STRICTLY CONFIDENTIAL

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

CONFIDENTIAL CONFIDENTIAL

HUMBOLDT EASTERN RAILROAD LLC

CLASS A UNITS

Prepared For: _____

December 11, 2017

IMPORTANT NOTE

THE PURCHASE OF CLASS A UNITS ENTAILS A HIGH DEGREE OF RISK. HUMBOLDT EASTERN RAILROAD LLC (THE "COMPANY") IS SUBJECT TO SUBSTANTIAL RISKS INHERENT AS A VENTURE INVESTMENT VEHICLE PROVIDING EARLY STAGE FINANCING FOR A NEWLY LAUNCHED PROJECT WITH SUBSTANTIAL CAPITAL NEEDS AND AN EXTENDED REGULATORY AND CONSTRUCTION TIMETABLE. THERE IS NO MARKET FOR THE COMPANY'S SECURITIES. NO INVESTMENT IN THE CLASS A UNITS SHOULD BE MADE BY ANY PERSON NOT FINANCIALLY ABLE TO LOSE THE ENTIRE AMOUNT OF SUCH INVESTMENT. *SEE* "RISK FACTORS."

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES OFFERED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE OPERATING AGREEMENT OF THE COMPANY AND THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE INFORMATION CONTAINED IN THIS MEMORANDUM IS CONFIDENTIAL, PROPRIETARY TO THE COMPANY AND PROVIDED TO PROSPECTIVE INVESTORS IN THE COMPANY SOLELY FOR SUCH INVESTORS' CONFIDENTIAL USE IN CONNECTION WITH THIS OFFERING OF CLASS A UNITS. THIS MEMORANDUM IS FURNISHED ON THE EXPRESS UNDERSTANDING THAT WITHOUT THE PRIOR WRITTEN PERMISSION OF THE COMPANY, SUCH PROSPECTIVE INVESTORS WILL NOT RELEASE, COPY, DISCUSS OR USE THIS MEMORANDUM OR THE INFORMATION CONTAINED HEREIN FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE CLASS A UNITS. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, EACH PROSPECTIVE INVESTOR AGREES TO RETURN THIS MEMORANDUM AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED BY THE COMPANY IF THE PROSPECTIVE INVESTOR DECLINES TO PURCHASE ANY CLASS A UNITS.

THIS OFFER CAN BE WITHDRAWN AT ANY TIME BEFORE A SUBSCRIPTION IS ACCEPTED AND IS SPECIFICALLY MADE SUBJECT TO THE TERMS DESCRIBED IN THIS MEMORANDUM. THE COMPANY RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, FOR ANY REASON WHATSOEVER OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE NUMBER OF CLASS A UNITS SUBSCRIBED FOR BY SUCH PROSPECTIVE INVESTOR. REJECTED SUBSCRIPTIONS WILL BE PROMPTLY RETURNED TO THE SUBSCRIBER WITH THE AMOUNT OF THE REJECTED SUBSCRIPTION FUNDS.

THIS MEMORANDUM DESCRIBE THE COMPANY, ITS BUSINESS PLAN, AND THE TERMS OF THIS OFFERING. PROSPECTIVE INVESTORS SHOULD CAREFULLY EVALUATE THE "RISK

FACTORS" DESCRIBED IN THIS MEMORANDUM. THE COMPANY WILL GIVE PROSPECTIVE INVESTORS THE OPPORTUNITY TO ASK QUESTIONS OF AND TO RECEIVE ANSWERS FROM THE COMPANY ABOUT THE TERMS AND CONDITIONS OF THIS OFFERING, THE COMPANY OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION. TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE WHOSE NAME APPEARS IN THE APPROPRIATE SPACE ON THE COVER PAGE HEREOF AND TO WHOM THIS OFFERING MEMORANDUM IS INITIALLY DISTRIBUTED BY THE COMPANY . THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY AFTER THE DATE HEREOF.

PROSPECTIVE INVESTORS SHOULD CAREFULLY READ AND REVIEW THIS MEMORANDUM AND THE OPERATING AGREEMENT OF THE COMPANY WITH THEIR TAX, LEGAL AND BUSINESS ADVISORS BEFORE DECIDING WHETHER TO INVEST.

The purpose of this Memorandum is to provide certain information concerning the Company, the Manager and this Offering to prospective investors.

However, any prospective investor that has an interest in obtaining additional information concerning matters relating to the offering and sale of the Class A Units is both invited and encouraged to contact William G. Bertain at (707) 443-5078.

TABLE OF CONTENTS

1. FORWARD-LOOKING STATEMENTS

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THIS "MEMORANDUM") CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS OR STATEMENTS WHICH MAY BE DEEMED OR CONSTRUED TO BE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1996 WITH RESPECT TO THE FINANCIAL CONDITION AND BUSINESS OF THE COMPANY. THE WORDS "ESTIMATE," "PLAN," "INTEND," "EXPECT," "PROPOSED," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS INVOLVE AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE THE COMPANY'S, THE DEVELOPMENT COMPANY'S OR THE PROJECT'S (EACH AS DEFINED BELOW) ACTUAL RESULTS, PLANS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS TO DIFFER FROM THOSE DESCRIBED HEREIN. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF. NEITHER THE COMPANY NOR THE MANAGER (AS DEFINED BELOW) UNDERTAKES ANY OBLIGATION TO PUBLICLY RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

2. PRINCIPAL PARTIES & ADVISERS

Company: Humboldt Eastern Railroad, LLC

- Contact Details:

William G. Bertain
Manager
Humboldt Eastern Railroad Management LLC
1310 Sixth Street
Eureka, CA 95501
(707) 443-5078

Manager: Humboldt Eastern Railroad Management LLC

- Contact Details:

William G. Bertain
Manager
Humboldt Eastern Railroad Management LLC
1310 Sixth Street
Eureka, CA 95501
(707) 443-5078

Legal Counsel to Manager: Allen Matkins Leck Gamble Mallory & Natsis LLP

- Contact Details

Benjamin D. Fackler
Partner
Allen Matkins Leck Gamble Mallory & Natsis LLP
3 Embarcadero Center, 12th Floor
San Francisco, California 94111-4074
(415) 837-1515

Development Company: Pacific Northwest Railroad Corporation

- Contact Details — Alan Painter, CEO, and Helen Gibbel Painter, President, Secretary and Treasurer
  Pacific Charter Financial Services Corporation, Developer
  Pacific Charter Financial Services Corporation
  23615 El Toro Road, Suite X-343
  Lake Forest, California 92630
  (949) 707-5170

Legal Counsel to Development Company: K&L Gates LLP

- Contact Details: Leib Orlanski
  Partner
  K&L Gates LLP
  10100 Santa Monica Boulevard, 8th Floor
  Los Angeles, California 90067
  (310) 552-5000

3. EXECUTIVE SUMMARY

This Confidential Private Placement Memorandum (this "***Memorandum***") is being furnished to you on a confidential basis so that you may consider an investment in the Class A Units ("***Class A Units***") of Humboldt Eastern Railroad LLC (the "***Offering***"). Humboldt Eastern Railroad LLC is a California limited liability company and is referred to in this Memorandum as the "***Company***". The Company and its affiliates, are collectively referred to in this Memorandum as "we" or "our" unless the context requires otherwise.

The Company was formed for the purpose of furthering the development, construction and operation of a new railroad and port infrastructure project in Humboldt County, California (the "***Project***"). The Project is expected to consist of an approximately 220 mile two-track railroad from the Port of Humboldt Bay to a connection to the national rail network in the Central Valley of California near the town of Gerber, California. Pacific Northwest Railroad Corporation, a California corporation (the "***Development Company***"), will develop, build and operate the Project. The Development Company is currently controlled and majority owned by Pacific Charter Financial Services Corporation, a Nevada corporation ("***Pacific Charter***").

The Company intends to support the Project by providing initial venture financing for the Project (the "***Venture Financing***"). The Company will raise the funds for the Venture Financing through this Offering. In order to demonstrate local support for, and commitment to, the Project, this Offering will first be made principally to individuals and companies resident in, or with strong ties to, Humboldt County, California. The Company will use the proceeds from this Offering primarily to acquire shares in a new class of preferred stock issued by the Development Company, called Series A Preferred Stock ("***Series A Preferred Stock***"). The Company will use the remainder of the proceeds from the Offering to pay expenses incurred in connection with this Offering and our formation and to establish a reserve for anticipated working capital needs during the expected term of the Company, including for payment of the Management Fee (the "***Working Capital Reserve***"). The Development Company in turn is expected to use the net proceeds from the Venture Financing to finance the initial stage of the Project, including the initial application with the United States Surface Transportation Board ("***STB***") and Federal Railroad

Authority ("***FRA***") to apply for a permit to construct the railroad (the "***Right to Apply***") and required studies, reports, assessments and projections in connection with the application for the formal permit to construct the railroad, as well as its general corporate and working capital needs.

After completion of the Offering and the Venture Financing, the Company will hold and manage its investment in shares of Series A Preferred Stock, with the goals of supporting the Project, preserving the capital invested in the Development Company and maximizing the return on the shares of Series A Preferred Stock. Humboldt Eastern Railroad Management LLC (the "***Manager***") will serve as the sole manager of the Company. The Manager will be responsible for the final negotiation of the terms of the Venture Financing and have authority over the Company's investment in the Series A Preferred Stock, including the ultimate sale or liquidation of the investment or the Company. The Manager is owned and controlled by long-time residents of Humboldt County, California and supporters of the Project.

The terms of the Class A Units and the other membership interests in the Company, including their respective governance and economic rights, are set forth in the Operating Agreement of the Company, a copy of which is attached as Exhibit A (the "***Operating Agreement***"). Capitalized terms used but not defined in this Memorandum shall have the meanings ascribed thereto in the Operating Agreement. The Sections entitled "*Information on the Project and the Venture Financing*" and "*Risks Related to the Venture Financing and the Series A Preferred Stock*" have been prepared and provided by Pacific Charter for inclusion in this Memorandum. While we believe that they accurately summarize the current state of the subject matter covered by such Sections, the terms described therein are subject to change to reflect the definitive terms and arrangements with respect to the Development Company, the Project and the Venture Financing, including the final terms of the Series A Preferred Stock.

4. OVERVIEW OF THE COMPANY AND THE MANAGER

The Company.

The Company was formed as a California limited liability company in November 2016 for the purpose of furthering the Project. Prior to the date hereof, the Company has been principally engaged in organizing and arranging the Project. Its primary purpose from and after this Offering is to support the Project by raising and providing the Venture Financing and to hold and manage its investment in the Development Company.

The Manager.

The Company is managed and controlled by the Manager. The Manager is a newly formed California limited liability company that was formed for the purpose of managing the business and operations of the Company. As such, the Manager will be responsible for the final negotiation of the Venture Financing, including the definitive terms of the Series A Preferred Stock, and completion of the investment. The Manager will also be responsible for day-to-day oversight over the Company's investment in the Series A Preferred Stock, including the ultimate sale, transfer or other disposition of the shares of Series A Preferred Stock held by the Company.

The Manager is owned and controlled by a team of four long-time Humboldt County residents:

Nicolas Angeloff (age 50) has resided in Humboldt County since 1986. He received his Bachelor of Arts in Anthropology at Humboldt State University and his Master's Degree from Sacramento State University. Mr. Angeloff has been active in local economic development in various communities throughout Humboldt County and has served as CEOs of several of the local Native American tribes. He

currently serves as CEO of the Scotia-based Aquadam, Inc. a water-filled cofferdam manufacturing company serving customers all over the world.

Mr. Angeloff has been a Planning Commissioner in Rio Dell since 2012 and is currently Chairman; he also serves as President of the Rio Dell-Scotia Chamber of Commerce. Mr. Angeloff has been active in the effort to establish an East-West rail connection to the national rail network since at least 2010.

William G. Bertain (age 70) was born and raised in Humboldt County, California. Mr. Bertain obtained a degree in Philosophy from Saint Mary's College in the Great Books Program in 1969 and served as a paratrooper with the 82nd Airborne Division. Mr. Bertain later enrolled in the University of San Francisco School of Law and was admitted to the California State Bar in 1976 and practiced civil litigation thereafter.

Mr. Bertain was inspired by local visionary Lloyd Hecathorn of the opportunity to offset local economic setbacks by utilizing Humboldt Bay as a land bridge when connected with a railroad. While opposing the abandonment of the north-south line railroad, North Ocean Pacific, by Southern Pacific in 1982, Mr. Bertain learned of the 1909 reconnoitering by Jesse Lentell of a route from Humboldt Bay East to the Central Valley. In 2009, Lentell's 78 pages of notes were located and gradually greater thought was given to the possibilities of an East-West rail line.

Since the 1978 expansion of the Redwood National Park, Bertain has headed various committees and subcommittees, including Citizens for Port Development and the action group entitled Rail and Port Infrastructure Taskforce (RPIT). For several years starting in 2011, Bertain helped to coordinate the effort to obtain letters of support and endorsements for a feasibility study for an East-West rail.

William H. (Bill) Helwer-Carlson M.S. (age 71) is an experienced rice farmer in California who grew up on a rice farm in Butte County, California. Mr. Helwer-Carlson currently works in Grower Relations for the North Coast Area and "Quinoa Specialist" for Lundberg Family Farms in Richvale, California. Mr. Helwer-Carlson has extensive experience with major farms and transportation of agriculture. Mr. Helwer-Carlson has served on the board of directors for multiple agricultural organizations, including the following: The California Rice Research Board; BUCRA Seed Growers; California Akita Growers Association; and the Butte County Farm Bureau. Mr. Helwer-Carlson served in the United States Navy, including two trips to Vietnam

Mr. Helwer-Carlson also worked for the U.S. Department of Agriculture ("***USDA***") as an Entomologist and Plant Protection and Quarantine Officer where he performed diagnostic insect and pest identification in support of Homeland Security, Customs and Border Protection Agricultural Inspection at their Truck inspection facilities on the Border with Canada in Blaine, Washington. There he worked with importers and exporters through their brokers to facilitate the expeditious movement of goods and materials. In his work with the USDA, Mr. Helwer-Carlson dealt with the various business entities that you find around a port of entry, such as import/export brokerage houses, logistics companies, freight forwarders, warehouses, cold storage facilities as well as the associated regulatory agencies such as CBP, USFWS, and FSIS, and those corresponding agencies from foreign countries.

Pete Oringer (age 73) was born in Los Angeles, graduated from UCLA with a B.S. in Invertebrate Marine Biology and obtained his Master's degree at Humboldt State University in 1972.

Mr. Oringer was one of the principal founders of Pacific Marine Engineering Inc. with several subsidiaries: Environmental Consultants; Commercial Diving; Pro Sports Center; and Pacific Outfitters. Mr. Oringer is active in Humboldt Bay and Port issues. He has served on the revised Humboldt Bay

Management Plan Committee for the Humboldt Bay Harbor, Recreation and Conservation District, as member of the Humboldt County Convention Visitors Bureau Board for over fourteen years; member of: the Arcata Chamber of Commerce; as a founder of the Timber Heritage Association, as founder and treasurer of the Land Bridge Alliance, and liaison from Land Bridge Alliance to the Upstate Rail Connect Committee. Mr. Oringer is President of the Bayside Community Hall previously called the Bayside Grange.

Certain Arrangements with the Manager.

The Manager will be entitled to an annual management fee (the "***Management Fee***") during the term of the Company in respect of its services in negotiating and finalizing the definitive terms of the Venture Financing and managing the Company's investment in the Development Company. The Management Fee will be $100,000 per annum assuming the sale of all of the Offered Class A Units. If the Manager elects to close this Offering prior to selling all of the Offered Class A Units, the Management Fee is subject to adjustment as follows:

Total Proceeds from this Offering:	Management Fee:
• Above $10,000,000:	• $100,000
• Greater than $5,000,000 and less than or equal to $10,000,000:	• $75,000 plus 0.5% of the amount by which the total proceeds exceed $5,000,000
• Greater than $3,000,000 and less than or equal to $5,000,000:	• $60,000 plus 0.75% of the amount by which the total proceeds exceed $3,000,000
• Greater than $1,000,000 and less than or equal to $3,000,000:	• $30,000 plus 1.5% of the amount by which the total proceeds exceed $1,000,000
• Less than or equal to $1,000,000:	• $30,000

The Manager will also be entitled to reimbursement of its reasonable third party costs and expenses in connection with these services, including any travel or other costs. The Management Fee and reimbursed costs will be paid from the Working Capital Reserve on a monthly basis commencing on the closing of the Offering. The Manager will not be entitled to any other compensation from the Company for its services as the Manager. Affiliates of the Manager hold all of the Class B Units in the Company (the "***Class B Units***") and will be entitled to distributions and payments in respect thereof in accordance with or as permitted by the Operating Agreement. The Manager may only be removed as the manager of the Company by the Class B Members (acting by affirmative vote of a majority in interest).

5. INFORMATION ON THE PROJECT AND VENTURE FINANCING

The following information was prepared by Pacific Charter and the Development Company for inclusion in this Memorandum. While we believe that they accurately summarize the current state of the subject matter covered by such Sections, we have not independently verified such information and the terms described therein are subject to change to reflect the definitive terms and arrangements with respect to the Development Company, the Project and the Venture Financing, including the final terms of the Series A Preferred Stock. *The projected regulatory approvals and financing for the Project, including associated payouts on the Series A Preferred Stock, and other information supplied by Pacific Charter or the Development Company set forth in this Memorandum should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Memorandum. No assurance can be given that actual events will correspond with these assumptions.*

A. THE PROJECT

Description of the Project.

The Project involves the development of a new dual (parallel) rail line of approximately 220 miles, from the site of the existing Union Pacific Railroad property, which was historically reported to have been used as a switchyard at Gerber, California (and which contains evidence of its use for rail) to the existing Port of Humboldt Bay in Northern California. The purpose of the Project is to create a secure, seamless Intermodal (Rail, Ship and Truck Transfer "Hub" Terminal) connector system from Northern and Central California for global trade to and from the United States markets and Asia.

The Project is expected to include the purchase of land at Humboldt Bay to support the construction of up to three docks equipped with computer-controlled container loading and unloading cranes to move containers directly from ship to rail and from rail to ship, with the purpose of eliminating the need for trucks to be on the docks and thereby increasing the efficiency of the shipping terminal. In addition, the Development Company's plan is to use hydrogen fueled train engines, a low- to zero-emission alternative to diesel locomotives that has been developed by third parties. Hydrogen-fueled train engines would be both environmentally friendly and relatively low noise, which is expected to benefit the surrounding communities and facilitate regulatory approvals.

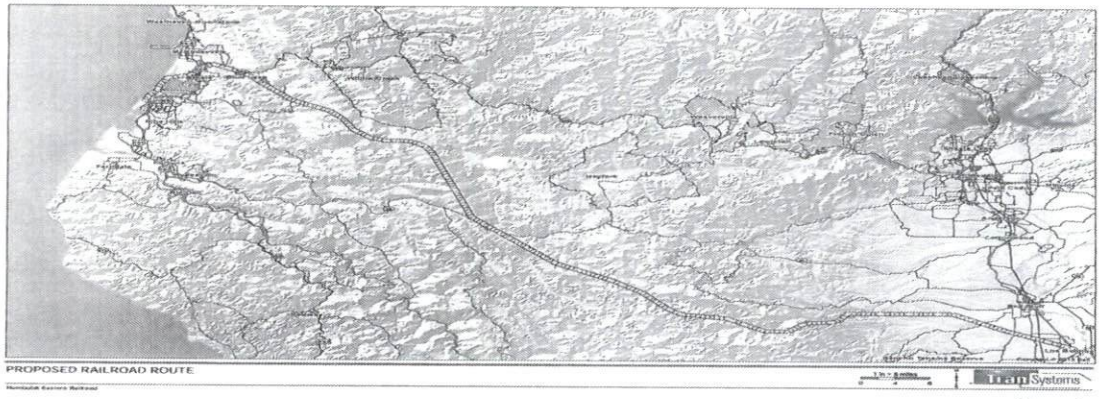

Figure 1

Humboldt Bay to Gerber (Red Bluff) California Route

The Project would be designed as a state of the art integrated connector system that creates a supply chain network that shippers and freight brokers can use for their clients. The plan is to provide a smart, secure freight corridor with high service levels of timely intermodal performance. The facilities and equipment are expected to include:

- *Railroad.* Approximately 220 miles of dual track, two way, rail would be constructed from Humboldt Bay to the Union Pacific Railroad property and its North-South Class 1 Rail Lines, with access to the national rail network, at Gerber, California

- *Port.* Up to three docks with cranes and support facilities would be constructed at Humboldt Bay, which would be dredged to facilitate ship access.

- *Hubs.* One or more rail and/or truck transfer "hub" terminals would be located at strategic locations in the Central Valley of California next to rail, with access to State and/or Federal highways. The hubs would either be directly on or adjacent to the Project's rail or that of other railroad companies which have access to the Project's rail. The first hub location is planned near

Gerber, California, on an area of about 150 acres or more immediately on or adjacent to the existing Union Pacific Railroad property .

Stages of Implementation.

There are two primary stages planned for the Project: the Permitting Stage and the Construction and Operation Stage.

Permitting Stage

- Phase I: Right to Apply: Submit a letter of intent to apply for STB approval of a permit to construct the railroad. STB will respond with directions and requirements of what information, fees and processes it will require in the permit approval process. This initial step requires submittal of filing fees.

- Phase II: Application to Construct the Railroad: As part of this process, the Development Company will establish coordinated communication with assigned STB, FRA and other agency staff. The Development Company will be directed to procure certain studies and reports; perform certain analyses, environment and other work related to the rail project, the port project and the hub terminals; and provide information regarding the Development Company and its planned management, operations and financing for the Project.

