year end.
- The majority of deals were transacted off market without the benefit of a conventional marketing period.
- Very little on-market multi-family inventory

RENT

- Alameda County outpaced Contra Costa County in both rent growth and occupancy.
- Tight San Fancisco and Silicon Valley rental markets have caused tenants to seek alternatives in the East Bay.

The continued growth in the technology sector has been a major driving force behind the recent increases in occupancy and rents in the South Bay and San Francisco. The tight rental market in those areas should drive tenants to other areas including the East Bay. This seems to be occurring now, especially in the Lake Merritt, Adams Point and Rockridge areas of Oakland, where tenants frustrated with a tight San Francisco rental market are now making a decision to come to the East Bay.

SALES/MARKET TRENDS

According to data provided by Real Capital Analytics, national sales volume has slowed down from the previous quarter as well as year-over-year. There were two-thirds as many transactions in the first quarter compared to the fourth quarter 2011, which is fairly typical as closings tend to spike towards the end of the year. Nationally, cap rates continued their steady decent with the downward pace accelerating slightly last quarter. The national average cap rate for apartments was 6.3 pecent in the first quarter. In the San Francisco Metro, cap rates are trending lower in all parts of the region, however the re-pricing of San Jose properties compared to San Francisco is apparent over the past three years. San Jose is now second to Manhattan for the lowest cap rates in the apartment sector.

In the East Bay, there were only 18 transactions of 10 units or greater. Of those 18, ten were transacted off-market without the benefit of a conventional marketing period. For the first time in several quarters, there were no institutional deals in either East Bay county. This is likely to change however given the strong improvement in the first quarter 2012 of rental rates and occupancy levels.

Looking at the East Bay, average cap rates compressed 18 basis points to 6.58 percent. Total average price per unit fell 6.9 percent to $121,198 due to a higher instance of off-market deals in the first quarter. Overall, the first quarter saw transaction frequency drop by one-third. Approximately half the sales in Alameda County were off-market with the majority of them less than 20 units. The average cap rate in Alameda County was 6.63 percent, with an average price per unit of $108,403 leading to a 15 basis point drop. Contra Costa County transaction activity during the quarter saw a near even ratio of conventional to off-market closings. Cap rates remained relatively unchanged however from the fourth quarter 2011, with increases of only 3 basis points to 6.77 percent. The average price per unit dropped slightly by $739 to $137,501.

RENTAL TRENDS

The East Bay rental market has picked up right where it left off prior to the holiday season with significant gains in average asking rents in almost all submarkets during the first quarter of 2012. In both Contra Costa and Alameda Counties, occupancy remained at an impressive 95 percent, despite the strong rent growth which occurred over the quarter. Alameda County continues to outpace Contra Costa County with increases in both average asking rents and occupancy levels of 1.8 percent and 96.4 percent respectively. Contra Costa County saw increases in average asking rents of 1.3 percent and average occupancy of 95.2 percent during the first quarter of 2012.

The Tri-Valley submarket (Pleasanton/Dublin/Livermore/San Ramon) led the entire East Bay with 7 percent growth in average asking rents (to an average of $1,659/unit), with the next closest submarket, Berkeley/Emeryville/Alameda showing a 3 percent growth in rents during the quarter. There were four submarkets with rental rate growth over 2 percent, including: East & West Contra Costa County, San Leandro/Hayward/Castro Valley and Concord/Martinez/Pleasant Hill. Oakland and Fremont/Newark/Union City continue their steady increases around 1.5 percent while Walnut Creek/Lamorinda/Danville saw the slowest growth of any of the East Bay submarkets at .5 percent.