Construction and Operation Stage

- Phase III: Upon receipt from STB of the approval to construct the railroad, the Development Company will construct the rail, port and truck transfer "hub" terminal(s). Estimated time period for: (1) railroad construction is 4 years; (2) docks construction is 4 to 7 years; and (3) truck transfer "hub" terminal(s) construction is 2 years each.

- Phase IV: Commencement of operations, with rail, port and truck transfer "hub" terminals operated as separate divisions of the Development Company.

B. THE DEVELOPMENT COMPANY

Pacific Charter formed the Development Company in July 2017 in order to fund and develop the Project. All of the outstanding shares of the Development Company's common stock, which have sole voting power, are currently held by Pacific Charter. The initial seed capital of approximately $73,000 for the Development Company was provided by the Company through the issuance of Series A Preferred Stock to the Company.

Background of the Development Company.

In 2016, Pacific Charter was introduced to affiliates of the Manager as a potential solution for the financing and development of the Project. Pacific Charter, founded in 2000, develops innovative financial approaches for companies with capital needs. In May 2017, those parties agreed to the initial framework for the financing of the Project. After further discussions, on July 7, 2017, Pacific Charter

formed the Development Company in the State of California. To advance the Project, the Development Company engaged Oscar Larson & Associates Consulting Engineers as project and program manager, and Lawrence G. Mallon & Associates as Governmental Approval Process and Goods Movement Program Specialist, in order to begin, among other things, the process of securing necessary regulatory authorization, including applying to the STB. Also retained were K & L Gates LLP, as the Development Company's counsel, and Dr. R. G. Bailey, as Fuel and Technical Advisor.

In August 2017, representatives of the Development Company travelled to Washington, D.C. for a week-long series of introductory meetings held with federal agencies and other individuals. The results of the meetings appeared to be positive, with no reason identified at that time not to proceed with the Project, and contacts were made at each meeting. The STB issued a Federal File Number in order to permit the Development Company to file required reports for the application relating to the Project.

Board of Directors and Management.

Alan Painter (age 85) serves as the Development Company's Chairman and Chief Executive Officer. Mr. Painter has an extensive background in international business, finance and banking, and he has owned, operated and invested in a variety of businesses. Mr. Painter owned and operated a chain of newspapers in the Northwest (Seattle/Tacoma, Washington), as Mid Cities Publishing; he built homes in four states under the name of Cascade Homes, and operated on the Continent as a major buyer of crude oil under the name of Conexx Oil Corporation with offices in London. He has been a principal investor in television stations, films and television production. Since 1984 Mr. Painter has headed an investment group for the purpose of investing in a diversified portfolio of businesses to its own account, and has served as interim Officer and/or Director for various client companies. He was educated in Business Administration and Investment Banking in North America and Europe. Mr. Painter also serves as the Chairman and CEO of Pacific Charter, Hy Power Industries, Inc., ACAP Systems Corporation, as well as President of D & Y Laboratories, Inc., and its subsidiary corporations, Double Helix Water, Inc., Eco Perfect Petro, Inc., Pacific Charter, Hy Power Industries, Inc., ACAP Systems Corporation and President and Director of D & Y laboratories, Inc., and its subsidiaries Double Helix Water, Inc., and Eco Perfect Petro, Inc.

Helen Gibbel Painter (age 75) serves as the Development Company's President, Secretary and Treasurer and as a Director. Mrs. Gibbel-Painter has served clients in corporate and real estate .financing for approximately 40 years, and has worked with several investment and merchant banking firms providing services to their various clients. Since 1984, Mrs. Gibbel-Painter has been part of Mr. Painter's financial investment group as an Officer and/or Director for the group's endeavors and various clients of the Company. In the past, Mrs. Gibbel-Painter was licensed as a NASD Financial Principal and also a California Real Estate Broker. Mrs. Painter also serves as President and a Director at Pacific Charter, Hy Power Industries, Inc., ACAP Systems Corporation, Secretary-Treasurer of D & Y Laboratories, Inc., and its subsidiaries Double Helix Water, Inc., and Eco Perfect Petro, Inc. Alan Painter and Helen Gibbel Painter are married.

Dale Baker (age 63) serves as the Development Company's Chief Operations Officer and as a Director of the Development Company. Mr. Baker also serves as Chief Operations Officer at Pacific Charter, Director and Chief Operations Officer at ACAP Systems Corporation and Director at Hy Power Industries, Inc. Mr. Baker is an Engineering Manager and Systems Integration Specialist with over 20 years of experience in the security, access control and Components Manufacturing industries. Several companies that he has served within the Securities Industry include: Senior Level Project Manager for ASi security, Virginia and previously as an Electro-Mechanical Specialist for ASSA ABLOY DSS in Virginia, District of Columbia and Maryland Territories. Additional former positions include: General Manager and Vice President of Ridley Owens, Virginia. Previous responsibilities have included training of integrators on hardware, training of distributors, troubleshooting, installation training, site coordination

and new product roll-out. Mr. Baker also owned a manufacturing & fabrication company that specialized in Industrial and Detention Controls and allied products.

Key Advisors, Consultants and Outside Service Providers.

Kenneth Davlin (age 75) serves as the Development Company's Project and Program Manager and as a Director and at Hy Power Industries, Inc. Mr. Davlin is also the President of Oscar Larson & Associates. Mr. Davlin, as a Senior Engineer, has been leading the way with project management, construction, hydroelectric projects, and installation from permits to final sign off.

Mr. Davlin has over 40 years of experience in the field of civil engineering. His experience includes project management, project scope development, designs, feasibility studies, construction management, and consulting for coastal, hydroelectric, water, sewage, land development, roads and streets, buildings, and industrial commercial and municipal projects. He practices engineering as a Project Manager, Project Engineer and Design Engineer for infrastructure development programs. His Project Management skills incorporate financing programs, assessment, districts, resources allocation, personnel and system administration.

The individual project values for projects on which Mr, Davlin has worked have exceeded $300 million. Oscar Larson & Associates has been a team member on projects in excess of $1 billion in value. Mr. Davlin has served as City Engineer for five California cities and as a Water District Engineer and Engineer for the Humboldt Bay Harbor Recreation and Conservation District. He has developed project working with Heads of State and Ministers from European and Asian countries..

Dr. R. G. (Jerry) Bailey (age 75) serves as the Development Company's Fuel and Technical Advisor. Dr. Bailey has over 50 years of experience in the international and domestic petroleum industry in all aspects of engineering and executive management, both upstream and downstream, with specific Middle East skills, U.S. onshore/offshore, LNG and GTL. He is President of Petroteq Energy, developing oil sands. Dr. Bailey is also CEO of United Gas of North America, with helium development. He is COO of Hy Power Industries, Inc., developing geothermal as well as Fuel and Technical advisor for Pacific Northwest Railroad Corporation.

Dr. Bailey holds executive positions and does consulting for major oil and gas exploration/development corporations through Bailey Petroleum. He is the President of Trinity Petroleum Group and Global Eco-Energy, and serves in advisory roles and on boards for several groups. Dr. Bailey is retired from Exxon, lastly as President, Arabian Gulf. During his Exxon career he served as an executive with the Abu Dhabi Onshore Oil Company, the Qatar Petroleum Corp, Exxon Lago Oil Aruba; and Esso Standard Libya. Dr. Bailey is a chemical engineering graduate of the University of Houston and holds B.S., M.S. and PhD. degrees. He has written many articles, papers and studies on the oil industry, and has been a keynote speaker at many industry conferences and in the media. He is a member of the U.S. Middle East Policy Council, Society of Petroleum Engineers, and the American Institute of Chemical Engineers. He is a registered Professional Engineer in Texas.

Dr. Lawrence Mallon (age 70) serves as the Development Company's Head of Project Approvals and Goods Movement Strategies. Dr. Mallon is the President and CEO of Strategic Mobility 21 Inc., Non-Profit and Managing Program Director for Strategic Mobility 21, a Congressional mandated Advanced Logistics Joint Concept Technology Demonstration funded through the Office of Naval Research. He has served as Counsel for the Center for International Trade and Transportation, California State University, Long Beach since 1998 and a CCDoTT Task manager in Goods Movement and Inspection Technology since 2000. He is the former Maritime Counsel to the US House of Representatives from 1977-87. He was an Attorney-adviser, Select Committee on the Maritime Industry,

California State Senate from 1987-1993. He is the Chair, Southern California Marine and Intermodal Transportation System Advisory Council (SOCALMITSAC) to U.S. Secretary of Transportation, and the Secretary of Department of Homeland Security since 2002. He is the Chair of the Safety and Security Committee of the AB2043 Goods Movement and Port Security Task Force for the State of California. Dr Mallon is the Managing Principal of Lawrence G. Mallon and Associates since 1987.

Dr. Mallon holds degrees in international business and economics from Georgetown University, a Juris Doctor degree from Emory University, and a Master of Laws in Maritime and International law from the University of Miami. He was awarded a post-doctoral fellowship from MIT-Woods Hole Oceanographic Institution. He was the official Congressional Observer to the Third United Nations Conference on the Law of the Sea, and to the IMO Legal and Marine Safety Committees. He is a certified Proctor in Admiralty since 1978. He is admitted to practice in the States of Georgia, California, New York, and the District of Columbia and before the Supreme Court of the United States. He is also a retired naval reserve officer with Viet Nam era active service and reserve specialty in sealift mobility and logistics.

Marc Jones (age 60) serves as the Development Company's Real Estate Manager. Mr. Jones also serves as Vice President, Business Development, at Pacific Charter. Mr. Jones has over 20 years' experience in the real estate field. Previously served as: Executive Vice President at Coldwell Banker Commercial Alliance; Partner at Port Street Partners, Arden Realty, Inc. a subsidiary of General Electric Corporation; and Senior Leasing Manager at Maguire Properties. Mr. Jones holds a Bachelor of Science Degree in Business Management from the Lundquist College of Business at the University of Oregon. Mr. Jones carries a California and Colorado Real Estate license and has served on the following Boards: Pediatric Cancer Research Foundation (PCRF) and NAIOP SoCal Chapter.

As noted above, directors and executive officers of the Development Company are also directors and executive officers of Pacific Charter. Pacific Charter controls and is the developer of the Development Company and plans to provide services including investor relations, bookkeeping, marketing and other services for which it will receive ongoing fees that the Development Company believes to be on an arms-length basis until such time as it is economically feasible for the Development Company to undertake some or all of these services. Initially the Development Company shall occupy offices with Pacific Charter and share overhead expenses. Officers, directors and advisors of the Development Company shall be compensated as determined by its Board of Directors.

C. Plan of Financing, including the Venture Financing

Plan of Financing.

The Development Company currently estimates that the aggregate financing for the Project to completion will be approximately $10 billion over the next 4 to 7 years.

The Development Company's current plan to raise this financing in connection with the phases of the Project described in "*The Project*" above.

Phase I is estimated to require $10 million in aggregate financing. This would be funded by the Venture Financing. The Development Company may supplement the Venture Financing by issuing up to $10 million of Series B Preferred Stock in the Development Company to other investors, which it intends to complete for working capital purposes and contingencies in the event

the proceeds from the Venture Financing are insufficient to obtain the Right to Apply and fund the required studies, reports, assessments and projections in connection with the application for the formal permit to construct. The Development Company currently anticipates that the Right to Apply could be approved within 6 to 12 months after filing. Should there be a delay in the funding of the proceeds from the Venture Financing by the Company, delays in the approval of the Right to Apply beyond 6 to 12 months may be anticipated.

Phase II is estimated to require up to $500 million in aggregate financing. The Development Company currently intends to issue Series C Preferred Stock to institutional and other sophisticated investors to fund this financing need (the "***Series C Private Placement***"), which is expected to commence shortly after approval of the Right to Apply. The net proceeds from the Series C Private Placement are expected to be used to fund the formal application with the STB and FRB for a permit to build the railroad, to finance land purchases, equipment orders and other elements of the Project, to initiate the dock permitting process and to redeem any shares of Series A Preferred Stock that are redeemed in a Series A Liquidity Event (as defined below).

Phase III is estimated to require approximately $9.5 billion in aggregate financing. The Development Company currently expects to raise this sum through a series of additional offerings of Series C Preferred Stock primarily in order to finance the continuing construction and development of the Project, including construction of the rail, ports and truck transfer "hub" terminals, as well as for general corporate and working capital purposes.

Phase IV is expected to be funded on an as needed basis, with debt and equity financing typical for businesses of this nature.

The terms of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, including with respect to preference amount, dividends, governance rights and other key matters, have not been fully finalized as of the date of this Memorandum. Additionally, Pacific Charter and the Development Company are considering alternative financing structures to raise the total funds needed for the Project, which may differ materially from the plan of financing described above.

Current Capitalization of the Development Company.

The Development Company has the following authorized and issued capital stock as of the date of this Memorandum:

Class of Stock	Authorized Shares	Issued and Outstanding Shares
• Common Stock	10,000,000	10,000,000[1]
• Series A Preferred Stock	10,000,000	73,000[2]
• Series B Preferred Stock	10,000,000	0
• Series C Preferred Stock	10,000,000,000	0

After giving effect to this Offering, and assuming all of the Offered Class A Units are sold, the total issued and outstanding shares of Series A Preferred Stock will be 10,000,000 shares.

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[1] All of the issued and outstanding common stock of the Development Company are owned by Pacific Charter. Pacific Charter is co-owned by Alan Painter, the Chairman and CEO of the Development Company, and Helen Gibbel Painter, the President, Secretary and Treasurer and a Director of the Development Company.

[2] All of the issued and outstanding Series A Preferred Stock are owned by the Company in respect of initial seed investment into the Development Company.

The Venture Financing.

The following summarizes key terms of the Venture Financing, including the terms of the Series A Preferred Stock. While the Venture Financing Letter Agreement (defined below) includes a summary of key terms of the Venture Financing, the terms of the Venture Financing, including the terms of the Series A Preferred Stock, have not been finalized and accordingly are subject to change.

Terms of Venture Financing:

The Venture Financing is for a total of 9,927,000 shares of Series A Preferred Stock, for aggregate proceeds of $9,927,000. Each share of Series A Preferred Stock has a purchase price of $1.00 per share. Assuming all such shares are purchased in the Venture Financing, the Company would hold 10,000,000 shares of Series A Preferred Stock.

The Company and Pacific Charter are party to a letter agreement that, among other things, describes the terms of the Venture Financing and Series A Preferred Stock (the "***Venture Financing Letter Agreement***"). The Company has the right to acquire all 9,927,000 of the authorized and unissued shares of Series A Preferred Stock. Unless otherwise agreed by the Company, the Series A Preferred Stock may only be sold to the Company. However, the Company may elect to purchase less than all of the shares of Series A Preferred Stock if, for example, the Company closes this Offering prior to selling all of the Offered Class A Units.

Use of Proceeds:

The proceeds from the Venture Financing are expected to be used as follows:

- to pay for preparation, filing and processing of the Right to Apply, including associated studies, reports, assessments and projections, legal fees, engineering and consulting fees and expenses, the costs of which are estimated to total approximately $4 million;

- to fund preparation of the formal permit to construct the railroad, including applications to various governmental agencies, consulting fees and expenses, legal fees, filings, processes, associated studies, reports, assessments, projections, retention of engineering, consultants and security firms and bond underwriters, which are estimated to total approximately $5 million, and

- to fund working capital for general corporate purposes, which are estimated to be $1 million.

In the event that the Company does not subscribe for all of the available shares of Series A Preferred Stock or the net proceeds from the Venture Financing are insufficient to cover the working capital of the Development Company through Phase I, the Development Company may issue up to 10,000,000 shares of Series B Preferred Stock to other investors in one or more private placements.

Key Terms of Series A

The Series A Preferred Stock are expected to have the following key

Preferred Stock: terms:

- *Price per Share.* $1.00 ("***Invested Amount***").

- *Dividend.* Cumulative 7% per annum on Invested Amount. Payable in the case of Redeemed Shares upon a Series A Liquidity Event or in the case of Rolled Shares as and when dividends are declared by the Board of Directors of the Development Company.

- *Preference Amount.* Equal to the Invested Amount, increasing to 4x the Invested Amount in the event of the Series A Liquidity Event.

- *Priority.* The Series A Preferred Stock will be senior in payment rights to the common stock, and is expected to be *pari passu* with the Series B Preferred Stock and Series C Preferred Stock, in a liquidation or sale of the Development Company.

- *Series A Liquidity Event.* Promptly after the Development Company receives the first $100 million of gross proceeds from the Series C Private Placement (the "***Series A Liquidity Event***"), the Company will have the right, at its election, to require the Development Company to either:

  - redeem all or a portion of the shares of Series A Preferred Stock (such shares, the "**Redeemed Shares**") in exchange for a cash payment per Redeemed Share equal to (1) $4 and (2) accrued and unpaid dividends on such share through the date of redemption, or

  - to maintain the remaining shares of Series A Preferred Stock, if any, as shares of Series A Preferred Stock (such shares, "**Rolled Shares**"), with the following adjustments to the terms thereof:

    - preference amount and deemed invested amount for purposes of the dividend increased to $4 per share (the "**Adjusted Preference Amount**"),

    - dividends payable if and when approved by the Board of Directors of the Development Company; and

    - the participation rights described in "*Post-Series A Liquidity Event Participation Rights*" below.

- *No Voting Rights.* As a general matter, the Series A Preferred Stock will not have voting rights, other than protective rights with respect to amendments to the certificate of incorporation of the Development Company and certain other fundamental matters.

  Upon completion of the Project and the repayment of all debt incurred for the Project, the Series A Preferred Stock will together with the Series B Preferred Stock and Series C Preferred Stock

(voting as a single class in proportion to the amount invested (or in the case of Series A Preferred Stock, the Adjusted Preference Amount, and in the case of Series B Preferred Stock, the adjusted preference amount for such shares) be entitled to 80% of the voting rights and the common stock to 20% of the voting rights in the Company.

- *Post-Series A Liquidity Event Participation Rights.* In the event of a sale or liquidation of the Development Company after the Series A Liquidity Event, the Series A Preferred Stock, the Series B Preferred Stock and Series C Preferred Stock will, from the net proceeds of such sale or liquidation, be entitled (1) first, to payment of their respective preference amounts (including in the case of Series A Preferred Stock, the Adjusted Preference Amount, and in the case of Series B Preferred Stock, the adjusted preference amount for such shares) on a pro rata basis, (2) second, to accrued and unpaid dividends on such preferred stock on a pro rata basis, and (3) thereafter, if any amount of net proceeds remains, to 80% of such remaining amount, with the common stock entitled to the other 20% pro rata based on shares.

6. KEY TERMS OF THIS OFFERING

The following summarizes the key terms of this Offering of Class A Units by the Company.

Securities Offered: The securities being offered are limited liability company membership interests in the Company designated as Class A Units ("***Class A Units***"). Each Class A Unit has a purchase price of $50,000.00. The Company may, but is not obligated to, take subscriptions for less than a full Class A Unit, at the sole discretion of the Manager.

The Offering: This Offering is for a total of 215 Class A Units (the "Offered Class A Units"), representing an aggregate offering amount of $10,750,000.00 (Ten Million Seven Hundred and Fifty Thousand Dollars).

The Manager may close this Offering, and cease to accept new subscriptions, at any time in its sole discretion.

The Manager is authorized, in its sole discretion, to accept or reject subscriptions either in whole or in part.

Duration of the Offering: This Offering will commence on December 11, 2017 (the "***Effective Date***"). An investor shall be admitted as a Class A Member and fully committed to make its subscription for Class A Units upon the investor's execution of the subscription agreement provided to such person by the Company and Manager (the "***Subscription Agreement***") and the Manager's acceptance thereof. The Manager may admit additional Class A Members, or accept increased subscriptions from existing Class A

Members from existing Class A Members, prior to the Final Closing (as defined below).

The Manager may close this Offering at any time after the Effective Date, even if less than all of the Offered Class A Units have been sold in this Offering.

Final Closing: Unless earlier closed or terminated by the Manager, the Offering will continue until all of the Offered Class A Units have been sold.

Use of Proceeds: The proceeds from this Offering will be used as follows:

- to fund the Venture Financing by acquiring shares of Series A Preferred Stock, which we expect to total approximately $9,927,000 assuming all of the Offered Class A Units are sold;
- to pay the costs of this Offering, which we estimate to be approximately $70,000; and
- to fund the Working Capital Reserve, which will be approximately $753,000 assuming all of the Offered Class A Units are sold.

The costs of the Offering include third party costs and expenses incurred by us in connection with this Offering, including legal, administrative and travel expenses.

The Working Capital Reserve is intended to provide funds for a five year term of the Company, which may be more or less than the actual period of its operations. If any amounts remain in the Working Capital Reserve at the time of liquidation of the Company, they will be included as assets of the Company and available for distribution to the Members in accordance with the Operating Agreement.

The Working Capital Reserve represents our good faith estimate of (1) the anticipated third party costs and expenses of the Company and the Manager both to complete the Venture Financing and to operate the business of the Company, including tax, accounting and legal costs, which we estimate total approximately $250,000 for purposes of the Working Capital Reserve, and (2) the Management Fees that we expect to incur after the Effective Date, which we estimate total approximately $500,000 for purposes of the Working Capital Reserve. However, if the Manager elects to close this Offering prior to selling all of the Offered Class A Units, the Management Fee may be reduced, as described in "*Overview of the Company and the Manager—Certain Arrangements with the Manager*" above, which would reduce the Working Capital Reserve on a dollar-for-dollar basis.

The following is an illustration of how the proceeds of the Offering will be used assuming full subscription of the Class A Units in this Offering. We have also included several illustrations of the use of proceeds should

we elect to close the Offering prior to selling all of the Offered Class A Units.

Aggregate Proceeds from Offering:	$10,750,000	$5,000,000	$3,000,000
Less:			
Offering costs	70,000	70,000	70,000
Working Capital Reserve	753,000	630,000	555,000
Net Proceeds for Venture Financing:	$9,927,000	$4,300,000	$2,375,000
Series A Preferred Stock Acquired in Venture Financing:	*9,927,000*	*4,300,000*	*2,375,000*
Company Holdings of Series A Preferred Stock:	*10,000,000*	*4,373,000*	*2,448,000*

Close of the Venture Financing:

The Company expects that it will complete the Venture Financing and acquire the additional shares of Series A Preferred Stock after it has closed the Offering and entered into definitive documentation with the Development Company providing for the Venture Financing (the "***Definitive Documentation***").

The Company and Pacific Charter, which owns and controls the Development Company, are party to the Venture Financing Letter Agreement. The Company has the right to acquire all 9,927,000 of the authorized and unissued shares of Series A Preferred Stock. Unless otherwise agreed by the Company, the Series A Preferred Stock may only be sold to the Company. However, the Company may elect to purchase less than all of the shares of Series A Preferred Stock if, for example, the Company closes this Offering prior to selling all of the Offered Class A Units.

Abandonment of Venture Financing:

Entry into the Definitive Documentation will be subject to the mutual approval of the Company and the Development Company. Although we expect that the Venture Financing will be completed, in the event that the Company and the Development Company do not agree to Definitive Documentation or otherwise elect to terminate the Venture Financing, the Company will be liquidated, and any funds in the Company will be returned to the Members in accordance with the terms and conditions of the Operating Agreement.

7. KEY TERMS OF THE CLASS A UNITS

The following information is presented as a summary of key terms only and is qualified in its entirety by reference to the Operating Agreement, a copy of which is attached hereto as Exhibit A. The Operating Agreement should be reviewed carefully. In the event that the terms described herein are inconsistent with or contrary to the terms of the Operating Agreement, the Operating Agreement will control. The Class A Units offered hereby involve a high degree of risk. Investors should carefully consider the information set forth under "*Risk Factors*."

Purpose:

The purposes of the Company are to support the Project, effect the Venture Financing, manage the investment in the Series A Preferred Stock (including any securities into which the Series A Preferred Stock are converted or exchanged or which are distributed in respect of or paid

in redemption of the Series A Preferred Stock in each case in whole or in part (collectively, "***Alternative Securities***")) and conduct any other business permitted under the California limited liability company act. The Company will have the authority and power to take all actions that the Manager determines in its sole discretion are necessary or advisable to further or support these purposes.

Company Capitalization:

The Company currently has two classes of limited liability company membership interests: "***Class A Units***" and "***Class B Units***". The Class A Units will be issued to investors in this Offering. The Class B Units are held by affiliates of the Manager.

The holder of a Class A Unit (or fraction thereof) will be a Class A Member. The holder of a Class B Unit (or fraction thereof) is a Class B Member.

The Company has the authority to issue additional Class A Units and to create additional classes of interests after the Effective Date and to set the terms of such interests, including interests that are senior to, on parity with or junior to the Class A Units. Such additional classes of interest could be used for any purpose related to the purpose of the Company, including providing funds for the Venture Financing or otherwise provide operating funds for the Company and the Manager going forward.

Distributions in Respect of Units:

The Members will generally only be entitled to receive distributions in respect of their Units upon the occurrence of (1) the Series A Liquidity Event, (2) the sale, redemption or other disposition of all of the shares of Series A Preferred Stock and Alternative Securities held by the Company other than for Alternative Securities (an "***Full Liquidation***"), or (3) any distributions in respect of, or the sale, redemption or other disposition of all or a portion of the shares of Series A Preferred Stock or Alternative Securities held by the Company ("***Partial Liquidation***").

In the event of a Series A Liquidity Event or a Full Liquidation, the Company will be liquidated, and the net proceeds thereof will be distributed to the Members in accordance with the Operating Agreement. If the liquidation is due to a Series A Liquidity Event, the Manager intends to give Members the option of receiving either (1) cash or (2) shares of Series A Preferred Stock (valued at the Adjusted Preference Amount plus accrued and unpaid dividends) in such distribution.

In the event of a Partial Liquidation, the Manager may in its discretion elect to distribute the net proceeds thereof, a lesser amount or none to the Members, in accordance with the Operating Agreement.

All distributions will be made at such times, and in such amounts net of liabilities and obligations of the Company and reasonable reserves determined by the Manager, in accordance with the Operating Agreement.

The Manager may make distribution either of cash or shares of Series A

Preferred Stock or Alternative Securities. In the event of distributions of shares of Series A Preferred Stock or Alternative Securities, Members may be required to enter into a customary shareholders agreement with respect to their holdings of such securities, as required by the Manager.

Distribution Priorities: Distributions to Members will be made in the following order of priority:

- First, the Company will make distributions to the Members in proportion to their unreturned Capital Contributions until all the Members have received cumulative distributions equal to their respective unreturned Capital Contributions,
- Second, the Company will make distributions to the Members pro rata until each Member has received a return on its respective unreturned Capital Contributions equal to seven percent (7%) per annum (with accrual of such return commencing on the date such Member's Capital Contributions are funded), uncompounded,
- Third, the Company will distribute a "catch-up" amount to the Class B Members so that the cumulative distributions made to the Class B Members pursuant to this bullet (in proportion to their Class B Units) equal fifteen (15%) of the sum of the distributions made by the Company pursuant to this bullet and the immediately preceding bullet,
- Thereafter, the Company will distribute eighty-five percent (85%) of the balance to all of the Class A Members in proportion to their Class A Units and fifteen percent (15%) of the balance to the Class B Members in proportion to their Class B Units.

Liquidation of the Company: Upon liquidation of the Company (whether by dissolution, termination of the Company or otherwise), the assets of the Company, including any amounts remaining in the Working Capital Reserve, will be used to pay off any Company indebtedness (including, if applicable, any loans from the Manager) with the balance, if any, distributed to all of the Members, in a manner consistent with "*—Distribution Priorities*" above. Distributions in connection with a liquidation may, at the election of the Manager, be in cash or shares (including fractional shares) of the Series A Preferred Stock (or Alternative Security).

Preferred Return: The Units will be entitled to a seven percent (7%) cumulative preferred return per annum, uncompounded, on their Capital Contributions.

Carried Interest: In addition to the return of Capital Contributions and the return thereon of seven percent (7%) cumulative per annum, uncompounded, the Class B Units will be entitled to a 15% carried interest, with catch up.

Management of the Company: The Company will be managed and controlled solely by the Manager. The Manager may be removed, and a replacement manager selected and appointed, only by the Class B Members (by affirmative vote of holders of a majority of the Class B Units).

The Company will pay the Management Fee to the Manager in equal

increments monthly in advance. The Company will also reimburse the Manager for its expenses incurred in connection with this Offering and its formation, as well as all reasonable third-party expenses incurred by or on behalf of the Manager or its affiliates in connection with the performance of its rights, duties and obligations under the Operating Agreement. The Manager will have the authority to make expenditures and incur obligations on behalf of the Company in its discretion in its performance of its rights and duties under the Operating Agreement. The Manager may terminate the Units held by any Member immediately in the event that the Manager determines that (i) the Member has made a material omission or material misstatement of fact with regard to the information such Member provided to the Company or (ii) such Member's continued ownership of Units may cause adverse legal, tax, regulatory or other consequences to the Company or the other Members.

Class A Protective Rights:

The Class A Members will as a general matter not have any voting, consent or management rights at the Company. However, the Company is not permitted to take any of the following actions without the consent of the Class A Members (by affirmative vote of holders of a majority of the Class A Units):

- Amendments of the Operating Agreement or certificate of formation of the Company that materially and adversely limit the economic or protective rights of the Class A Units, subject to certain exceptions;

- Additional mandatory contributions of capital to the Company for any reason, or

- Any transaction with the Manager or any affiliate of the Manager that provides for cash compensation to the Manager other than (a) as contemplated by the Operating Agreement, (b) payments of interest and principal on any loans by the Manager or its affiliates to the Company, and (c) distributions or other payments in respect of Units held by the Manager or its affiliates including pursuant to any repurchase or redemption of such Units (provided that such distributions or other payments are made to, or made available to, all Class A Units or such repurchase or redemption is available to all holders of Class A Units, in each case pro rata based on the number of Units).

The Operating Agreement expressly authorizes the Company to form additional classes of membership interests, including interests that are senior to or on parity with the Class A Units, in connection with the Venture Financing and any future financing needs of the Company, without Class A Member approval rights.

Management Fees and Other Arrangements with the Manager:

The Manager and its affiliates are entitled to receive only the Management Fee as compensation for the services of the Manager hereunder. No other set fees of any kind, such as acquisition fees, disposition fees, asset management fees, financing fees or financial

advisory fees, will be payable to the Manager or its affiliates.

In addition, the Company will reimburse the Manager for its expenses incurred in connection with this Offering and its formation, as well as all reasonable third-party expenses incurred by or on behalf of the Manager or its affiliates in connection with the performance of its rights, duties and obligations under the Operating Agreement.

The Operating Agreement also contains provisions for indemnification, advancement of expenses and limitation on liability in favor of the Manager and its affiliates.

Affiliates of the Manager hold the Class B Units and will in their capacity as Class B Members be entitled to distributions thereon in accordance with the Operating Agreement.

Company Expenses: The Company will incur third party costs and expenses, including those related to the negotiation of the final terms of the Venture Financing and the acquisition, ownership and disposition of shares of Series A Preferred Stock held by the Company. These include legal, accounting, tax return preparation and other third party costs.

The Manager does not intend to use selling agents such as broker/dealers, financial advisors or investment advisory representatives to offer and sell the Class A Units.

Tax Withholdings: If the Company is required to make a payment to any governmental authority with respect to any federal, foreign, state or local tax obligation arising out of a Member's interest in the Company, such payment shall be deemed to be, in the Manager's sole discretion, either an immediate offset to any distribution made to such Member or a loan by the company to such Member which shall be payable on demand or by offset to any future distribution to such Member.

Tax Allocations: All items of income, gain, loss, deduction and credit of the Company will be allocated to the Members for U.S. federal income tax purposes in a manner that generally conforms to the foregoing distribution provisions and the requirements of relevant U.S. Treasury Regulations.

Certain Tax Considerations: The Company is expected to be treated as a partnership and not as an association taxable as a corporation for U.S. federal income tax purposes. As such, it would not be subject to U.S. federal income tax, and, subject to each prospective investor's particular tax treatment, each Member may be required to include in computing its U.S. federal income tax liability its allocable share of the items of income, gain, loss and deduction of the Company, regardless of any distributions by the Company to such Member.

Prospective tax-exempt investors should be aware that the Company may generate income treated as "unrelated business taxable income" ("***UBTI***") for U.S. federal income tax purposes due to the nature of its investments

and the methods used by the Company to allocate income and loss to investors. Prospective foreign investors should be aware that proceeds from the disposition of Company properties could be subject to U.S. tax withholding, and U.S. tax filing and tax payment obligations for foreign partners.

The taxation of partners and partnerships is extremely complex.

All investors, including investors who are not United States persons, should consult their own advisors as to the filing and the tax liability consequence attendant upon their investment in the Company. See *Appendix II* entitled "*Income Tax Considerations*."

Transfers and Withdrawals:

A Member may not sell, assign or transfer any Units, in whole or in party, except under certain limited circumstances described in the Operating Agreement or with the prior written consent of the Manager in its sole discretion. Further, a Member may not withdraw any amount from the Company.

Insufficiency of Working Capital Reserve:

The Working Capital Reserve reflects the good faith estimate of the anticipated working capital needs of the Company for a term of five years. However, it is possible that this amount may be insufficient to cover the actual costs and expenses of the Company, for example, if the Company holds the investment in Series A Preferred Stock longer than five years or the actual third party costs and expenses of the Company and the Manager are in excess of the estimated costs and expenses used to calculate the Working Capital Reserve. To the extent that the Working Capital Reserve is insufficient, the Company may seek alternative financing arrangements, including borrowing funds (including from the Manager or its affiliates), sale of additional Units or other interests in the Company or a voluntary capital call to its Members. The Company may also seek to sell or otherwise transfer shares of Series A Preferred Stock or other assets of the Company in order to raise such funds. Any such financings or asset dispositions may be entered into with the Manager or its affiliates, provided that any such financing or asset disposition involving the Manager or its affiliates will be on arm's length terms.

Indemnification:

The Company will indemnify the Manager and its affiliates and their respective agents, shareholders, members, employees, officers, directors, managers and other persons who serve at the request of the Manager or its affiliates against all claims, liabilities, penalties, damages, costs and expenses (including legal fees) incurred by them by reason of their activities on behalf of the Company, except for gross negligence, fraud or willful misconduct as finally determined by a court of competent jurisdiction. In addition, the Manager and its affiliates will be entitled to advancement of expenses in connection with any actions or proceedings that could give rise to an indemnifiable loss.

Reports:

The Company intends to furnish to all Members an annual report on the Company, including concerning its financial position.

	The Company will use commercially reasonable efforts to furnish the Members with tax information for the preparation of their respective federal income tax returns as promptly as practicable after the end of each fiscal year.
Certain ERISA Considerations:	Investors subject to the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), should consult their own advisors as to the effect of ERISA on an investment in the Company. The Company will seek to limit equity participation of such investors to less than twenty-five percent (25%) of the total value of Units outstanding, or take such other appropriate steps as will best serve the interests of the Company.

Please note that these Key Terms of the Class A Units are supplemented by and expressly subject to the Operating Agreement.

8. PLAN OF CAPITALIZATION

Capitalization of the Company

There is no minimum amount applicable to this Offering. The maximum amount applicable to this Offering is $10,750,000. The Company may close the Offering at any time in its discretion, even if less than all of the Offered Class A Units are sold pursuant to this Offering. Although it does not currently intend to do so, the Company may sell Class A Units or other newly created classes of Units outside of this Offering in order to raise sufficient net proceeds to fund the Venture Financing and the anticipated working capital needs of the Company. The minimum purchase is one (1) Class A Unit ($50,000), but the minimum subscription amount may be waived and partial Units may be sold in the Manager's sole discretion.

Sale of Units

The sale of Class A Units may take place throughout the term of the Offering. Sales will occur at the Manager's discretion until the Offering terminates or is closed as described in this Memorandum. The net proceeds of each sale will be added to the Company's capital and used for the purposes summarized by this Memorandum, but subject to the detailed provisions set forth in the Operating Agreement.

The purchase price for each Class A Unit is $50,000. There will be no additional mandatory capital contributions in respect of the Units. The Company reserves the right to refuse to sell Class A Units to any person for any reason, in the sole discretion of the Manager. For information on procedures for subscribing for Class A Units, please see "*How to Invest.*"

9. ELIGIBLE INVESTORS

The offer and sale of the Class A Units is being made in reliance on an exemption from the registration requirements of the Securities Act. Distribution of this Memorandum has been strictly limited to persons who (i) are "***Accredited Investors***" (as defined under Rule 501(a) of Regulation D under the Securities Act and described in the Subscription Agreement), and (ii) satisfy the requirements and make the representations set forth below. In addition, this Offering will be structured so that the Units

are beneficially owned by not more than 99 persons, so that the Company may rely on an exemption from the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder. The Manager reserves the right, in its sole discretion, to declare any prospective investor ineligible to purchase the Class A Units for any reason, including any information which may become known or available to the Manager concerning the suitability of such prospective investor or the limitation on total beneficial owners in the Company.

Prospective investors should not construe the contents of this Memorandum as legal or tax advice. Each investor should consult his, her or its own independent counsel, accountant or business advisor as to legal, tax and related matters concerning his, her or its investment.

To the greatest extent permitted by law, the Manager assumes no liability and takes on no obligation associated with determining the truthfulness of an applicant's assertions that he or she is an Accredited Investor.

Investment in the Class A Units involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. This investment will be sold only to investors who (i) purchase the minimum amount; and (ii) represent in writing that they are Accredited Investors and satisfy the investor suitability requirements established by the Manager and as may be required under federal or state law. The Manager reserves the right, in its sole discretion, to accept smaller subscriptions and to issue fractional Class A Units.

Each investor must represent in writing that such investor meets, among others, **ALL** of the following requirements:

(1) Investor has received, read and fully understands this Memorandum and all exhibits, appendixes and supplements hereto including the Operating Agreement. Investor is basing the decision to invest on this Memorandum and all exhibits, appendixes and supplements hereto. Investor has relied on the information contained in said materials and has not relied upon any representations made by any other person;

(2) Investor understands that an investment in the Class A Units is a venture investment and as such involves substantial risks (including the risk of losing the entire investment) and is fully cognizant of, and understands, all of the risk factors associated with the Class A Units, including, without limitation, those risks set forth below in *Appendix I* entitled "*Risk Factors*";

(3) Investor's overall commitment to investments that are not readily marketable is not disproportionate to his, her or its individual net worth, and his, her or its investment in the Class A Units will not cause such overall commitment in such not readily marketable investments to become excessive;

(4) Investor has adequate means of providing for his, her or its financial requirements, both current and anticipated, and has no need for liquidity in this investment;

(5) Investor can bear, and is willing to accept, the economic risk of losing his, her or its entire investment in the Units;

(6) Investor is acquiring the Class A Units for his, her or its own account and for investment purposes only and has no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the Class A Units;

(7) Investor has substantial financial and business experience in evaluating the merits and risks of investments of this type and in making investment decisions of this type, or is relying on its own representatives in making this investment;

(8) Investor has been offered the opportunity to ask questions of and obtain information from the Company and the Manager and has been provided with and is satisfied with all such answers and information as it has requested and deems necessary or appropriate for purposes of evaluating this investment; and

(9) Investor is an "***Accredited Investor***" as defined under Rule 501(a) of Regulation D under the Securities Act and as described below.

An investment in Class A Units is designed only for sophisticated investors that have such business and financial experience, either alone or together with their representatives, that they are capable of evaluating the merits and risks of an investment in the Company and of protecting their interests in this transaction.

Accredited Investor. In addition to certain institutional investors, an investor who meets **one** or more of the following tests may qualify as an "***Accredited Investor***":

(1) The investor is a natural person who had individual income in excess of **$200,000** in each of the two (2) most recent years, or joint income with that person's spouse in excess of **$300,000** in each of these years, and has a reasonable expectation of reaching the same or greater income level in the current year; or

(2) The investor is a natural person whose individual "net worth,"[3] or joint net worth with that person's spouse, exceeds **$1,000,000** at the time of purchase of the Units; or

(3) The investor is an entity (including an Individual Retirement Account trust) in which each of the equity owners is an Accredited Investor as defined in subparagraphs (1) and/or (2) above; or

(4) The investor is an irrevocable trust with total assets in excess of **$5,000,000**, not formed for the specific purpose of acquiring the Units, whose purchase is directed by a "sophisticated person" as defined in Rule 506(b)(2)(ii) of Regulation D under the Securities Act; or

(5) The investor is an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, in which the investment decision is made by a plan fiduciary (as defined in Section 3(21) of such Employee Retirement Income Security Act) which is either a bank, savings and loan association, insurance company, or registered investment adviser; or the employee benefit plan has

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[3] The meaning of "net worth" (for purposes of determining whether an investor is an "accredited investor") means the excess of total assets at fair market value over total liabilities. For purposes of this calculation, (a) the amount of the investor's total assets shall exclude the fair market value of the investor's primary residence, and (b) the amount of the investor's total liabilities shall include the amount of such investor's mortgage and other indebtedness that is secured by the investor's primary residence which (i) exceeds the fair market value of the investor's primary residence at the time of the investor's admission as a Member, or (ii) has been incurred by the investor within the sixty (60) day period prior to the investor's admission as a Member and remains outstanding on the date of the investor's admission as a Member (unless such indebtedness was incurred as a result of the acquisition of the investor's primary residence). If, at the time of the investor's admission as a Member, the investor has mortgage and other indebtedness that is described in both of subparagraphs (i) and (ii) above, then both amounts of indebtedness shall be included in the calculation of the investor's total liabilities.

total assets in excess of **$5,000,000**; or it is a self-directed plan in which investment decisions are made solely by persons who are Accredited Investors.

In the case of fiduciary accounts, the net worth and income suitability requirements may be satisfied by the beneficiary of the account, or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Class A Units.

Representations with respect to the foregoing and certain other matters will be made by each investor in the Subscription Agreement, a copy of which accompanies this Memorandum. The Manager will rely on the accuracy of each investor's representations set forth in the Subscription Agreement and may require additional evidence that an investor satisfies the applicable standards at any time prior to the acceptance of an investor's subscription. An investor is not obligated to supply any information so requested by the Manager , but the Manager may reject a subscription from any investor who fails to supply any information so requested.

If you do not meet the requirements described above, do not read further and immediately return this Memorandum to the Company. In the event you do not meet such requirements, this Memorandum will not constitute an offer to sell the Class A Units to you.

The investor suitability requirements stated above represent minimum suitability requirements established by the Manager . However, satisfaction of these requirements by an investor will not necessarily mean that the Class A Units are a suitable investment for such investor or that the Manager will accept the investor as a subscriber. Furthermore, the Manager, as appropriate, may modify such requirements in its sole discretion, and such modifications may raise the suitability requirements for investors.

10. ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974 ("***ERISA***") and Section 4975 of the Code (as defined below) impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (b) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts or Keogh plans, (c) any entities whose underlying assets include plan assets by reason of an investment in such entity by one (1) or more plans referred to in (a) and (b) (each of (a), (b) and (c) referred to as a "plan"), and (d) persons who have certain specified relationships to the plans (referred to as "parties in interest" under ERISA and "disqualified persons" under the Code).

ERISA and Section 4975 of the Code prohibit certain transactions between a plan and parties in interest or disqualified persons with respect to such plan, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code. ERISA and Section 4975 of the Code also impose certain obligations on persons who are fiduciaries of the plan, including (i) the obligation to exercise their fiduciary duties with respect to the plan for the exclusive purpose of providing benefits to participants and their beneficiaries and to defray reasonable expenses of administering the plan; (ii) the obligation to discharge fiduciary duties with the care, skill, prudence and diligence of a prudent fiduciary; (iii) the obligation to comply with the diversification requirements of Section 404(a)(1)(c) of ERISA; and (iv) the requirement that the investment of plan assets be made in accordance with the plan's governing instruments. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code. Similar rules may apply to employee benefit plans other than those subject to Title I of ERISA or Section 4975 of the Code (such as governmental plans and non-U.S. private pension plans) under applicable state or local law.