RECENT MARKET ACTIVITY

SALES COMPARABLES

PROPERTY ADDRESS/NAME	CITY	UNITS	PRICE	PRICE/UNIT	CAP RATE	GROSS INCOME MULTIPLIER	PRICE/RSF	SALE DATE
39-57 N Broadway Avenue	Bay Point	63	$2,550,000	$40,476	10.48	4.73	$70	3/15/12
323 Alcatraz Avenue	Oakland	14	$1,750,000	$125,000	6.19	9.51	$275	2/15/12
1650 159th Avenue	San Leandro	15	$1,600,000	$106,667	8.09	7.84	$114	1/20/12
1149 Meadow Lane	Concord	8	$1,260,000	$157,500			$247	1/31/12
1413 Portola Avenue	Livermore	13	$1,250,000	$96,154	5.62	9.09	$183	1/12/12
414 Fairmount Avenue	Oakland	11	$995,000	$90,455	7.21	8.52	$129	3/9/12
2530 Fruitvale Avenue	Oakland	10	$400,000	$40,000	11.61	4.76	$105	1/6/12

MULTI-FAMILY MARKET | Q1 2012

MARKET		BLDGS (5+)	TOTAL INVENTORY # OF UNITS (5+)	TOTAL POPULATION	PERCENT HOUSEHOLDS WHO RENT	AVERAGE ASKING RENTS CURRENT QTR	% CHANGE FROM PREVIOUS QUARTER*	OCCUPANCY	% CHANGE FROM PREVIOUS QUARTER	AVERAGE CAP CURRENT QTR (10+)	AVERAGE PRICE PER UNIT CURRENT QTR (10+)
OAKLAND											
	Total	2,671	3,588	390,764	58.5%	$1,698	1.3%	95.50%	2.2%	7.69%	$84,864
BERKELEY, EMERYVILLE, & ALAMEDA											
	Total	1,872	24,835	197,432	56.8%	$1,773	3.0%	96.80%	0.1%	5.25%	$153,944
SAN LEANDRO, HAYWARD, & CASTRO VALLEY											
	Total	1,207	26,375	287,282	41.0%	$1,228	2.0%	97.60%	0.4%	7.27%	$94,063
PLEASANTON, DUBLIN, LIVERMORE, SAN RAMON											
	Total	251	12,538	241,745	29.7%	$1,659	7.0%	94.70%	-1.2%	5.62%	$196,154
FREMONT, NEWARK, UNION CITY											
	Total	303	17,891	328,423	33.0%	$1,520	1.8%	96.70%	-	-	-
CONCORD, MARTINEZ, & PLEASANT HILL											
	Total	498	21,073	190,916	38.0%	$1,303	2.2%	95.40%	-0.5%	-	$157,500
WALNUT CREEK, LAMORINDA, DANVILLE											
	Total	324	13,534	164,192	24.4%	$1,590	0.5%	95.10%	-0.1%	5.53%	$163,177
EASTERN CONTRA COSTA COUNTY											
	Total	263	13,950	292,309	29.0%	$1,121	2.8%	94.40%	0.6%	4.73%	$140,476
WESTERN CONTRA COSTA COUNTY											
	Total	691	15,676	256,678	36.4%	$1,197	2.1%	95.70%	-	-	-
MARKET TOTAL											
	ALA	6,304	85,227	1,519,508	45.5%	$1,519	1.80%	96.40%	0.10%	6.63%	$108,403
	CC	1,776	64,233	1,062,782	31.4%	$1,357	1.30%	95.20%	-0.20%	6.77%	$137,501
	Total	8,080	149,460	2,582,290	39.1%	$1,456	1.60%	95.90%	-	6.58%	$121,198
QUARTERLY COMPARISON AND TOTALS											
Q1-12	Total	8,080	149,460	2,582,290	39.1%	$1,456	1.60%	95.90%	-	6.58%	$121,198
Q4-11	Total	8,080	149,460	2,324,791	39.1%	$1,433	0.00%	95.90%	-0.80%	6.77%	$130,176
Q3-11	Total	---	---	---	39.1%	$1,432	2.10%	96.70%	0.50%	7.48%	$126,173
Q2-11	Total	---	---	---	39.1%	$1,403	2.78%	96.20%	0.60%	8.30%	$99,622
Q1-11	Total	---	---	---	39.1%	$1,365	2.2%	95.6%	0.0%	9.00%	$108,345