Whether the prohibited transaction rules applicable to transactions involving plan assets and parties in interest or disqualified individuals or the obligations imposed on plan fiduciaries under ERISA will apply to the Company depends on whether the Company is deemed to hold plan assets under the rules set forth by the Department of Labor in its Final Regulation Relating to the Definition of Plan Assets, 29 CFR 2510.3-101, published December 31, 1986 (the "***Plan Asset Regulations***"). Under the Plan Asset Regulations, the assets of an investment fund such as the Company that has one or more "benefit plan investors" will be considered to be plan assets unless:

(a) the interest in the investment fund acquired by the "benefit plan investor" was acquired in a public offering;
(b) the investment fund is registered under the 1940 Act;
(c) "benefit plan investors" hold less than twenty-five percent (25%) of the value of each class of equity interests of the investment fund, determined without regard to the holdings of any person (other than a "benefit plan investor") who has discretionary authority or control with respect to the assets of the entity or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person; or
(d) the investment funds is an "operating company," as defined in 29 CFR 2510.3-101(c).

In light of these restrictions, the Company will seek to limit equity participation to less than twenty-five percent (25%) of the total Units sold, or take such other appropriate steps as will best serve the interests of the Company.

ERISA and its accompanying regulations are complex and, to a great extent, have not yet been interpreted by the courts or the administrative agencies. This discussion does not purport to constitute a thorough analysis of ERISA. **EACH INVESTOR SUBJECT TO ERISA SHOULD CONSULT WITH ITS OWN LEGAL COUNSEL CONCERNING THE IMPLICATIONS UNDER ERISA OF PURCHASING UNITS. "BENEFIT PLAN INVESTORS" MUST MAKE INDEPENDENT INVESTMENT DECISIONS WITH RESPECT TO THEIR INVESTMENT IN THE FUND AND MUST NOT RELY UPON THE FUND OR THE MEMBER OR ANY OF ITS AFFILIATES FOR INVESTMENT ADVICE REGARDING SUCH PARTICIPATION.**

Investment considerations for employee plan investors. In considering an investment in the Units of a portion of the assets of a trust or a pension or profit-sharing plan qualified under Section 401(a) of the Internal Revenue Code (the "***Code***") and exempt from tax under Section 501(a), a fiduciary should consider: whether the investment satisfies the diversification requirements of Section 404 of ERISA; whether the investment is prudent, since the Units are not freely transferable and there will not be a market created in which he/she can sell or otherwise dispose of the Units; and whether the Units or the underlying assets owed by the Company constitute "Plan Assets" under ERISA.

Considerations that trustees, custodians and fiduciaries must take into account before investing in the Units. Trustees, custodians and fiduciaries of retirement and other plans subject to ERISA or Code Section 4975 (including individual retirement accounts) should consider, among other things: that the plan, although generally exempt from federal income taxation, would be subject to income taxation if it earns unrelated business taxable income exceeding $1,000 in any taxable year; 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; whether the investment is in accordance with plan documents and satisfies the diversification requirements of Section 404(a) of ERISA; 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; that the Company has no history of operations; and whether the Company or any affiliate is a fiduciary or party in interest to the plan.

The prudence of a particular investment must be determined by the responsible fiduciary taking into account all the facts and circumstances of the qualified plan and of the investment.

11. HOW TO INVEST

All subscriptions must be made by the completion, execution and delivery to the Company of the subscription documents in the form accompanying this Memorandum.

Subscriptions are not binding on the Company unless or until accepted by the Manager on behalf of the Company.

In order to subscribe for Class A Units, a prospective investor must deliver the following documents to the Company:

1. One completed and signed copy of the Subscription Agreement; and

2. One completed and signed copy of the Investor Questionnaire.

The Company shall accept or reject each Subscription Agreement within thirty (30) days after it receives the same, as determined by the Manager in its sole discretion. Failure by the Company to accept or reject a Subscription Agreement by giving written notice thereof to the investor within such period shall constitute rejection thereof. **The Manager shall be entitled, in its sole discretion and for any reason or no reason, to accept or reject subscriptions either in whole or in part.**

All proceeds from the sale of the Class A Units will be deposited in an interest-bearing account at a financial institution that is insured by the Federal Deposit Insurance Corporation (although deposits in such financial institution may not be fully insured due to the limit on FDIC insurance) until the termination of the Offering.

The Manager reserves the right to cancel the Offering at any time. If the Offering is cancelled, then all amounts deposited will be returned with interest actually earned and without reduction. The Manager may also close the Offering prior to selling all of the Offered Class A Units. Affiliates of the Manager will be entitled to acquire any number of the Class A Units offered hereby.

This Memorandum is qualified in its entirety by the Operating Agreement, which should be read in conjunction with this Memorandum.

APPENDIX I
RISK FACTORS

The purchase of Class A Units is a venture investment. As such the purchase of Class A Units is very speculative and involves a very high degree of risk. Before making an investment decision, each prospective purchaser is urged to consider carefully the risk factors discussed below, together with all the other information contained in this Memorandum, and to consult its own advisors. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make distributions to our Members, which could cause you to lose all or a significant part of your investment in Class A Units. In addition to the factors set forth elsewhere in this Memorandum, prospective purchasers should consider, among other things, the following:

Risks Related to an Investment in Class A Units

The Class A Units Are a Speculative Investment

An investment in the Company must be considered highly speculative. The Company is a vehicle through with prospective investors may invest in the Project. The Development Company, which will own and operate the Project, has not yet raised any material financing or applied for or received the required governmental and regulatory permits and approvals for the Project. It is possible that the Development Company will not receive the necessary governmental and regulatory permits and approvals, or that such permits and approvals are granted with terms and conditions that could, among other things, adversely impair the planned construction or operation of the Project, reduce the financial returns associated with the Project or require significantly more financing than the estimated $10 billion needed to fully fund the Project. In addition, even if the Development Company receives the necessary permits and approvals, it is possible that the Development Company will not be able to raise the capital needed to fully fund the Project, or raise such capital on terms that do not materially reduce the expected returns of investors in the Series A Preferred Stock or impair the financial condition or feasibility of the Project. Moreover, the Development Company must also successfully develop and construct the railroad, port and hub infrastructure and set up the operating business. Even if the Development Company is able to accomplish all of these tasks, operations, and revenue and profit, are not likely for several years. Although the Development Company has prepared estimates for the cost of permitting and constructing the Project and potential revenues for the Development Company upon commencement of operations, those estimates are based on assumptions that are largely speculative at this stage, and there is no guaranteed cost of, or revenues or profit for, the Project. **We cannot assure prospective investors that they will not lose their entire investment in Class A Units, and, accordingly, prospective investors should be aware that a total loss of their investment is a significant risk.** For this reason, each prospective investor should carefully read and consider this Memorandum, including all Appendixes and Exhibits to this Memorandum. All investors should consult with their own legal, business, tax and any other necessary advisors prior to making an investment in the Class A Units.

No History of Operations

Neither the Company nor the Manager has any operating history or has been involved with infrastructure projects like the Project or investments like the Venture Financing. Although affiliates of the Manager have experience in business, law and related areas, and the Company has retained experienced legal counsel, the lack of direct experience at the Company and the Manager increases the risk that prospective investors may lose some or all of their investment in Class A Units.

Long-Term Nature of Investment

An investment in the Company requires a long-term commitment, with no certainty of return. Because of the nature of the Project within a highly regulated industry with significant costs required to enter the market, there can be no assurance that the Company will be able to realize returns on such investments in a timely manner or at all. The return of capital and the realization of gains, if any, from the Venture Financing may not occur until many years after such investment is made, if at all. The return of capital and the realization of gains, if any, from an investment is expected to occur only upon the partial or complete disposition of the Series A Preferred Stock in connection with a Series A Liquidity Event or, if an investor receives Rolled Shares, a disposition of such Rolled Shares. A Series A Liquidity Event will occur if at all only after multiple additional steps, including continued progress with governmental and regulatory approvals and permits, satisfactory completion of significant environmental impact studies and other reports and analyses, and substantial additional financing by the Development Company.

Terms of Venture Financing--and of the Overall Plan of Financing for the Project--Have Not Been Finalized and Are Subject to Change

The proceeds of this Offering are intended to primarily provide funding to the Company to make the Venture Financing, the terms of which, as of the date of this Memorandum, have not been finalized. In addition, while the Venture Financing Letter Agreement sets forth the current plan of financing for the Project, Pacific Charter and the Development Company are considering alternative financing structures, and the financing plan is likely to evolve based on factors such as further analysis of alternative financing structures, input from market participants and potential investors, and general market conditions. **Any change in the definitive terms of the Venture Financing or plan of financing could adversely impact the Series A Preferred Stock or the terms thereof, including the timing and likelihood of any Series A Liquidity Event, compared to the terms described in this Memorandum.** Investors necessarily must be willing to rely upon the ability of the principals of the Manager with respect to finalizing the terms of the Venture Financing and managing the investment in the Series A Preferred Stock. Purchasers of Class A Units will not have an opportunity to evaluate the relevant economic, financial and other information regarding the final terms of the Series A Preferred Stock or the plan of financing for the Project, which may differ in an adverse and material manner from the terms described in this Memorandum. Accordingly, the risks of investing in Class A Units may be substantially increased from the risks described in this Memorandum.

The Manager will make its own determination of the suitability of the final proposed terms of the Venture Financing and plan of financing, and may elect not to make the Venture Financing at all, in which case the Company will be liquidated and the net proceeds from such liquidation returned to the Members. In such circumstances, investors would likely receive less than their invested capital, given that amounts would be available for Members only after the satisfaction of claims of creditors and the establishment of reasonable reserves, including in respect of the costs of this Offering and other costs and expenses of the Company and the Manager. No assurance can be given that the Company will be successful in finalizing the Venture Financing at all, on a timely basis or on terms that are, in the discretion of the Manager, in the best interests of the Company, or that, if the Venture Financing is completed, the terms will be as favorable to the Company as described in this Memorandum or the objectives of the Company will be achieved.

The Offering is not Registered with the Securities and Exchange Commission or any State Securities Authority

The Offering of the Units will not be registered with the Securities and Exchange Commission under the Securities Act or the securities agency of any state, and the Class A Units are being offered in reliance upon an exemption from the registration provisions of the Securities Act and state securities laws applicable only to offers and sales to investors meeting the suitability requirements set forth in this Memorandum. Since this is a nonpublic offering and, as such, is not registered under federal or state securities laws, prospective investors will not have the benefit of review by the Securities and Exchange Commission or any state securities regulatory authority. The Class A Units are being offered, and will be sold, to investors in reliance upon a private offering exemption from registration provided in the Securities Act and state securities laws. If the Company should fail to comply with the requirements of such exemptions, one or more of the investors may have the right, if they so desire, to rescind their purchase of the Units. It is possible that one or more investors seeking rescission would succeed. This might also occur under the applicable state securities or "Blue Sky" laws and regulations in states where the Class A 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 would face severe financial demands that would adversely affect the Company as a whole and, thus, would adversely affect the investment in the Class A Units by the remaining Members.

Liquidity of Units; Restrictions on Transfer

Each Member will be required to represent that the Units are being acquired for investment and not with a view to distribution or resale, that such subscriber understands the Units are not freely transferable and that such subscriber must bear the economic risk of the investment for an indefinite period of time because the Units: (i) have not been registered under the Securities Act or applicable state "Blue Sky" or securities laws; and (ii) cannot be sold unless they are subsequently registered or an exemption from such registration is available and such subscriber complies with the other applicable provisions of the Operating Agreement. There will be no market for the Units and investors cannot expect to be able to liquidate their investment in case of an emergency. Further, the sale of the Units may have adverse federal income tax consequences. Please see "*Income Tax Considerations*" and consult with an independent tax advisor for more information. A Member will not be permitted to assign, sell, exchange or transfer any of its interests, rights or obligations with respect to its Units except in certain limited circumstances without the prior written consent of the Manager, which consent may be given or withheld in the sole and absolute discretion of the Manager.

Management of the Company

The responsibility for the management and conduct of the business affairs of the Company is vested solely in the Manager. No Member in its capacity as such will have the right to participate in the management of the Company. Accordingly, no person should purchase the Class A Units unless that person is willing to entrust all aspects of management of the Company to the Manager. Potential purchasers must carefully evaluate the experience of the Manager, the Development Company and the management team of each, including their level of experience with infrastructure projects like the Project or investments like the Venture Financing. Please see "*Overview of the Company and the Manager*" and "*Information on the Project and Venture Financing—The Development Company*." A number of the key individuals at the Manager and at the Development Company are senior in age. The loss of any of the individuals employed by the Manager or change in the role of certain key individuals could have a material and adverse effect on the performance of the Company. Further, the Company does not maintain key person life insurance as of the date of this Memorandum.

Conflicts

The Company is subject to various conflicts of interest arising from its relationship with the Manager and its affiliates. Both the Manager and its affiliates expect to focus their efforts on the business of the Company and may be subject to certain fiduciary duties under applicable law. However, there is no requirement that the Manager or its affiliates devote any fixed amount of time to the affairs of the Company. The Manager and its affiliates may continue to engage in business activities (including investments in the Development Company or in other companies) which may involve a conflict of interest with the business of the Company. The Manager and its affiliates may engage for their own account, or for the account of others, in other business ventures, and neither the Company nor any holder of the Units shall be entitled to any interest in any such venture. The Manager, its affiliates and the Company may have different incentives and payment rights in connection with any sale, redemption or other disposition of the Company's investment in Series A Preferred Stock.

Indemnification of the Manager and Affiliates

Under the Operating Agreement, the Manager and its affiliates are not liable to the Company or to the Members for any act or omission except for acts of fraud, gross negligence or willful misconduct, and under certain circumstances the Manager and its affiliates will be entitled to indemnification from the Company for certain losses. Such indemnification obligations may be material. For example, in their capacities acting on behalf of the Company, the members, managers or affiliates of the Manager may be subject to certain claims for actions or omissions that may include damages, legal fees and other material expenses. The indemnification obligations of the Company would be payable from the assets of the Company, including the Working Capital Reserve and the Series A Preferred Stock, which could result in a material and adverse effect to the financial results of the Company and the performance of the investment of prospective investors.

Investment Delay

Significant delay may occur between the time an investor funds a capital contribution and the time such funds are invested (if at all) in the Venture Financing. This could be due to any number of factors, including extended negotiation of the definitive terms of the Venture Financing or changes in the plan of financing. During such delay, the funds of the Company will be invested temporarily in short-term instruments that generate low or nominal returns, especially compared with those that could be generated by alternative investments such as the investment in the Venture Financing.

Liability to Creditors

Applicable law provides that even though a Member has rightfully received a return of his, her or its capital contribution, such Member may nevertheless be liable to the Company or to creditors thereof, up to the amount of the capital returned together with interest, for any liability or claim arising before the return of such capital. Any such liability is highly uncertain and may result in a loss of some or all of a prospective investor's investment in the Company.

Subordinate to Creditors

In the event of a dissolution or termination of the Company, the proceeds realized from the liquidation of the Company's assets, if any, will be distributed to the Members in the manner described in the Operating Agreement attached to this Memorandum. However, in each case distributions will be made only after the satisfaction of claims of creditors and the establishment of reasonable reserves. Accordingly, the ability of the Members to recover all or any portion of their investment under such circumstances will depend on the amount of funds so realized and the claims to be satisfied therefrom.

Effect of Fees and Expenses

The Company will pay the Management Fee and will bear certain third party costs and expenses of the Company and the Manager as described in "*Key Terms of the Class A Units*". Such fees and expenses will reduce actual returns to investors. Most of the fees and expenses will be paid regardless of whether the Company produces positive investment returns. If the Company does not produce significant positive investment returns, these fees and expenses could reduce the amount of the investment recovered by a Member to an amount less than the amount invested in the Company by such Member.

The Price of the Units Was Determined Arbitrarily

The purchase price of the Class A Units has been determined primarily by the capital needs of the Company and in particular the Development Company through the Venture Financing, and bears no relationship to any established criteria of value such as book value or earnings per Unit, or any combination thereof.

No Assurance This Offering Will Prove Successful

No assurance can be given as to how many Class A Units will be sold in this Offering. To the extent that the proceeds of this Offering are limited or non-existent, the Company's investment flexibility and alternatives will be reduced and the costs of the Offering and Working Capital Reserve will be proportionately more dilutive to investors.

Changes in Tax Laws

Significant U.S. federal income tax changes are pending currently. Legislative and regulatory changes, or changes in the interpretation of applicable income tax laws and regulations, could adversely affect the tax consequences of an investment in the Company. In addition, any legislative, administrative or judicial changes could be retroactive with respect to transactions entered into prior to the date of passage thereof. **Prospective investors are urged to consult their own tax advisors and legal counsel with specific reference to their own situations and any applicable tax risks or uncertainties concerning an investment in Class A Units**.

Taxes Greater Than Cash Distributions

For any year in which the Company has income in excess of deductions, the Members (to the extent they may be subject to taxation) will be required to report their share of such income on their federal and state tax returns. Although the Manager intends to distribute sufficient cash to the Members to pay taxes, if any, attributable to Company operations, such taxes could in some cases be greater than cash distributions received by the Members from the Company for the year in question.

Income Tax Risks

The federal and state income tax consequences of an investment in Class A Units will have a material effect on your economic return from the investment. Prospective investors should be aware of the tax aspects, risks, uncertainties and other issues arising out of an investment in Class A Units. Prospective investors are urged to consult tax advisors prior to investing in the Interests. See *Appendix II* entitled "*Income Tax Considerations*."

Tax Risks for Non-U.S. Members

Non-U.S. Members may be subject to a variety of potentially material and adverse U.S. federal, state and local tax filing obligations, payment and withholding tax consequences as a result of an investment in the Company. Prospective Non-U.S. investors are urged to consult tax advisors in their jurisdiction prior to investing in Class A Units.

Lack of Registration under the Investment Company Act

While the Company may, in some respects, be considered to be similar to an investment company, it is not registered, and does not intend to register, as such under the Investment Company Act, or similar laws in other jurisdictions, in reliance on certain exemptions. If the Company was required to register as an investment company, the Company would become subject to substantial regulation with respect to its capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons, portfolio composition (including restrictions with respect to diversification and industry concentration), and other matters. Such required registration would result in additional expenses and burdens that may reduce the ability of a prospective investor to acquire any return on its investment in the Company.

Venture Financing is a Non-Control Investment

The Company's primary purpose is to make the Venture Financing, which will expose the Company to the risks associated with a non-controlling investment in the Development Company. The Development Company may not perform its obligations as expected, have economic or other interests which are inconsistent with the Company's interests, be in a position to take action contrary to the Company's instructions or objectives (and give rise to greater litigation risk) or become insolvent or file for bankruptcy. Additional risks include that the Development Company may default on its obligations to holders of the Series A Preferred Stock, including the Company, or its obligations on other debt or equity financing. The Company will be impacted by the Development Company's financing plans and success in obtaining the substantial additional financing required for the Project, including the $100 million minimum in the Series C Private Placement that is necessary to trigger the Series A Liquidity Event. All of these depend among other things on the success of the Development Company in receiving the large number of approvals and permits required to complete the Project, all of which are outside the direct control or influence of the Company and the Manager. The Company is limited in its ability to ensure that the Development Company will be successful in obtaining such financing, permits and approvals in a timely manner or at all.

Risks Relating to Third Party Disclosure

The projected regulatory approvals and financing for the Project, including associated payouts on the Series A Preferred Stock, and other information supplied by Pacific Charter or the Development Company set forth in this Memorandum should be considered highly speculative and are qualified in their entirety by the assumptions, information, uncertainties and risks disclosed in this Memorandum. No assurance can be given that actual events will correspond with these assumptions or that every possible risk to potential investors has been identified in this Memorandum. The Company believes the information supplied by Pacific Charter to be accurate and reliable, but it has not independently verified such information and is relying on such third party information supplied by Pacific Charter and is relying on Pacific Charter's due diligence of such information. There is a risk to prospective investors with respect to the unverifiable, forward-looking and highly speculative nature of certain information provided by Pacific Charter.

Risks Related to the Project and the Venture Financing

Construction Projects are Inherently Complex and Dynamic and Involve Multiple Layers of Technical, Environmental, Logistical, Management Execution, Governmental Approval and Financial Risks

Pacific Charter and its team includes experienced professionals and designers with experience working with governmental and regulatory authorities, such as the STB, FRA, the United States Maritime Administration ("***MARAD***") and the State of California, on private railroads, ports and transportation infrastructure projects. They have experience handling the various requirements for infrastructure construction projects, including environmental studies, construction management, construction and inspection. Oscar Larson & Associates Civil Engineers is the program and project manager and has experience starting in 1960 on rail, dock and large scale projects in the United States, the Caribbean, Russia, England, Pacific Islands, Central and South America, and has established processes of inspection to the applicable agency codes and standards, by engineers and certified professionals.

Pacific Charter's team also has experience in large projects and construction, employing risk management through contracts and by hiring professionals, licensed contractors and subcontractors with adequate insurance or bonding. Pacific Charter's team also seeks to address many risks early in the planning stage, including contractual language providing for appropriate standards of performance and ongoing monitoring by qualified engineers and professionals.

However, despite the experience described above, there are many risks involved in developing a complex project like the Project, involving three separate components of railroad, dock and terminal development. These include managing numerous federal, state and local government and regulatory permit and approval processes at all stages of the Project, as well as public relations campaigns and other stakeholder elements. In addition, the technical, logistical and environmental and management challenges confronting an infrastructure project of this sort are sizable. On top of this, the capital needs of the Project are currently expected to be approximately $10 billion, but could be substantially more. The ability to obtain financing in the amounts, or on suitable terms, for the Project is not certain, including for the Series C Private Placement that would trigger the Series A Liquidity Event. There is significant risk that the Project could be delayed or altered, resulting in additional expense and a reduction of any value of the Series A Preferred Stock.

Delays Due to, Among Other Things, Weather, Labor or Material Shortages, or Permit and Zoning Delays, will Hinder our Ability to Commence Timely Operations or Operate at All

Delays could occur because of, among other things, acts of nature, earthquakes, tsunamis, wildfires, defects in material or workmanship, labor or material shortages or work slow-downs or union activity, permits and/or zoning delays or denials, our assumptions not materializing in the manner contemplated by this Memorandum or our changing the location of the Project from the proposed site. The Development Company has developed what we believe to be a reasonable timetable for completing the Project, however this timetable is preliminary and is subject to significant change in a way that could be adverse to prospective investors. Our schedule depends upon the accuracy of the assumptions underlying our plan of operations. In part, our assumptions are based upon agreements and plans that we have not begun to negotiate or that are not yet final or executed. These include, among others, construction schedules, obtaining necessary permits, and securing third-party contractors able to complete work in a timely manner and in the way we believe they will be able to as of the date of this Memorandum. Such agreements and plans may not be finalized or may not result in acceptable terms. Either scenario could delay or stop completion of the Project, which may result in negative financial results that may adversely affect the value of the Series A Preferred Stock.

General Development Risks

The Development Company intends to both develop projects on unimproved land and possibly re-develop existing properties. Such development and redevelopment activities will be subject to the risks normally associated with development. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Company and the Development Company, such as weather, labor conditions or material shortages) and the availability of sufficient construction financing on favorable terms. In addition, the operation of the business will require various permits and approvals. For example, any proposal for hauling coal, oil, or liquified natural gas would require the approval of the Humboldt County Board of Supervisors for facilities accommodating such cargo. Such approval has to be considered as extremely unlikely. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or re-development activities once undertaken or change or alter the business model of the Development Company, any of which could have material and adverse effect on the investment and on the amount of funds available for distribution to holders of Class A Units.

High Reliance on Key Suppliers and Outside Contractors

The Development Company will depend on key suppliers and outside contractors, whose failure to perform according to our plan could hinder our ability to operate in a timely manner or achieve any revenue or profit, which could result in the loss of some or all of the value of your investment. Oscar Larson & Associates is currently the project and program manager for the design, development, and construction for the Project and there is no assurance that the final cost of the Project will not be higher than originally estimated. There is also no assurance that there will not be design changes or cost overruns associated with the construction of the Project. Any significant increase in the estimated construction cost of the project could delay our ability to generate revenues and reduce some or all of the value of the Series A Preferred Stock because the Development Company's revenue stream may not be able to adequately support the increased cost and expense attributable to increased construction costs.

Compliance with New and Existing Environmental Laws and Rules could Significantly Cause Delays, and Increase Costs due to Significant Potential Legal Costs, Fines and Penalties.

The development of a port in environmentally sensitive areas such as the proposed site could result in the Development Company needing to comply with a wide variety of existing environmental laws and potential new laws in order to mitigate environmental impacts from development of the Project. Such compliance can result in the delay or stoppage of the Project based on decisions of a court of competent jurisdiction or a regulator. Since the Development Company has not yet retained an environmental consultant to conduct a "Phase I" assessment of the proposed locations, and may not retain one, it is difficult to assess the potential severity of environmental risks with respect to the Project. The unknown environmental risks create significant uncertainty about whether the Project will be able to be completed in a timely manner or at all.

Government Regulation and Market Conditions (Including Environmental Regulations) may Adversely Affect the Your Ability to Achieve any Return on Your Potential Investment

The railroads, ports and transportation industries are subject to extensive governmental regulation at the local, state and national levels which relate to, among others, environmental standards, pollution control, remediation of contamination, preservation of natural resources, international trade agreements and worker safety, which change from time to time and which may result in delays for construction that could impact the ability of the Development Company to complete the Project.

The Development Company is a Start-Up Operation and Plans to Construct the Intermodal Railroad, Marine Complex Docks at Humboldt Bay and One or More Truck Transfer "Hub" Terminals but May Not Be Able to Execute these Plans Successfully if the Manager Does Not Agree to The Venture Financing.

As a start-up operation, the Development Company has no operating history, which increases the risk that it will be unable to achieve the complex Project that includes construction of the intermodal railroad, marine complex docks and one or more "hub" terminals. In order for Pacific Charter to proceed, the Manager would need to agree to definitive documentation that would provide up to $10,000,000 in the Venture Financing for the Development Company to obtain the Right to Apply. In the event the Manager is unable to fund the Offering, the Company may not be able to complete the Venture Financing with the Development company on acceptable terms or at all, therefore the Development Company may not be able to obtain the Right to Apply, and Pacific Charter at its sole discretion may decide to not proceed with the Project.

Risks Associated with the Financing

Pacific Charter plans to obtain a lead broker dealer to syndicate its private placement offerings with other brokerage firms throughout the United States, except where prohibited by regulation or law. The Development Company's Series C Preferred Stock are intended to be issued to cover the estimated construction cost to develop the Project at a cost of approximately $10 billion, through a series of private placements. The ability of the Development Company to raise these funds through these private placements may be impacted by market conditions, conditions in the industry and the track record of the Development Company at completing milestones for the Project. The Rail, Docks and Terminals divisions are expected to be organized as divisions within the Development Company, each with separate requirements, including but not limited to design, permitting (subject to STB requirements), construction and operational management. In the event a broker dealer is not available or interested to market the offering for any reason, Pacific Charter intends to market the offering directly to institutional buyers.

The railroad planning and construction is expected to be followed closely by the Marine Complex/Docks planning and development. Truck Transfer "Hub" Terminals provide additional opportunities to develop multiple revenue streams and are considered the "heart beat" that initiates and starts the integration of the multi modal trans-shipment system operation. The Marine Complex/Docks and the Truck Transfer "Hub" Terminals may not be completed in a timely manner or at all due to the significant financing that is needed for the Project as well as the execution risk of operating as a start-up in a highly regulated industry.

There are a number of financing alternatives that Pacific Charter may consider in the event it is unable to obtain the required construction financing for the Project as described above. These include (1) joint venture or partnership, (2) bank financing, and (3) IPO or secondary offering to become a publicly traded company. However, none of these alternative financing sources may be available to the Development Company depending on its ability to raise capital and complete the Project in a timely manner or at all due to the risks described in this Memorandum.

Risks Associated with the Extended Permitting and Construction Period

During the permitting and construction of the Project, the Development Company is not expected to have any cash flow. The Development Company expects that this period could be at least seven to eight years. This timing significantly increases the risk that the Project will not be completed in a timely manner or at all.

To overcome this obstacle, Pacific Charter plans to fund the Project through a series of private placements of Series C Preferred Stock of the Development Company separately for its three Divisions: Railroad, Docks and Terminals. Pacific Charter plans that such private placements would be marketed through broker dealers or Pacific Charter to institutional buyers. However, despite these plans, there are no assurances that the Development Company will be able to access sufficient financing due to fluctuations in capital markets, financial track record of the Development Company and other risks described in this Memorandum.

Risks Associated with Conflict of Interest

The key personnel of Pacific Charter and the Development Company are involved with other business ventures that may create a conflict of interest in their relationship with the Development Company. Many of the officers and directors of the Development Company serve as officers and directors of other companies. Although the Development Company's management intends to act in a manner that they deem best for the Development Company, there may be times they may not devote full time or attention to the Development Company's business. However, the Development Company's

management expects to devote such time as it deems necessary for the efficient operation of the Development Company's affairs.

Risks of New Technologies

The Development Company intends to utilize modern technologies, such as automatic dock container loading equipment to automatically transfer containers to and from trains and hydrogen-powered locomotives. Many of these technologies are novel and not yet fully commercialized. There are a number of factors that possibly could affect the ability to use these new technologies in the Project, and the Development Company may not be able to do so in the manner contemplated by this Memorandum. A number of technological changes would likely occur during the time of permitting and construction of the Project, and the Development Company's design, plans and financing need to have the flexibility required to adapt to such changes. However, the Development Company may be unable to adapt to such changes, which could result in material and adverse financial results that would affect the Development Company and may cause prospective investors to lose the value of their investment.

The Operations of the Properties at the Project Involve Operating Hazards that Could Adversely Affect the Development Company and the Return on Your Investment

The Railroads, Docks and Terminals divisions all are subject to many hazards inherent in the environments in which they operation and due to their mechanical applications, many of which may cause delays and stoppage. Working in this type of hazardous environment could result in legal liability to the Development Company from penalties and damages if there are any injuries, deaths or other accidents during the construction or operation of the Project. In addition, while the Development Company expects to procure appropriate insurance for its operations, there is the risk of natural and manmade disasters, as well as work stoppages and other actions that could adversely impact the construction or operation of the Project. Such losses and liability would adversely affect the financial results of the Development Company and the ability of prospective investors to receive a return on their potential investment.

APPENDIX II
INCOME TAX CONSIDERATIONS

EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON HIS OR HER PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE INCOME AND OTHER TAX CONSEQUENCES OF PARTICIPATION IN THIS INVESTMENT.

Set forth below is a discussion, in summary form, of certain United States federal income tax consequences relating to an investment in the Company's Class A Units based upon the Internal Revenue Code of 1986, as amended (the "***Code***"), rulings with respect to the Code, U.S. Treasury regulations promulgated or proposed under the Code ("***Regulations***") and existing interpretations of the Code, all as in effect and available as of the date of this memorandum, any of which could be changed at any time and any such change of which could be retroactive. As of the date of this Memorandum, significant U.S. federal income tax changes are currently pending in Congress. The ultimate likelihood that any such changes will be enacted into law, and the effect of any such changes on the tax consequences of a Member's investment in the Company is uncertain at this time. This summary does not attempt to present all aspects of the U.S. federal income tax laws or any state, local or foreign laws that may affect an investment in the Company. Except as otherwise explicitly set forth below, this summary in general relates to the U.S. federal income tax implications of owning an investment in the Company by individuals who are citizens or residents of the United States. In particular, this summary does not discuss any tax consequences that may be applicable to foreign investors, financial institutions, insurance companies, corporations, tax-exempt entities and other investors of special status and thus such investors must consult with their own professional tax advisors. Tax laws and administrative rules may change, sometimes with retroactive effect. Each prospective Member should consult with its own tax adviser in order to fully understand the U.S. federal, state, local and foreign income tax consequences of an investment in the Company, including, but not limited to the potential application of tax legislation pending in Congress. **NO RULING HAS BEEN OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "*IRS*") AND NO ASSURANCE CAN BE GIVEN THAT THE IRS WILL AGREE WITH THE TAX CONSEQUENCES DESCRIBED IN THIS SUMMARY.**

For purposes of this discussion, an investor in the Company is generally referred to as a "***Member***." A "***U.S. Member***" (as such term is used in this discussion) is a beneficial owner of an Interest in the Company that is one of the following for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation) that is created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) it has a valid election in effect under applicable Regulations to be treated as a U.S. person. A "***Non-U.S. Member***" is a beneficial owner of an interest in the Company that is not a U.S. Member and is not a partnership for U.S. federal income tax purposes. If a partnership owns an interest in the Company, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of such partnership and the Company.

In General

The ensuing discussion examines U.S. federal income tax issues and consequences specifically related to a purchase of Class A Units in the Company. The Company's income tax returns will be prepared by management and independent accountants for the Company. The Company will make a

number of decisions on such tax matters, such as the expensing or capitalizing of particular items, the proper period over which costs may be depreciated or amortized, and the allocation of acquisition costs between assets. Such matters will be handled by the Company, often with the advice of independent accountants retained by the Company, and will not usually be reviewed with counsel.

There is uncertainty concerning certain of the tax aspects discussed herein, and there can be no assurance that some of the deductions claimed or positions taken by the Company will not be challenged by the IRS. In addition, state tax authorities may audit the Company's tax returns, which could result in unfavorable adjustments for Members.

No Tax Benefits Expected

Because it is expected that an investment in the Company will not reduce the cumulative tax liability of an investor in any year as a result of tax losses, deductions, or credits, investors should not invest with the expectation of receiving any such tax benefits.

Classification of the Company as a Partnership

Under applicable Regulations, a California limited liability company such as the Company, generally will be classified as a partnership for U.S. federal income tax purposes unless it files an affirmative election to be treated as an association taxable as a corporation. The Company will not elect to be treated as a corporation. Therefore, it is expected that the Company will be treated as a partnership for U.S. federal income tax purposes. The following discussion assumes that the Company will be treated in its entirety as a partnership for U.S. federal income tax purposes. However, the treatment of an entity as a partnership for U.S. federal income tax purposes may not be determinative of its treatment for non-U.S. tax purposes or for state or local tax purposes.

If the Company were classified as an association taxable as a corporation for U.S. federal income tax purposes, it would be required to pay U.S. federal income tax at applicable corporate tax rates on its taxable income. In such case, the amount of cash available for distribution to the Members could be substantially less than if the Company were classified as a partnership. Moreover, any distributions by the Company to a Member generally would be treated as a dividend, subject to U.S. federal income tax.

Taxation of Members

The Company generally will not be subject to U.S. federal income tax. Rather, the Members will be allocated, and to the extent they are subject to taxation, will have to report on their personal tax returns, their pro rata share of any income or loss of the Company.

The Company will be required to file an annual Partnership Information Income Tax Return, Form 1065, and will furnish each Member with the necessary information with respect to the Company to enable each Member to prepare and file U.S. federal and state income tax returns. Members should be aware that it is possible that, because of circumstances outside the control of the Manager, this information will most likely not be provided before one-hundred twenty (120) days after the conclusion of the Company's fiscal year and Members should be prepared to file for extensions with respect to their income tax returns. The preparation and filing of such personal returns is the individual responsibility of each Member.

Generally, the Members will be required to treat Company items on their personal U.S. federal income tax returns consistent with the treatment of the items on the Company information return. In general, this consistency requirement is waived if a Member files a statement with the IRS identifying the

inconsistency. Failure to satisfy the consistency requirement, if not waived, will result in an adjustment to conform the treatment of the item by the Member with its treatment on the Company return. Even if the consistency requirement is waived, adjustments to a Member's tax liability with respect to Company items may result from an audit of the Company's or the Member's tax return. Intentional or negligent disregard of the consistency requirement may subject a Member to substantial penalties.

Tax Rates; Alternative Minimum Tax

Prospective investors should consult with their own tax advisors for information about applicable rates of taxation, if any.

Furthermore, Members that are subject to the alternative minimum tax (the "***AMT***") should consider the tax consequences of an investment in the Company in view of their AMT position, taking into account the special rules that apply in computing the AMT, including the adjustments to depreciation deductions (if any), the special limitations as to the use of net operating losses and, in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for state and local taxes.

Determination of Adjusted Tax Basis in the Company

Subject to certain limitations, each Member may deduct his, her or its allocable share of the Company losses (if any) in any taxable year only to the extent of the tax basis for such Member's Interest in the Company. The initial tax basis in the Class A Units will be the amount of cash contributed to the Company by a Member for the Class A Units.

Each Member's tax basis will be increased by such Member's allocable share of any Company taxable income. A Member's tax basis will also be increased by that Member's distributive share (based on that Member's interest in Company profits at the time) of any Company non-recourse debt not in excess of the fair market value of the property securing such indebtedness, and that Member's distributive share of the Company's recourse debt to the extent that Member is in all events required to make additional capital contributions of fixed, specified amounts at a definite future date. Members will not be required to make contributions to the Company in addition to their capital commitments. The Company does not anticipate incurring any indebtedness.

A Member's tax basis will be decreased (but not below zero) by such Member's allocable share of any Company losses, the amounts of any cash distributions (whether constructive or actual), and the adjusted basis of any property distributed to such Member by the Company other than cash. A reduction in the amount of a Member's share of Company debt will be treated as a constructive cash distribution to the Member and will reduce the basis of that Member's interest in the Company, resulting in gain recognition in the manner described under "*Distributions in Excess of Basis*" below to the extent a Member's basis would otherwise be reduced below zero by such constructive cash distribution.

Distributions in Excess of Basis

The distribution of cash flow and other money or property from the Company to a Member will not generally cause such Member to recognize taxable gain. However, a Member could recognize taxable gain as a result of any actual or deemed cash distribution if (and to the extent that) the actual or deemed cash distribution exceeds the Member's adjusted tax basis in such Member's interest in the Company. In applying these rules, (i) increases in a Member's allocable share of the Company's liabilities are deemed to be capital contributions (which increase basis), and (ii) decreases in Member's allocable share of the Company's liabilities are deemed to be cash distributions (which reduce basis). Each Member should be

aware that such Member could recognize taxable gain if such Member receives deemed cash flow distributions as a result of a decrease in such Member's share of the Company's liabilities. Gain, if any, resulting from Company cash distributions will generally be treated as gain from the sale or exchange of Class A Units. See "*Gain or Loss on Sale or Other Disposition of Class A Units or Alternative Securities*" below.

Allocation of Profits and Losses

The Operating Agreement dictates how the Company's partnership items will be reported on the tax returns of the Company, and allocated to the Company's Members for U.S. federal income tax purposes, and provides for varying allocations of profits, losses and gains. Section 704(b) of the Code and the Regulations promulgated thereunder provide when allocations by a Company will be respected, except as provided in Section 704(c) of the Code. An allocation of items in a Company agreement will be respected if either: (i) the allocation is in accordance with the partners' interest in the Company; or (ii) the allocation to the partner under the partnership agreement has substantial economic effect. The allocations set forth in the Operating Agreement are intended to be in accordance with the Members' interest in the Company, in which case the allocations would be respected for tax purposes. The IRS may challenge these allocations. There can be no assurance that such a challenge would not be successful, in which case the Members may be allocated different amounts of income, gain, loss, deductions, or credits than were initially reported to them by the Company, which could result in the assessment of additional taxes, interest, and penalties on one or more Members.

Section 704(c) of the Code and the Regulations promulgated thereunder provide that where a partner receives a Company interest attributable to a contribution of appreciated property or where there are certain adjustments to the carrying value of Company property (e.g., reverse Section 704(c) amounts), allocations or profits and losses shall be adjusted to take account of the difference between the value and tax basis of such appreciated property. The Manager is authorized to select the method for computing Section 704(c) allocations without the approval of any Member.

Character of Income from Operations

To the extent that the Company generates net rental or interest income in connection with its ownership of Company property, such income will constitute ordinary income. The character of any Company income (i.e., ordinary income or capital gain) will pass through the Company to the Members.

Tax Treatment of the Company's Investment in the Development Company

The Development Company will be taxable as a corporation for U.S. federal income tax purposes, and accordingly, the taxable income of the Development Company will be subject to U.S. corporate income tax when recognized by the Development Company. Pursuant to Section 301 of the Code, distributions from the Development Company, other than certain redemptions of the Company's interest in the Development Company, would be treated as dividend income to the Members when such distributions are received by the Company to the extent of the current or accumulated earnings and profits of the Development Company, and neither the Company nor the Members would be entitled to report profits or losses realized by the Development Company.

A Member's allocable share of dividends received by the Company generally will be taxed as ordinary income. However, "qualified dividends" received by the Company from the Development Company may be taxable to Members that are individuals at rates generally applicable to long-term capital gains if certain requirements, including holding period requirements, are satisfied. Very generally, qualified dividends are dividends paid by U.S. corporations and certain qualified foreign corporations.

Notwithstanding the foregoing, if there is a Series A Liquidity Event in which all or a portion of the Company's Series A Preferred Stock are redeemed by the Company, such redemption may, depending on the nature and extent of such redemption, be treated as an exchange of such Development Company stock under Sections 302(a)&(b) of the Code. In the event such redemption is treated as a an exchange (rather than a distribution under Section 301 of the Code), such redemption would be treated similarly to a sale of such stock. See "*Gain or Loss on Sale or Other Disposition of Company's Series A Preferred Stock or Alternative Securities*" below.

Gain or Loss on Sale or Other Disposition of Company's Series A Preferred Stock or Alternative Securities

In the event Series A Preferred Stock or Alternative Securities are sold, the Company will realize gain or loss based on the difference between the amount realized and the Company's tax basis in the Series A Preferred Stock or Alternative Securities, as applicable. In general, if the Company's interest in the Development Company constitutes a capital asset in the hands of the Company at the time of its sale or other disposition, any profit or loss realized by the Company on its sale or exchange will generally be treated as capital gain or loss under the Code. Capital gain is taxed to individuals at varying rates based on the length of the holding period.

Property which is held primarily for sale to customers in the ordinary course of business does not qualify as a capital asset. The determination of whether property is held primarily for sale to customers in the ordinary course of business must be determined from all the facts and circumstances surrounding the particular property and the sale in question. The present intent of the Company is to hold its interest in the Development Company as an investment property and not primarily for sale to customers in the ordinary course of business. It is unlikely, therefore, that the Company will be viewed as a "dealer." However, the question of "dealer" status is a question of fact to be determined at the time of the sale of the Series A Preferred Stock or Alternative Securities, as applicable.

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

Alternative Securities

In the event of a conversion or exchange of the Series A Preferred Stock to an Alternative Security, the Company could realize gain, if any, in an amount equal to the excess of the then-fair market value of the Series A Preferred Stock held by the Company over the adjusted tax basis of such Series A Preferred Stock. In addition, the Members could be required to pay income taxes with respect to such gain even though they receive no cash distributions as a result of such conversion or exchange.