* Rent statistics are calculated from 50+ unit buildings

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

EAST BAY SUBMARKET MAP

1. Oakland, Berkeley, Emeryville & Alameda
2. San Leandro, Hayward & Castro Valley
3. Fremont, Newark & Union City
4. Pleasanton, Dublin, Livermore & San Ramon
5. Walnut Creek, Lamorinda & Danville
6. Concord, Martinez & Pleasant Hill
7. Eastern Contra Costa County
8. Western Contra Costa County

Oakland has been increasing rents and occupancy levels steadily over the past twelve months, making it one of the hottest rental markets in the Bay Area. During the first quarter of 2012, Oakland showed a modest 1.3 percent growth in rents, but managed to increase occupancy by an impressive 2.2 percent to reach 95.5 percent. San Leandro/Hayward/Castro Valley and Eastern Contra Costa County saw modest occupancy increases of roughly 0.5 percent while the rest of the East Bay market saw little change in overall occupancy. The East Bay region as a whole maintains an average occupancy of 95.9 percent.

CAPITAL MARKETS

The government sponsored agencies (GSE), Fannie Mae and Freddie Mac continue to be aggressive lenders in the multi-family sector. Unlike their single-family credit guarantee business, the GSEs' multi-family businesses have performed quite well, generating positive cash flow. Last year, the GSEs multi-family business produced $1.9 billion in net income, with Freddie Mac accounting for 70 percent of this gain, as investors poured into the multi-family sector. This trend continued into the first quarter of 2012, with Freddie Mac alone producing $624 million in multi-family net income.

Bay Area lenders continue to be very busy making multi-family loans, with the majority of activity during the first quarter of 2012 coming from refinancing, rather than new loan originations. Typical timelines from loan application, to final approval are averaging around sixty days, largely due to the current low interest rate environment. In the East Bay submarkets, overbuilding is not a concern for lenders, and they continue to compete aggressively for good deals. The banks still dominate the smaller deals (under $5,000,000) although some life insurance companies and small loan Fannie/Freddie programs are taking the best quality deals. Above $5,000,000, Fannie and Freddie still dominate, with 10-year fixed rate, non-recourse debt pricing in the 3.6 -3.9 percent range. Interest rates from traditional bank lenders have dropped slightly in the first quarter, with some lenders quoting 5-year fixed financing in the mid 3 percent range. The life insurance companies, not finding yield in other investment opportunities, are trying to compete with Fannie and Freddie, and have actually been winning some of the larger "trophy" properties. Some conduits have actually been successful at securitizing a few "broken condo" deals, offering a non-recourse alternative to the banks. It is still a great time to find a loan on multi-family deals, and it appears that will be the case for some time.

CONCLUSION

The East Bay apartment market continues to experience strong rent growth at the beginning of 2012, as the tight rental market and escalating rents in San Francisco and the Silicon Valley have caused residents to seek rental housing options in the East Bay. Economic growth in the region should continue, albeit slowly as the East Bay finds its own recovery, due in part to overall job growth in certain sectors, as well as a slowly recovering housing market. With very little available multi-family inventory, coupled with the current low interest rate environment, demand amongst investors for apartment properties of all types in most East Bay submarkets is extremely high. It is not uncommon for smaller, well located and priced deals to receive multiple offers, as investors clamor to take advantage of excellent buying fundamentals.

Rising rents and stable occupancies should continue to drive demand in the region. The increase in off-market transactions during the first quarter will likely continue as the year unfolds, and should do so until such time that the market returns to a reasonable transaction velocity. With on-market multi-family inventory constrained, it is an excellent time for owners to consider testing the market. It also is a good time to take a hard look at property operations in order to ensure rental income is maximized, and property expenses are reduced in order to increase net operating income. This will pay dividends by ensuring the value of the property is maximized once the decision to sell is made.

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