Various Deductions Could Be Disallowed; Organization and Syndication Expenses

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. In addition, expenses paid or incurred in connection with the organization and syndication of a partnership or limited liability company generally must be capitalized. Expenses of organizing a partnership or limited liability company generally may be amortized over a period of not less than 180 months. However, syndication expenses generally may not be deducted currently or amortized over any period. The determination as to whether expenses are "organization" or "syndication" expenses is a factual determination which initially will be made by the Manager. The IRS or other state taxing authority could challenge the Company's deductions or its allocations between organization and syndication expenses. If the IRS or other taxing authority were successful, in whole or in part, in challenging the Company on these issues, the U.S. federal and state income tax benefits of an investment in the Company could be materially reduced.

Limitation on Losses from Passive Activities

Section 469 of the Code provides that losses and credits from a trade or business activity in which a taxpayer does not materially participate ("***passive losses***") will not be allowed to offset certain other taxable income of that taxpayer, including salary, active business income and portfolio income (such as dividends, interest, royalties, and gains on disposition of properties that produce portfolio income). In general, an activity is a passive activity with respect to a particular taxpayer for a particular taxable year only if (a) the activity is (i) a trade or business activity; and (ii) the taxpayer does not materially participate in that activity for such taxable year, or (b) the activity is a rental activity. Income or loss from stock investments (such the Company's ownership interest in the Development Company) can in certain instances be classified as investment activities for U.S. federal Income tax purposes, rather than trade or business activities to which the "passive activity loss" provisions of the Code would apply and if so classified, will not constitute income or loss from a "passive activity" for purposes of the passive loss rules. Subject to the other limitations described herein, a taxpayer generally can deduct from its taxable income its allocable share of such investment activity losses and deductions. However, passive losses from other sources may not be able to be deducted against a taxpayer's allocable share of income or gain from the Company.

Use of Certain Deductions

Certain expenses of the Company, including the Management Fee, potentially may be investment expenses rather than trade or business expenses, with the result that a non-corporate Member will be entitled to deduct its share of such expenses only to the extent that such share, together with other itemized deductions, exceeds two percent (2%) of such Member's adjusted gross income. Such itemized deductions are further reduced for certain taxpayers with adjusted gross incomes exceeding certain amounts by the so-called "overall limitation on itemized deductions," which can significantly reduce such Member's itemized deductions. Corporate Members and tax-exempt Members will not be affected by these limitations regarding the deductibility of expenses.

In addition, a Member (other than a corporation or tax-exempt entity) is not permitted to deduct "investment interest" in excess of "net investment income." "Net investment income" generally includes all gross income of the taxpayer from property held for investment or from its disposition. For this purpose, long-term capital gain and "qualified dividend income" are excluded from net investment income unless the taxpayer elects to pay tax on such amounts at ordinary income tax rates. This limitation could apply to limit the deductibility of interest paid by a Member on indebtedness incurred to finance its investment in the Company or the deductibility of such Member's share of interest expense of the Company. Interest that is not deductible in the year incurred because of this limitation may be carried forward and deducted in a future year in which there is sufficient investment income.

At Risk Limitation

Another restriction on the deductibility of Company losses is the "at-risk" rule of Section 465 of the Code. Section 465 of the Code generally limits the deductibility of losses of partners who are individuals, S corporations or certain closely held corporations. As a result, a Member will be able to deduct Company losses only to the extent that such Member is considered to be "at-risk." Losses that are disallowed in any year because of the "at-risk" limitations are carried over to succeeding years and can be used in those years to the extent that the taxpayer's "at-risk" amount has increased and the loss is otherwise deductible. Generally, a partner is considered to be "at-risk" to the extent of the amount of money or the adjusted basis of property contributed to the activity by the partner plus recourse liabilities incurred with respect to such activities. To the extent the amount a Member has at-risk is decreased below zero at the close of any taxable year, such Member must include such amount in such Member's gross income for the taxable year in which the decrease occurs. This could occur for a variety of reasons including, without limitation, as a result of cash flow distributions made by the Company.

Taxable Income May Exceed Distributions

A Member's taxable income resulting from his, her or its interest in the Company may exceed the cash distributions that such Member receives from the Company. For example, this may occur because the Company's receipts may constitute taxable income but its expenditures may constitute nondeductible capital expenditures or loan repayments. Thus, a Member's tax liability generally may exceed such Member's share of cash distributions from the Company. The same tax consequences may result from the sale or transfer of a Member's Class A Units, whether voluntary or involuntary, and may produce ordinary income (or loss) or capital gain (or loss). There can be no assurance that the Company will have sufficient available cash flow (after reserves) to permit it to make annual distributions in the amount necessary to make annual distributions or in the amount necessary to pay all tax liabilities resulting from a Member's ownership of a Class A Unit or that the Company will make distributions even if cash is available.

Liquidating Distributions; Technical Terminations

Generally, upon liquidation or termination of the Company, income will be recognized by Members only to the extent that cash is distributed in excess of such Member's adjusted basis in his, her or its Class A Units at the time of distribution. The dissolution and liquidation of the Company might create adverse tax and economic consequences for the Company. For example, if, as a result of a dissolution, the Company were to liquidate its interest in the Development Company during a limited period of time, the Company might sustain substantial economic losses based on the original cost of its interest in the Company. It should be noted that, even though a distribution on dissolution is designated as a return of the capital originally invested by a Member, such Member may still be subject to tax on that transaction.

If 50% or more of the total capital and profits interests in the Company is sold or exchanged within a twelve-month period, then the Company will technically terminate as a partnership for tax purposes. It is therefore possible that a technical tax termination could occur as a result of transfers of interests in the Company, which could expose the Company and the Members to additional expenses. A technical termination of the Company would necessitate the filing of new tax elections by the Company and could result in non-calendar-year Members being required to include Company taxable income in their taxable income in an earlier taxable year than would otherwise be the case. A technical tax termination could also decrease the annual depreciation deductions of the Company, if any.

Net Investment Income Tax

In addition to regular U.S. federal income taxes, under Section 1411 of the Code, individuals, estates and trusts with modified adjusted gross income above certain thresholds on an annual basis are subject to a 3.8% tax on their investment income net of deductions properly allocable to such income, above such thresholds. Subject to certain exceptions, investment income includes interest income, dividends, rents from real property, and gain on the sale of real property and other investment assets. An individual, estate, or trust that is a Member holding interests in the Company must include such Member's allocable share of the Company's net investment income in computing this tax. The rules on the application of the 3.8% tax on net investment income to income from real property, and possible exceptions from such application, are complex. Accordingly, Members must consult their own tax advisors with respect to the application of such tax to their ownership of interests in the Company.

Related Party Expenses; Method of Accounting for Income Tax Purposes

There may be additional limits on the deductibility of payments between related parties. No deduction is allowed for a payment by an accrual basis taxpayer to a related cash basis recipient until such time as the recipient includes the payment in income. The definition of related party for purposes of this provision includes a partnership and any partner in the partnership.

The Company will use a method of accounting for income tax purposes to be determined by the Manager.

Personal Holding Companies

If five or fewer individuals own or are treated as owning under certain attribution rules in the aggregate more than 50% of the value of the stock of a United States corporation at any time during the last half of the taxable year and at least 60% of the "adjusted gross income" of such corporation consists of certain passive type income, the corporation will be treated as a "personal holding company" (a "***PHC***") and may be subject to a 20% tax on its "undistributed personal holding company income." Although the Company does not believe the Development Company will be a PHC, there can be no assurances this will not be the case.

Gain or Loss on Sale or Other Disposition of Class A Units

There will be no public market for Class A Units. Upon the sale or disposition of Class A Units, a selling Member will realize taxable gain, if and to the extent, the "amount realized" exceeds the Member's adjusted tax basis for such interest. The "amount realized" will equal the sum of the cash and fair market value of other property received by the selling Member plus the portion of the Company's liabilities allocated to the interest sold. A Member's tax liability resulting from the disposition of an Interest in the Company could exceed the amount of cash received by the Member upon such disposition.

Any gain or loss recognized by a Member upon the sale, exchange or other disposition of such Member's Class A Units (provided that such partner is not deemed to be a "dealer" in such property) will generally be treated as capital gain or loss (characterized as long-term capital gain or loss, if such interest is held for more than one year by the selling Member), except that portion of any gain that is attributable to unrealized receivables or inventory items of the Company, which will generally be treated as ordinary income.

Transfers of Class A Units.

For U.S. federal income tax purposes, items of income, gain, loss, deduction or credit of the Company may be allocated to a Member only if they are attributable to that portion of the year in which the Member is treated as a Member of the Company for tax purposes.

If any Member's interest in the Company changes at any time during the Company's taxable year, the net income or net loss allocable to any Class A Units transferred during any year will be allocated among the persons who were the holders thereof during such year using any reasonable computation method selected by the Manager that complies with Regulations issued under Section 706 of the Code, including allocation based on an interim closing of the Company's books, or in proportion to the period of time that each such holder was recognized as the owner of such Class A Units during the year. The holder of a Class A Unit will be required to report a share of the Company's taxable net income or taxable net loss during the period of such holder's ownership on his personal income tax return even if the Member receives no distributions with respect to such period of ownership and/or the amount distributed to such holder has no relationship to the amount that he is required to report.

Ownership of Direct Interest in the Development Company

The Operating Agreement provides that the Manager shall have discretion to make distributions to the Members (including liquidating distributions) in-kind, including, without limitation, distributions of Series A Preferred Stock in connection with a Series A Liquidity Event. In the event of a Member becomes a direct shareholder of the Development Company (rather than indirectly holding an interest through the Company), the U.S. federal income tax applicable to partnerships will not (following such distribution) apply to such Member's direct interest in the Development Company as a shareholder. See "*Tax Treatment of the Company's Investment in the Development Company*" and "*Gain or Loss on Sale or Other Disposition of Company's Series A Preferred Stock or Alternative Securities*" above. Each prospective investor is urged to consult with its own tax advisor regarding the U.S. federal, state, local and foreign tax treatment of potentially receiving, holding and disposing of a direct ownership interest in the Development Company.

Withholding

The Manager is authorized to withhold and pay any taxes with respect to any Member in order to comply with applicable tax laws, and any such taxes may be withheld from any distribution otherwise payable to such Member or reduce future distributions otherwise payable to such Member. The Company's investments may be subject to taxes, including withholding taxes. All distributions to Members will be made net of any taxes payable by the Company.

Taxes payable by the Company or withholding taxes imposed on income paid to the Company (and income of the Company used to pay such taxes) that are attributable to the status of a Member will generally be deemed for purposes of the Operating Agreement's distribution provisions to be distributed to the Members and paid by them to the relevant taxing jurisdictions. In the case of taxes imposed only on income allocable to some but not all of the Members, such taxes will be allocated to, and reduce distributions to, only such Members.

Tax Elections.

The Company may make certain elections for U.S. federal income tax reporting purposes that could result in various items of the Company income, gain, loss, deduction, and credit being treated differently for tax and the Company purposes than for accounting purposes. Upon the sale or exchange of

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

As a result of the complexities and added expense of the tax accounting required to implement such an election, the Manager may choose whether or not to make such an election for the Company. Therefore, any benefits which might be available to the Members by reason of such an adjustment to basis will be foreclosed. In addition, if the Company does not make an election under Section 754 of the Code, a Member may have greater difficulty in selling Class A Units since the purchaser will obtain no current tax benefits from the investment to the extent that such investment exceeds his allocable share of the Company's basis in its assets and may be required to recognize taxable income to the extent of such excess, even though the purchaser does not realize any economic profit.

Resolution of Tax Disputes Involving Company Items

Partnerships such as the Company generally are treated as separate entities for purposes of U.S. federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of Company items of income, gain, loss, deduction and credit are determined at the Company level in a unified partnership proceeding rather than in separate proceedings with the partners. The Code currently provides for one partner to be designated as the "Tax Matters Partner" for these purposes. The Operating Agreement appoints the Manager as the Tax Matters Partner for the Company. The rules regarding the audit of partnerships will change in future years, as more fully explained below.

The Tax Matters Partner is entitled to make certain elections on behalf of the Company and Members and can extend the statute of limitations for assessment of tax deficiencies against Members with respect to Company items. The Tax Matters Partner may bind certain Members to a settlement with the IRS. The Tax Matters Partner may seek judicial review (to which all the Members are bound) of a final Company administrative adjustment.

Company Tax Returns May Be Audited

The U.S. federal or state information tax returns of the Company may be audited by the IRS or other state tax agency. Such audit may result in an increase in gross income, in the disallowance of certain deductions and in an audit of the income tax returns of the Members, which could result in adjustments to non-Company items of income, deduction or credit. The Manager and the Company do not assure or give a warranty of any kind with respect to the treatment of any such items in the event of either an audit or any litigation resulting from such audit. Any final actions which increase gross income or disallow deductions of the Company could adversely affect the Members. Further, Members will be bound by actions taken by the Manager as the Tax Matters Partner of the Company during the course of an audit, including with respect to adjustments made from such audit (and Members will not have a chance to participate in such audit).

Under legislation enacted pursuant to Section 1101 of the Bipartisan Budget Act of 2015 (the "***New Partnership Audit Rules***"), which will apply for fiscal years beginning after December 31, 2017

(unless either the Company elects to apply the legislative changes sooner or the effective date of Section 1101 of the New Partnership Audit Rules is extended), in the event of a U.S. federal income tax audit the Company, rather than the Company's Members, could be liable for the payment of certain taxes, including interest and penalties, or the Members could be liable for the tax but be required to pay interest at a higher rate than would otherwise apply to underpayments. The Manager shall be designated the "Company representative" of the Company within the meaning of Section 6223(a) of the Code and in such capacity shall apply the New Partnership Audit Rules and the provisions of the Operating Agreement. The Operating Agreement authorizes the Manager, without the further approval of the Members, to make and file such tax elections and make an implement all tax decisions on behalf of the Company as are available under the New Partnership Audit Procedures and to make and implement such amendments and other changes to the Operating Agreement as are necessary or appropriate in connection with any such elections. The Operating Agreement will provide that, if requested by the Manager, each of the Members will agree to execute, deliver and, if necessary file with the IRS and any other applicable taxing agencies, any and all statements, documents and amendments as necessary or appropriate to implement any elections or decisions made by the partnership representative or the Manager under the New Partnership Audit Rules.

Potential Penalties and Reporting Requirements

The Regulations directed at tax-shelter activity require taxpayers to disclose participation in certain transactions on IRS Form 8886. A transaction may be a reportable transaction based on several criteria, including the incurrence of losses that exceed certain specific thresholds, one or more of which may be present with respect to Company interests or investments made by the Company. Additionally, each Member treated as participating in a reportable transaction of the Company is required to file Form 8886 with its tax return (or, in certain cases, within 60 days of the return's due date). In certain situations, there also may be a requirement that a list be maintained by the Company of persons participating in such reportable transactions, which list could be made available to the IRS at its request. There are significant penalties for failing to comply with these reporting obligations. In addition, certain states, including California, have imposed similar tax shelter reporting obligations for state tax law purposes.

Possible Changes in U.S. federal Tax Laws

The Code is subject to change by Congress, and interpretations of the Code may be modified or affected by judicial decisions, by the Treasury Department through changes in Regulations, and by the IRS through its audit policy, announcements and published as well as private rulings. Such changes may be retroactive. Accordingly, the ultimate effect on a Member's tax situation may be governed by laws, regulations or interpretations of laws or regulations which have not yet been proposed, passed or made, as the case may be. While significant changes historically have been given prospective application, no assurance can be given that any changes made in the tax law affecting an investment in the Company would be limited to prospective effect.

As noted earlier, significant changes have been made in the Code in the last several years and substantial changes to the Code are currently pending in Congress. The Treasury Department's position regarding many of those changes must await publication of interpretive and legislative regulations, some of which may not be forthcoming for some time. Generally, those interpretations will be subject to review by the courts, if taxpayers and their representatives believe the interpretations do not conform to the Code. Some Regulations, however, may have the force and effect of law and as a result may be beyond the judicial review powers of U.S. federal courts.

Tax Treatment of Non-U.S. Members

Special U.S. federal income tax rules apply to Non-U.S. Members. Non-U.S. Members are generally subject to U.S. withholding tax at a 30% rate on the gross amount of interest, dividends, royalties and other fixed or determinable annual or periodical (FDAP) income received from sources within the United States if such income is not treated as effectively connected with a trade or business conducted within the United States. The 30% rate may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which the Non-U.S. Member resides or is organized. Certain U.S. source "portfolio interest" is exempt from withholding tax. Moreover, Non-U.S. Members generally are not subject to U.S. tax on capital gains unless (i) such gains are effectively connected with the conduct of a U.S. trade or business of such Non-U.S. Member (or, if a tax treaty is applicable, such gains are attributable to a permanent establishment in the United States maintained by such Non-U.S. Member); or (ii) such gains are attributable to the disposition of a "United States real property interest" ("***USRPI***"). Under Section 897 of the Code, a USRPI is an interest in real property located in the U.S. or the Virgin Islands and also includes stock in a "United States real property holding corporation" ("***USRPHC***") (as such term is defined in Section 897 of the Code). The provisions of the Code governing U.S. federal income taxation of Non-U.S. persons (such as Non-U.S. Members) holding interests in U.S. real property are sometimes referred to as "***FIRPTA***" which refers to the Foreign Investment in Real Property Tax Act of 1980. It is possible, though not certain, that the Development Company may be treated as a USRPHC and therefore a USRPI. The amount realized by a partner from the sale of an interest in a partnership that directly or indirectly owns USRPIs will be treated as received in exchange for the sale of a USRPI to the extent the amount is attributable to USRPIs held directly or indirectly by the partnership. If In addition, if a Non-U.S. Member is an individual, such individual will be subject to U.S. tax on capital gains if such individual and is present in the United States for 183 or more days during the taxable year (assuming certain conditions are met).

Non-U.S. Members treated as engaged in a U.S. trade or business are generally subject to U.S. federal income tax at the graduated rates applicable to U.S. persons on income which is considered to be effectively connected with such U.S. trade or business. Regardless of a Non-U.S. Member's other investments and activities, a Non-U.S. Member will be considered to be engaged in a U.S. trade or business to the extent that the Company is considered to be engaged is a U.S. trade or business. Non-U.S. Members that are corporations may also be subject to a 30% branch profits tax on such effectively connected income. The 30% tax rate applicable to branch profits may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which the Non-U.S. Member resides or is organized.

Various limitations apply to the ability of Non-U.S. Members to claim the benefits of a tax treaty with the United States. Among other limitations, a Non-U.S. Member may not be able to claim the benefits of a U.S. tax treaty with respect to income derived through an entity or entities (possibly including the Company) that are not treated as "fiscally transparent" in the Non-U.S. Member's jurisdiction of residence or organization.

If a Non-U.S. Member were treated as being engaged in a U.S. trade or business in any year, such Non-U.S. Member generally would be required to file a U.S. federal income tax return for such year, reporting its allocable share, if any, of Company income or loss effectively connected with such trade or business and would be required to pay U.S. federal income tax at regular U.S. tax rates on any such income. Moreover, a corporate Non-U.S. Member might be subject to a U.S. branch profits tax on its allocable share of the Company's effectively connected income. In addition, under Section 1446 of the Code, the Company would be required to withhold and pay over to the IRS certain amounts of income tax with respect to each Non-U.S. Member's allocable share of the Company's effectively connected income from a U.S. trade or business, including operating income and gains from the sale of a USRPI by the

Company or by entities (such as the Development Company) in which the Company holds a direct or indirect ownership interest. Any amount so withheld would be creditable against the Non-U.S. Member's actual U.S. federal income tax liability, and the Non-U.S. Member would be entitled to a refund to the extent that the amount withheld exceeded such Non-U.S. Member's actual U.S. federal income tax liability for the taxable year. If and to the extent that the Company is engaged in a U.S. trade or business, any gain or loss recognized by a Non-U.S. Member on the sale or exchange of its Interest in the Company may be treated for U.S. federal income tax purposes as effectively connected income or loss, and hence such Non-U.S. Member may be subject to U.S. federal income tax on the sale or exchange.

Under FIRPTA (as defined above), Non-U.S. Members are not only subject to U.S. federal income tax payment and tax return filing obligations in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in USRPIs (including a Non-U.S. Member's interest in the Company), but, in addition, the purchaser of a USRPI from a Non-U.S. Member is required to withhold U.S. federal income tax in an amount equal to withhold 15% of the gross amount realized by the Non-U.S. Member in connection with the disposition and pay such withheld taxes over to the IRS. Similar to tax withholding by the Company as described in the preceding paragraph, any amount so withheld by the purchaser would be creditable against the Non-U.S. Member's actual U.S. federal income tax liability, which would be based on the gain recognized by the Non-U.S. Member on such sale (rather than the gross amount realized by the Non-U.S. Member) and the Non-U.S. Member would be entitled to a refund to the extent that the amount withheld exceeded such Non-U.S. Member's actual U.S. federal income tax liability for the taxable year. If the Company invests in a USRPI or USRPHC, either directly or through ownership of a direct or indirect interest in an entity that owns a USRPI (including stock in a USRPHC), then, as discussed above, each Non-U.S. Member will be subject to U.S. federal income tax under FIRPTA on such Non-U.S. Member's allocable share of any gain realized on the disposition of such USRPI by the Company or an entity in which the Company owns a direct or indirect interest, and will be required to file a U.S. federal income tax return with respect to such gain, and the Company, rather than the buyer of the USRPI, will be required to withhold amounts allocable to such Non-U.S. Members in the manner described above with respect to any such gain. Non-U.S. Members that are corporations may also be subject to the branch profits tax with respect to the disposition of investments in U.S. real property by the Company or an entity in which the Company owns a direct or indirect interest (other than stock in a USRPHC).

The U.S. federal income tax treatment of a Non-U.S. Member investing the Company is complex and will vary depending upon the circumstances of the Non-U.S. Member and the activities of the Company and the Manager. It is possible that the tax consequences of an investment in the Company may differ from those described herein. This Memorandum does not attempt to undertake a comprehensive discussion of any such tax aspects applicable to foreign investors.

Each Non-U.S. Member is urged to consult with its own tax advisor regarding the U.S. federal, state, local and foreign tax treatment of such Non-U.S. Member's investment in the Company. Non-U.S. Members are urged to consult their own tax advisors about other potential consequences of being considered engaged in business in the United States and of recognizing income from the disposition of a "USRPI."

FATCA

The Foreign Account Tax Compliance Act ("***FATCA***") imposes a U.S. federal withholding tax of thirty percent (30%) on (i) certain U.S.-source interest, dividends, royalties and other fixed or determinable annual or periodical gains, profits and income ("***FDAP Income***"), and (ii) gross proceeds from the sale or disposition of property that can produce interest or dividends from sources within the United States ("***Gross Proceeds***"), which are received by a "***foreign financial institution***" (as specifically

defined in the Code and the regulations thereunder), unless such foreign financial institution: (1) undertakes certain diligence and reporting, including entering into an agreement with the U.S. Treasury (or in certain cases an agreement with its home country government) requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report information about such accounts, and withhold thirty percent (30%) on payments to non-compliant foreign financial institutions and certain other account holders; or (2) otherwise qualify for an exemption from the FATCA rules. In addition, a withholding tax may be imposed on payments of FDAP Income or Gross Proceeds to certain "non-financial foreign entities" (as specifically defined in the Code and the Regulations thereunder) which do not obtain information as to their direct and indirect owners or otherwise qualify for an exemption from the FATCA rules. An intergovernmental agreement between the United States and an applicable foreign country, or change in Regulations, may modify these reporting and withholding requirements.

In general, these rules apply to payments of FDAP Income made on or after July 1, 2014 and to payments of Gross Proceeds made on or after January 1, 2019. In order to avoid incurring withholding tax, the Company may require its investors to comply with the IRS' reporting and registration requirements and to provide sufficient and timely information to the Company regarding their FATCA status. If the Company allows investors who do not provide the required information to invest in the Company, to the extent the Company has FDAP Income or Gross Proceeds after the dates above that are not effectively connected with a U.S. trade or business, investors who are foreign financial institutions or certain other non-U.S. entities may be subject to withholding on distributions they receive from the Company or their distributive share of the Company's income. In that case, the Company may specially allocate such tax to those investors who are subject to withholding, and make amendments to the allocation and distribution provisions of the Operating Agreement so as to ensure that the economic burden of such tax is borne by those investors.

Investors in the Company should consult their own tax advisors regarding the potential application of these withholding provisions to their investment.

Investment by Tax-Exempt Investors

If an entity exempt from taxation under Section 501 of the Code (a "***tax-exempt entity***") is a partner in a partnership which is engaged in a trade or business not substantially related to the tax-exempt entity's exempt function, the tax-exempt entity will be subject to unrelated business income tax ("***UBIT***") at U.S. federal corporate income tax rates on its distributive share of such partnership income (other than dividends, interest, royalties, certain rents, capital gains and certain other items). In addition, if a tax-exempt entity is a partner in a partnership that owns property acquired with borrowed funds, or if the tax-exempt entity borrows to fund its investment in the partnership, the tax-exempt entity's share of partnership income (including dividends, interest, royalties, rents and capital gains) attributable to the debt-financed portion of such property may be subject to UBIT. A charitable remainder trust is also subject to tax on its unrelated business taxable income, but the tax rate is equal to 100% of the charitable remainder trust's unrelated business taxable income.

The Company may engage in investment activities that could cause Members that are tax-exempt entities to realize unrelated business taxable income that is subject to the U.S. federal UBIT. The Company may not comply with the ''fractions rule'' under Section 514(c)(9)(E) and the associated Regulations, and neither the Company nor the Manager will make undertake any obligation to comply with such rule.

Each tax-exempt investor is urged to consult with its own tax advisor regarding the U.S. federal, state, and local tax treatment of its investment, whether direct or indirect, in the Company.

State and Local Taxes

The Company's activities will be carried on primarily in California and neighboring states and the Company will be considered to be domiciled at the location of its principal office in the State of California. California imposes an income tax with respect to all income, regardless of source, on California residents and the income derived from California sources earned by a nonresident. An investor may be subject to tax return filing obligations and income, franchise and other taxes in jurisdictions in which the Company operates, as well as in such investor's own state or locality or residence of domicile. The foregoing does not represent a comprehensive discussion of state and local, estate or gift tax consequences relating to the investment. **Prospective investors should consult their own counsel regarding the laws and regulations of any jurisdiction that may be applicable to them and the Company.**

Admonition

The foregoing analysis is not intended as a substitute for careful tax planning, particularly since the income tax consequences of an investment in limited liability companies such as the Company are often uncertain and complex. Also, the tax consequences will not be the same for all taxpayers. Prospective investors in Class A Units should be aware that the foregoing discussion necessarily condenses or eliminates many details that might adversely affect some prospective investors significantly. Finally, investors might be faced with substantial legal and accounting costs in resisting a challenge by the IRS to the tax treatment of an investment in the Company, even if the IRS's challenge proves unsuccessful.

THE TAX AND OTHER MATTERS DISCUSSED IN THIS MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE INVESTORS. THE ABOVE SUMMARY IS NOT INTENDED TO BE COMPREHENSIVE AND REFLECTS APPLICABLE TAX LAW AS IN EFFECT ON THE DATE OF THIS MEMORANDUM, WHICH LAW IS SUBJECT TO CHANGE. PROSPECTIVE INVESTORS IN THE COMPANY ARE STRONGLY URGED TO CONSULT THEIR OWN INDIVIDUAL TAX ADVISORS PRIOR TO DECIDING WHETHER TO INVEST IN THE COMPANY.

THIS MEMORANDUM WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY THE RECIPIENT FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OR APPLICABLE STATE OR LOCAL TAX LAW.

APPENDIX III
DISCLOSURES

THIS MEMORANDUM IS BEING FURNISHED BY THE COMPANY ON A CONFIDENTIAL BASIS TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS FOR THE PURPOSE OF PROVIDING CERTAIN INFORMATION ABOUT THE CLASS A UNITS IN THE COMPANY.

THE CLASS A UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY FEDERAL, STATE OR OTHER SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS ANY SUCH COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE CLASS A UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, NOR IS SUCH REGISTRATION CONTEMPLATED. THE CLASS A UNITS WILL BE OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND OTHER EXEMPTIONS OF SIMILAR IMPORT IN THE LAWS OF THE STATES AND JURISDICTIONS WHERE THE OFFERING WILL BE MADE. THE COMPANY WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "***INVESTMENT COMPANY ACT***") AND THE MANAGER WILL NOT BE REGULATED BY THE INVESTMENT ADVISORS ACT OF 1940, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "***INVESTMENT ADVISORS ACT***"). INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OR THE INVESTMENT ADVISORS ACT. THE MANAGER BELIEVES THAT IT QUALIFIES AS A PRIVATE FUND ADVISOR, AND THAT THE COMPANY QUALIFIES AS A QUALIFYING PRIVATE FUND THAT IS A VENTURE CAPITAL COMPANY, UNDER CALIFORNIA INVESTMENT ADVISOR LAWS AND REGULATIONS, WHICH ENTITLES IT TO CERTAIN EXEMPTIONS FROM SUCH LAWS AND REGULATIONS.

IT IS THE RESPONSIBILITY OF ANY INVESTOR PURCHASING THE CLASS A UNITS OFFERED HEREBY OUTSIDE THE UNITED STATES TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY IN CONNECTION WITH ANY SUCH PURCHASE AND OBSERVING ANY APPLICABLE REQUIREMENTS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY CLASS A UNITS IN ANY STATE OR OTHER JURISDICTION WHERE, OR TO OR FROM ANY PERSON TO OR FROM WHOM, SUCH OFFER OR SOLICITATION IS UNLAWFUL OR NOT AUTHORIZED. THE CLASS A UNITS ARE OFFERED SUBJECT TO THE RIGHT OF THE MANAGER TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART.

THERE IS NO PUBLIC MARKET FOR THE CLASS A UNITS AND NO SUCH MARKET IS EXPECTED TO DEVELOP IN THE FUTURE. THE CLASS A UNITS MAY NOT BE SOLD OR TRANSFERRED WITHOUT THE MANAGER'S CONSENT (WHICH MAY BE WITHHELD IN ITS SOLE DISCRETION) AND SUBJECT TO THE RESTRICTIONS OF THE SECURITIES ACT AND OTHER APPLICABLE LAWS.

PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX, INVESTMENT OR ACCOUNTING ADVICE AND EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO THE CONSEQUENCES OF ITS INVESTMENT.

INVESTMENT IN THE CLASS A UNITS WILL INVOLVE A HIGH DEGREE OF RISK DUE, AMONG OTHER THINGS, TO THE NATURE OF THE VENTURE FINANCING, THE LACK OF OPERATING HISTORY OF THE DEVELOPMENT COMPANY AND THE EARLY STAGE NATURE OF THE PROJECT. PROSPECTIVE INVESTORS SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION IN THE SECTION OF THIS MEMORANDUM ENTITLED "RISK FACTORS." INVESTMENT IN THE COMPANY IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS AND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE HIGH RISKS AND LACK OF LIQUIDITY INHERENT IN AN INVESTMENT IN THE COMPANY. INVESTORS IN THE COMPANY MUST BE PREPARED TO BEAR SUCH RISKS FOR AN EXTENDED PERIOD OF TIME. NO ASSURANCE CAN BE GIVEN THAT THE COMPANY'S INVESTMENT OBJECTIVES WILL BE ACHIEVED OR THAT INVESTORS WILL RECEIVE A RETURN OF THEIR CAPITAL.

THE MANAGER RESERVES THE RIGHT TO MODIFY ANY OF THE TERMS OF THE OFFERING AND THE CLASS A UNITS DESCRIBED HEREIN AT ANY TIME BY AMENDING THE OPERATING AGREEMENT PURSUANT TO ITS TERMS.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS MEMORANDUM, AND ANY REPRESENTATION OR INFORMATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE MANAGER. STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF ITS DATE, UNLESS STATED OTHERWISE, AND NEITHER THE DELIVERY OF THIS MEMORANDUM AT ANY TIME, NOR ANY SALE HEREUNDER, SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO SUCH DATE. CERTAIN ECONOMIC AND MARKET INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM PUBLISHED SOURCES PREPARED BY OTHER PARTIES. WHILE SUCH SOURCES ARE BELIEVED TO BE RELIABLE, NEITHER THE COMPANY, THE MANAGER, NOR THEIR RESPECTIVE AFFILIATES ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE MANAGER WILL AFFORD EACH POTENTIAL INVESTOR WITH THE OPPORTUNITY TO DISCUSS WITH THE COMPANY'S REPRESENTATIVES CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING, AND OBTAIN ANY ADDITIONAL INFORMATION (TO THE EXTENT THE MANAGER POSSESSES OR CAN ACQUIRE SUCH INFORMATION WITHOUT UNREASONABLE EFFORT OR EXPENSE).

CERTAIN STATEMENTS IN THIS MEMORANDUM CONSTITUTE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE SECURITIES ACT. WHEN USED IN THIS MEMORANDUM, THE WORDS "MAY," "WILL," "SHOULD," "PROJECT," "ANTICIPATE," "BELIEVE," "ESTIMATE," "INTEND," "EXPECT," "CONTINUE," AND SIMILAR EXPRESSIONS OR THE NEGATIVES THEREOF ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. IN ADDITION, ALL STATEMENTS REGARDING ANY OF THE COMPANY'S, THE DEVELOPMENT COMPANY'S AND THE PROJECTS EXPECTED BUSINESS AND FINANCING PLANS, REGULATORY APPROVALS AND EXPECTED RETURNS ARE FORWARD LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS, INCLUDING THE INTENDED ACTIONS AND PERFORMANCE OBJECTIVES OF THE

COMPANY, THE MANAGER, THE DEVELOPMENT COMPANY OR THE PROJECT, INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS OF THE COMPANY, THE MANAGER, THE DEVELOPMENT COMPANY OR THE PROJECT TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY AND THE MANAGER BELIEVE THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD LOOKING STATEMENTS ARE REASONABLE, NEITHER CAN GIVE ANY ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO HAVE BEEN CORRECT, AND NO REPRESENTATION OR WARRANTY IS MADE AS TO FUTURE PERFORMANCE OR SUCH FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS IN THIS MEMORANDUM SPEAK ONLY AS OF THE DATE HEREOF. THE COMPANY AND THE MANAGER EXPRESSLY DISCLAIM ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN ITS EXPECTATION WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. **PROSPECTIVE INVESTORS MUST BE AWARE THAT THIS IS A HIGHLY SPECULATIVE VENTURE INVESTMENT THAT WILL RECEIVE ITS INITIAL FUNDING FROM THE NET PROCEEDS OF THIS OFFERING (LESS WORKING CAPITAL RESERVES). ACCORDINGLY, INVESTORS MAY LOSE THEIR ENTIRE INVESTED CAPITAL.**

IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM SUCH EXPECTATIONS ("***CAUTIONARY STATEMENTS***") ARE DISCLOSED IN THIS MEMORANDUM, INCLUDING, WITHOUT LIMITATION, IN CONJUNCTION WITH THE FORWARD LOOKING STATEMENTS INCLUDED IN THIS MEMORANDUM AND UNDER "RISK FACTORS." ALL SUBSEQUENT WRITTEN AND ORAL FORWARD LOOKING STATEMENTS ATTRIBUTABLE TO THE COMPANY OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

THE PROJECTED REGULATORY APPROVALS AND FINANCING FOR THE PROJECT, INCLUDING ASSOCIATED PAYOUTS ON THE SERIES A PREFERRED STOCK, AND OTHER INFORMATION SUPPLIED BY PACIFIC CHARTER OR THE DEVELOPMENT COMPANY SET FORTH IN THIS MEMORANDUM SHOULD BE CONSIDERED SPECULATIVE AND ARE QUALIFIED IN THEIR ENTIRETY BY THE ASSUMPTIONS, INFORMATION AND RISKS DISCLOSED IN THIS MEMORANDUM. NO ASSURANCE CAN BE GIVEN THAT ACTUAL EVENTS WILL CORRESPOND WITH THESE ASSUMPTIONS. THE COMPANY BELIEVES THE INFORMATION SUPPLIED BY PACIFIC CHARTER TO BE ACCURATE, BUT IT HAS NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND IS RELYING ON SUCH THIRD PARTY INFORMATION SUPPLIED BY PACIFIC CHARTER AND ITS OWN DUE DILIGENCE OF SUCH INFORMATION. THERE IS A RISK TO PROSPECTIVE PURCHASERS WITH RESPECT TO THE UNVERIFIABLE NATURE OF CERTAIN INFORMATION PROVIDED BY PACIFIC CHARTER.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR USE BY THE PROSPECTIVE INVESTORS OF THE COMPANY. EACH RECIPIENT HEREOF ACKNOWLEDGES AND AGREES THAT THE CONTENTS OF THIS MEMORANDUM CONSTITUTE PROPRIETARY AND CONFIDENTIAL INFORMATION THAT THE COMPANY, THE MANAGER, THE DEVELOPMENT COMPANY AND THEIR RESPECTIVE AFFILIATES (THE "***AFFECTED PARTIES***") DERIVE INDEPENDENT ECONOMIC VALUE FROM NOT BEING GENERALLY KNOWN AND ARE THE SUBJECT OF REASONABLE EFFORTS TO MAINTAIN THEIR

SECRECY. THE RECIPIENT FURTHER AGREES THAT THE CONTENTS OF THIS MEMORANDUM ARE A TRADE SECRET, THE DISCLOSURE OF WHICH ARE LIKELY TO CAUSE SUBSTANTIAL AND IRREPARABLE COMPETITIVE HARM TO THE AFFECTED PARTIES OR THEIR RESPECTIVE BUSINESSES. THE REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM IN WHOLE OR IN PART, THE DIVULGENCE OF ANY OF ITS CONTENTS, OR THE USE OF THE CONTENTS HEREOF FOR ANY PURPOSE OTHER THAN THE EVALUATION OF AN INVESTMENT IN THE CLASS A UNITS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY AND MANAGER, IS PROHIBITED. THE EXISTENCE AND NATURE OF ALL CONVERSATIONS REGARDING THE COMPANY AND THIS OFFERING MUST BE KEPT STRICTLY CONFIDENTIAL. THIS MEMORANDUM WILL BE RETURNED TO THE COMPANY UPON REQUEST. BY ACCEPTING THIS MEMORANDUM, EACH RECIPIENT AGREES TO THE FOREGOING.

APPENDIX IV
NOTICES TO NON-U.S. PERSONS

NOTICE TO RESIDENTS OF AUSTRALIA. THE COMPANY IS NOT A REGISTERED MANAGED INVESTMENT SCHEME, NOR IS IT REQUIRED TO BE REGISTERED AS A MANAGED INVESTMENT SCHEME, AND THIS MEMORANDUM IS NOT A PRODUCT DISCLOSURE DOCUMENT LODGED OR REQUIRED TO BE LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. INTERESTS IN THE COMPANY WILL ONLY BE OFFERED IN AUSTRALIA TO PERSONS TO WHOM SUCH SECURITIES MAY BE OFFERED WITHOUT A PRODUCT DISCLOSURE STATEMENT UNDER PART 7.9 OF THE CORPORATIONS ACT 2001 (CTH). INTERESTS IN THE COMPANY SUBSCRIBED FOR BY INVESTORS IN AUSTRALIA MUST NOT BE OFFERED FOR RESALE IN AUSTRALIA FOR 12 MONTHS FROM ALLOTMENT EXCEPT IN CIRCUMSTANCES WHERE DISCLOSURE TO INVESTORS UNDER THE CORPORATIONS ACT 2001 (CTH) WOULD NOT BE REQUIRED OR WHERE A COMPLIANT PRODUCT DISCLOSURE STATEMENT IS PRODUCED. PROSPECTIVE INVESTORS IN AUSTRALIA SHOULD CONFER WITH THEIR PROFESSIONAL ADVISORS IF IN ANY DOUBT ABOUT THEIR POSITION.

NOTICE TO RESIDENCE OF AUSTRIA. INTERESTS IN THE COMPANY MAY ONLY BE OFFERED IN THE REPUBLIC OF AUSTRIA IN COMPLIANCE WITH THE PROVISIONS OF THE AUSTRIAN CAPITAL MARKET ACT, THE AUSTRIAN INVESTMENT COMPANYS ACT AND OTHER LAWS APPLICABLE IN THE REPUBLIC OF AUSTRIA GOVERNING THE OFFER, ISSUE AND SALE OF THE INTERESTS IN THE REPUBLIC OF AUSTRIA. INTERESTS IN THE COMPANY ARE BEING OFFERED EXCLUSIVELY TO A LIMITED NUMBER OF INVESTORS IN AUSTRIA AND ARE THEREFORE NOT SUBJECT TO THE PUBLIC OFFERING REQUIREMENTS OF THE AUSTRIAN CAPITAL MARKET ACT OR THE AUSTRIAN INVESTMENT COMPANY ACT. INTERESTS IN THE COMPANY ARE NOT REGISTERED OR OTHERWISE AUTHORIZED FOR PUBLIC OFFER EITHER UNDER THE AUSTRIAN CAPITAL MARKET ACT, THE AUSTRIAN INVESTMENT COMPANY ACT OR ANY OTHER SECURITIES REGULATION IN AUSTRIA. THE RECIPIENTS OF THIS MEMORANDUM AND OTHER SELLING MATERIAL IN RESPECT TO INTERESTS IN THE COMPANY HAVE BEEN INDIVIDUALLY SELECTED AND ARE TARGETED EXCLUSIVELY ON THE BASIS OF A PRIVATE PLACEMENT. THIS OFFER MAY NOT BE MADE TO ANY PERSONS OTHER THAN THE RECIPIENTS TO WHOM THIS MEMORANDUM IS PERSONALLY ADDRESSED. ANY INVESTOR INTENDING TO OFFER AND RESELL INTERESTS IN THE COMPANY IN AUSTRIA IS SOLELY RESPONSIBLE THAT ANY OFFER AND RESALE TAKES PLACE IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE AUSTRIAN CAPITAL MARKET ACT, THE AUSTRIAN INVESTMENT COMPANY ACT OR ANY OTHER APPLICABLE SECURITIES REGULATION.

NOTICE TO RESIDENTS OF BELGIUM. THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE BELGIAN FINANCIAL SERVICES AND MARKETS AUTHORITY (AUTORITEIT VOOR FINANCIËLE DIENSTEN EN MARKTEN / AUTORITÉ DES SERVICES FINANCIERS ET DES MARCHÉS) ("***FSMA***") AS A FOREIGN COLLECTIVE INVESTMENT INSTITUTION REFERRED TO UNDER ARTICLE 127 OF THE BELGIAN ACT OF JULY 20, 2004 RELATING TO CERTAIN FORMS OF COLLECTIVE MANAGEMENT OF INVESTMENT PORTFOLIOS. THIS MEMORANDUM AND THE OFFERING OF INTERESTS IN THE COMPANY HAVE NOT BEEN AND WILL NOT BE NOTIFIED TO, AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY, THE FSMA. THE PUBLIC OFFERING OF INTERESTS IN THE COMPANY IN BELGIUM WITHIN THE MEANING OF THE BELGIAN ACT OF JULY 20, 2004, AND THE BELGIAN ACT OF JUNE 16, 2006 ON THE PUBLIC OFFERING OF INVESTMENT INSTRUMENTS AND THE ADMISSION OF INVESTMENT INSTRUMENTS TO LISTING ON A

REGULATED MARKET HAS NOT BEEN AUTHORIZED BY THE COMPANY. THE OFFERING MAY THEREFORE NOT BE ADVERTISED, AND INTERESTS IN THE COMPANY MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED TO, OR SUBSCRIBED TO BY, AND NO MEMORANDUM, INFORMATION CIRCULAR, BROCHURE OR SIMILAR DOCUMENT MAY BE DISTRIBUTED TO, DIRECTLY OR INDIRECTLY, ANY INDIVIDUAL OR LEGAL ENTITY IN BELGIUM, EXCEPT (I) TO "QUALIFIED INVESTORS" AS REFERRED TO IN ARTICLE 10, § 1 OF THE AFOREMENTIONED ACT OF JUNE 16, 2006, (II) SUBJECT TO THE RESTRICTION OF A MINIMUM INVESTMENT OF €100,000 PER INVESTOR OR (III) IN ANY OTHER CIRCUMSTANCES IN WHICH THE PRESENT OFFERING DOES NOT QUALIFY AS A PUBLIC OFFERING IN ACCORDANCE WITH THE AFOREMENTIONED ACT OF JUNE 16, 2006. THIS MEMORANDUM HAS BEEN ISSUED TO THE INTENDED RECIPIENT FOR PERSONAL USE ONLY AND EXCLUSIVELY FOR THE PURPOSE OF THE OFFERING. THEREFORE, IT MAY NOT BE USED FOR ANY OTHER PURPOSE, NOR PASSED ON TO ANY OTHER PERSON IN BELGIUM.

NOTICE TO RESIDENTS OF DENMARK. THIS MEMORANDUM HAS NOT BEEN AND WILL NOT BE FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY OR ANY OTHER REGULATORY AUTHORITY IN DENMARK AND INTERESTS IN THE COMPANY HAVE NOT BEEN AND ARE NOT INTENDED TO BE LISTED ON A DANISH REGULATED MARKET. INTERESTS IN THE COMPANY HAVE NOT BEEN AND WILL NOT BE OFFERED IN DENMARK UNDER THE EU ALTERNATIVE INVESTMENT COMPANY MANAGERS DIRECTIVE (AS IMPLEMENTED INTO DANISH LAW). CONSEQUENTLY, THIS MEMORANDUM MAY NOT BE MADE AVAILABLE AND INTERESTS IN THE COMPANY MAY NOT BE MARKETED OR OFFERED FOR SALE DIRECTLY OR INDIRECTLY TO ANY NATURAL OR LEGAL PERSON IN DENMARK EXCEPT AS PERMITTED UNDER APPLICABLE RULES.

NOTICE TO RESIDENTS OF FINLAND. AS THE COMPANY IS A CLOSED END FUND, THE MARKETING OF INTERESTS IN THE COMPANY IS NOT INTERPRETED TO BE SUBJECT TO THE PROVISIONS OF THE FINNISH ACT ON MUTUAL COMPANYS (SIJOITUSRAHASTOLAKI, 29.1.1999, AS AMENDED, THE "***MFA***"). ACCORDINGLY PROSPECTIVE INVESTORS SHOULD ACKNOWLEDGE THAT THIS MEMORANDUM IS NOT A FUND PROSPECTUS AS MEANT IN THE MFA AND THE MARKETING OF INTERESTS IN THE COMPANY IS NOT SUBJECT TO A MARKETING PERMISSION FROM THE FINANCIAL SUPERVISORY AUTHORITY (FINANSSIVALVONTA; "***FIN-FSA***"). FURTHERMORE, EVEN IF INTERESTS IN THE COMPANY WERE TO BE CONSTRUED AS "SECURITIES" AS DEFINED IN THE FINNISH SECURITIES MARKETS ACT (ARVOPAPERIMARKKINALAKI, 14.12.2012/746, AS AMENDED THE "***SMA***"), BASED ON THE EXEMPTIONS SET FORTH IN THE SMA, THE OFFERING OF INTERESTS IN THE COMPANY WOULD BE EXEMPTED FROM THE PROSPECTUS REQUIREMENTS OF THE SMA (BASED ON THE LIMITED NUMBER OF FINNISH OFFEREES AND THE MINIMUM INVESTMENT AND TRANSFER RESTRICTIONS SPECIFIED HEREIN). ACCORDINGLY PROSPECTIVE INVESTORS MUST ACKNOWLEDGE THAT THIS MEMORANDUM IS NOT A PROSPECTUS WITHIN THE MEANING SET FORTH IN THE SMA. PROSPECTIVE INVESTORS SHOULD ALSO NOTE THAT NEITHER THE MANAGER NOR THE MANAGEMENT COMPANY IS AN INVESTMENT FIRM (SIJOITUSPALVELUYRITYS) WITHIN THE MEANING OF THE FINNISH INVESTMENT SERVICES ACT (SIJOITUSPALVELULAKI 747/2012) AND THEY ARE NOT SUBJECT TO THE SUPERVISION OF THE FFSA. ANY PROSPECTIVE INVESTORS SHOULD ACKNOWLEDGE THAT THEY WILL NOT BE TREATED AS CLIENTS OF PLACEMENT AGENTS (IF ANY) ENGAGED BY THE MANAGEMENT COMPANY IN CONNECTION WITH THE PLACEMENT OF INTERESTS IN THE COMPANY AND SUCH PLACEMENT AGENTS MAY NOT BE UNDER ANY DUTY TO SAFEGUARD THE

INTERESTS OF PROSPECTIVE INVESTORS. FURTHERMORE, THE COMPANY IS NOT PROPERTY FUND AS MEANT IN THE FINNISH ACT ON PROPERTY COMPANYS (KIINTEISTÖRAHASTOLAKI, 1173/1997). THE FIN-FSA HAS NOT AUTHORIZED ANY OFFERING FOR THE SUBSCRIPTION OF INTERESTS IN THE COMPANY; ACCORDINGLY, INTERESTS IN THE COMPANY MAY NOT BE OFFERED OR SOLD IN FINLAND OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY FINNISH LAW. THIS MEMORANDUM HAS BEEN PREPARED FOR PRIVATE INFORMATION PURPOSES ONLY AND IT MAY NOT BE USED FOR, AND SHALL NOT BE DEEMED, A PUBLIC OFFERING OF INTERESTS IN THE COMPANY. THIS MEMORANDUM IS STRICTLY FOR PRIVATE USE BY ITS HOLDER AND MAY NOT BE PASSED ON TO THIRD PARTIES OR OTHERWISE DISTRIBUTED PUBLICLY.

NOTICE TO RESIDENTS OF FRANCE. THIS MEMORANDUM (INCLUDING ANY AMENDMENT, SUPPLEMENT OR REPLACEMENT THERETO) IS NOT BEING DISTRIBUTED IN THE CONTEXT OF A PUBLIC OFFERING IN FRANCE WITHIN THE MEANING OF ARTICLE L. 411-1 OF THE FRENCH MONETARY AND FINANCIAL CODE (CODE MONÉTAIRE ET FINANCIER). THIS MEMORANDUM HAS NOT BEEN AND WILL NOT BE SUBMITTED TO THE FRENCH AUTORITÉ DES MARCHÉS FINANCIERS ("***AMF***") FOR APPROVAL IN FRANCE AND ACCORDINGLY MAY NOT AND WILL NOT BE DISTRIBUTED TO THE PUBLIC IN FRANCE.

PURSUANT TO ARTICLE 211-3 OF THE AMF GENERAL REGULATION, FRENCH RESIDENTS ARE HEREBY INFORMED THAT:

1. THE TRANSACTION DOES NOT REQUIRE A PROSPECTUS TO BE SUBMITTED FOR APPROVAL TO THE AMF;

2. PERSONS OR ENTITIES REFERRED TO IN POINT 2°, SECTION II OF ARTICLE L.411-2 OF THE MONETARY AND FINANCIAL CODE MAY TAKE PART IN THE TRANSACTION SOLELY FOR THEIR OWN ACCOUNT, AS PROVIDED IN ARTICLES D. 411-1, D. 734-1, D. 744-1, D. 754-1 AND D. 764-1 OF THE MONETARY AND FINANCIAL CODE; AND

3. THE FINANCIAL INSTRUMENTS THUS ACQUIRED CANNOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY TO THE PUBLIC OTHERWISE THAN IN ACCORDANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE MONETARY AND FINANCIAL CODE.

THIS MEMORANDUM IS NOT TO BE FURTHER DISTRIBUTED OR REPRODUCED (IN WHOLE OR IN PART) IN FRANCE BY THE RECIPIENTS OF THIS MEMORANDUM. THIS MEMORANDUM HAS BEEN DISTRIBUTED ON THE UNDERSTANDING THAT SUCH RECIPIENTS WILL ONLY PARTICIPATE IN THE ISSUE OR SALE OF INTERESTS IN THE COMPANY FOR THEIR OWN ACCOUNT AND UNDERTAKE NOT TO TRANSFER, DIRECTLY OR INDIRECTLY, INTERESTS IN THE COMPANY TO THE PUBLIC IN FRANCE, OTHER THAN IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS AND IN PARTICULAR WITH ARTICLES L. 411-1 AND L. 411-2 OF THE FRENCH MONETARY AND FINANCIAL CODE.

NOTICE TO RESIDENTS OF GERMANY. THE COMPANY HAS BEEN NOTIFIED TO THE BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSAUFSICHT (THE GERMAN FEDERAL FINANCIAL SUPERVISORY AUTHORITY OR "BAFIN") FOR MARKETING TO (VERTRIEBEN AS THIS TERM IS CONSTRUED UNDER THE GERMAN CAPITAL INVESTMENT CODE (KAPITALANLAGEGESETZBUCH - KAGB)) IN THE FEDERAL REPUBLIC OF GERMANY

SOLELY TO PROFESSIONAL INVESTORS (AS THIS TERM IS CONSTRUED UNDER THE KAGB). THE INTERESTS IN THE COMPANY MAY NOT BE DISTRIBUTED IN THE FEDERAL REPUBLIC OF GERMANY OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OF THE INTERESTS IN THE COMPANY OTHER THAN TO PROFESSIONAL INVESTORS. NEITHER THIS MEMORANDUM NOR ANY OTHER DOCUMENT RELATING TO THE COMPANY OR THE INTERESTS IN THE COMPANY, AS WELL AS THE INFORMATION CONTAINED THEREIN MAY BE SUPPLIED IN GERMANY TO PERSONS OTHER THAN PROFESSIONAL INVESTORS.

NOTICE TO RESIDENTS OF ISRAEL. THIS MEMORANDUM HAS NOT BEEN APPROVED FOR PUBLIC OFFERING BY THE ISRAELI SECURITIES AUTHORITY. THE INTERESTS ARE BEING OFFERED TO A LIMITED NUMBER OF INVESTORS (35 INVESTORS OR LESS) AND/OR SPECIAL TYPES OF INVESTORS ('INVESTORS') SUCH AS: MUTUAL TRUST FUNDS, MANAGING COMPANIES OF MUTUAL TRUST FUNDS, PROVIDENT FUNDS, MANAGING COMPANIES OF PROVIDENT FUNDS, INSURANCE COMPANIES, BANKING CORPORATIONS AND SUBSIDIARY CORPORATIONS, EXCEPT FOR MUTUAL SERVICE COMPANIES (PURCHASING SECURITIES FOR THEMSELVES AND FOR CLIENTS WHO ARE INVESTORS), PORTFOLIO MANAGERS (PURCHASING SECURITIES FOR THEMSELVES AND FOR CLIENTS WHO ARE INVESTORS), INVESTMENT COUNSELORS (PURCHASING SECURITIES FOR THEMSELVES), MEMBERS OF THE TEL-AVIV STOCK EXCHANGE (PURCHASING SECURITIES FOR THEMSELVES AND FOR CLIENTS WHO ARE INVESTORS), UNDERWRITERS (PURCHASING SECURITIES FOR THEMSELVES), VENTURE CAPITAL FUNDS, CORPORATE ENTITIES THE MAIN BUSINESS OF WHICH IS THE CAPITAL MARKET AND WHICH ARE WHOLLY OWNED BY INVESTORS, AND CORPORATE ENTITIES WHOSE NET WORTH EXCEEDS NIS 250 MILLION, EXCEPT FOR THOSE INCORPORATED FOR THE PURPOSE OF PURCHASING SECURITIES IN A SPECIFIC OFFER; AND IN ALL CASES UNDER CIRCUMSTANCES THAT WILL FALL WITHIN THE PRIVATE PLACEMENT EXEMPTION OR OTHER EXEMPTIONS OF THE SECURITIES LAW, 5728-1968 OR JOINT INVESTMENT TRUSTS LAW, 5754-1994. THIS MEMORANDUM MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE, NOR BE FURNISHED TO ANY PERSON OTHER THAN THOSE TO WHOM COPIES HAVE BEEN SENT. ANY OFFEREE WHO PURCHASES AN INTEREST IS PURCHASING SUCH AN INTEREST FOR HIS OWN BENEFIT AND ACCOUNT AND NOT WITH THE AIM OR INTENTION OF DISTRIBUTING OR OFFERING SUCH AN INTEREST TO OTHER PARTIES. NOTHING IN THIS MEMORANDUM SHOULD BE CONSIDERED AS COUNSELING ADVICE OR INVESTMENT MARKETING, AS DEFINED IN THE REGULATION OF INVESTMENT COUNSELING, INVESTMENT MARKETING AND PORTFOLIO MANAGEMENT LAW, 5755-1995. INVESTORS ARE ENCOURAGED TO SEEK COMPETENT INVESTMENT COUNSELING FROM A LOCALLY LICENSED INVESTMENT COUNSELOR PRIOR TO MAKING THE INVESTMENT.

NOTICE TO RESIDENTS OF ITALY. THE COMPANY IS NOT A UCITS FUND. THE OFFERING OF INTERESTS IN THE COMPANY IN ITALY HAS NOT BEEN NOR WILL IT BE AUTHORIZED BY THE BANK OF ITALY AND THE COMMISSIONE NAZIONALE PER LA SOCIETÀ E LA BORSA. INTERESTS IN THE COMPANY ARE OFFERED UPON THE EXPRESS REQUEST OF THE INVESTOR, WHO HAS DIRECTLY CONTACTED THE COMPANY OR ITS SPONSOR ON THE INVESTOR'S OWN INITIATIVE. NO ACTIVE MARKETING OF THE COMPANY HAS BEEN MADE NOR WILL IT BE MADE IN ITALY, AND THIS MEMORANDUM HAS BEEN SENT TO THE INVESTOR AT THE INVESTOR'S UNSOLICITED REQUEST. THE INVESTOR ACKNOWLEDGES AND CONFIRMS THE ABOVE AND HEREBY AGREES NOT TO SELL OR OTHERWISE TRANSFER ANY INTERESTS IN THE COMPANY OR TO CIRCULATE

THIS MEMORANDUM IN ITALY UNLESS EXPRESSLY PERMITTED BY, AND IN COMPLIANCE WITH, APPLICABLE LAW.

NOTICE TO RESIDENTS OF JAPAN. INTERESTS IN THE COMPANY ARE A SECURITY SET FORTH IN ARTICLE 2, PARAGRAPH 2, ITEM 6 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (THE "***FIEL***"). NO PUBLIC OFFERING OF INTERESTS IN THE COMPANY IS BEING MADE TO INVESTORS RESIDENT IN JAPAN AND IN ACCORDANCE WITH ARTICLE 2, PARAGRAPH 3, ITEM 3, OF THE FIEL, NO SECURITIES REGISTRATION STATEMENT PURSUANT TO ARTICLE 4, PARAGRAPH 1, OF THE FIEL HAS BEEN MADE OR WILL BE MADE IN RESPECT TO THE OFFERING OF INTERESTS IN THE COMPANY IN JAPAN. THE OFFERING OF INTERESTS IN THE COMPANY IN AND INVESTMENT MANAGEMENT FOR THE COMPANY IN JAPAN IS MADE AS "SPECIAL EXEMPTED BUSINESS FOR QUALIFIED INSTITUTIONAL INVESTORS, ETC." UNDER ARTICLE 63, PARAGRAPH 1, OF THE FIEL. THUS, INTERESTS IN THE COMPANY ARE BEING OFFERED ONLY TO A LIMITED NUMBER OF INVESTORS IN JAPAN. NEITHER THE COMPANY NOR ANY OF ITS AFFILIATES IS OR WILL BE REGISTERED AS A "FINANCIAL INSTRUMENTS FIRM" PURSUANT TO THE FIEL. NEITHER THE FINANCIAL SERVICES AGENCY OF JAPAN NOR THE KANTO LOCAL FINANCE BUREAU HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR OTHERWISE APPROVED OR AUTHORIZED THE OFFERING OF INTERESTS IN THE COMPANY TO INVESTORS RESIDENT IN JAPAN.

NOTICE TO RESIDENTS OF KUWAIT. THIS OFFER IS NOT REGISTERED FOR PUBLIC OFFERING OR PRIVATE PLACEMENT IN KUWAIT, NOR SUBJECT TO ITS LAWS. THEREFORE, THE INTERESTS WILL NOT BE OFFERED, SOLD, ADVERTISED OR OTHERWISE MARKETED IN KUWAIT UNDER CIRCUMSTANCES WHICH CONSTITUTE PUBLIC OFFERING OR PRIVATE PLACEMENT PURSUANT TO THE KUWAITI LAW.

NOTICE TO RESIDENTS OF LUXEMBOURG. NO PUBLIC OFFERING OF INTERESTS IN THE COMPANY IS BEING MADE TO INVESTORS RESIDENT IN LUXEMBOURG. INTERESTS IN THE COMPANY ARE BEING OFFERED ONLY TO A LIMITED NUMBER OF SOPHISTICATED AND PROFESSIONAL INVESTORS IN LUXEMBOURG. THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER OF LUXEMBOURG HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR OTHERWISE APPROVED OR AUTHORIZED THE OFFERING OF INTERESTS IN THE FUND TO INVESTORS RESIDENT IN LUXEMBOURG.

NOTICE TO RESIDENTS OF THE NETHERLANDS. IN THE NETHERLANDS, INTERESTS IN THE COMPANY MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR ASSIGNED, AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, TO NATURAL PERSONS WHO OR LEGAL ENTITIES WHICH ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 1:1 OF THE FINANCIAL SUPERVISION ACT (WET OP HET FINANCIEEL TOEZICHT (THE "***FSA***")). INTERESTS IN THE COMPANY MAY NOT OTHERWISE BE OFFERED, DIRECTLY OR DIRECTLY, IN THE NETHERLANDS. WHERE AN OFFER IS MADE EXCLUSIVELY TO QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 1:1 OF THE FSA, THE GENERAL PARTNER IS NOT UNDER AN OBLIGATION TO HAVE THE OFFERING MEMORANDUM APPROVED BY THE DUTCH AUTHORITY FOR THE FINANCIAL MARKETS OR BY A COMPETENT AUTHORITY OF ANOTHER MEMBER STATE OF THE EUROPEAN ECONOMIC AREA IN ACCORDANCE WITH PROSPECTUS DIRECTIVE 2003/71/EC AND PROSPECTUS REGULATION 809/2004/EC.

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER THAT IS MADE ON TERMS THAT SUCH SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR SUCH RIGHTS AND INTEREST IN THAT TRUST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS, AND FURTHER FOR CORPORATIONS, IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW.

NOTICE TO RESIDENTS OF SWEDEN. THIS MEMORANDUM HAS NOT BEEN NOR WILL IT BE REGISTERED WITH OR APPROVED BY FINANSINSPEKTIONEN (THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY). ACCORDINGLY, THIS MEMORANDUM MAY NOT BE MADE AVAILABLE, NOR MAY THE INTERESTS IN THE COMPANY OFFERED HEREUNDER BE MARKETED AND OFFERED FOR SALE IN SWEDEN, OTHER THAN UNDER CIRCUMSTANCES WHICH ARE DEEMED NOT TO REQUIRE A PROSPECTUS UNDER THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (1991:980) (SW. LAG (1991:980) OM HANDEL MED FINANSIELLA INSTRUMENT). ACCORDINGLY, THE OFFERING OF INTERESTS IN THE COMPANY WILL ONLY BE DIRECTED TO PERSONS IN SWEDEN WHO SUBSCRIBE TO INTERESTS IN THE COMPANY FOR A TOTAL CONSIDERATION OF AT LEAST €100,000 PER INVESTOR.

NOTICE TO RESIDENTS OF SWITZERLAND. UNDER THE COLLECTIVE INVESTMENT SCHEMES ACT DATED JUNE 23, 2006 AND REVISED ON SEPTEMBER 28, 2012 (THE "***CISA***"), THE OFFERING, SALE AND DISTRIBUTION TO NON-QUALIFIED INVESTORS OF UNITS IN FOREIGN COLLECTIVE INVESTMENT SCHEMES IN OR FROM SWITZERLAND ARE SUBJECT TO AUTHORIZATION BY THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY ("***FINMA***") AND, IN ADDITION, THE DISTRIBUTION TO CERTAIN QUALIFIED INVESTORS OF INTERESTS IN SUCH COLLECTIVE INVESTMENT SCHEMES MAY BE SUBJECT TO THE APPOINTMENT OF A REPRESENTATIVE AND A PAYING AGENT IN SWITZERLAND. THE CONCEPT OF "FOREIGN COLLECTIVE INVESTMENT SCHEME" COVERS, INTER ALIA, FOREIGN COMPANIES AND SIMILAR SCHEMES (INCLUDING THOSE CREATED ON THE BASIS OF A COLLECTIVE INVESTMENT CONTRACT OR A CONTRACT OF ANOTHER TYPE WITH SIMILAR EFFECT) CREATED FOR THE PURPOSE OF COLLECTIVE INVESTMENT, WHETHER SUCH COMPANIES OR SCHEMES ARE CLOSED END OR OPEN END. THERE ARE REASONABLE GROUNDS TO BELIEVE THAT THE COMPANY WOULD BE CHARACTERIZED AS A FOREIGN COLLECTIVE INVESTMENT SCHEME UNDER SWISS LAW. AS INTERESTS IN THE COMPANY HAVE NOT BEEN AND CAN NOT BE REGISTERED WITH OR AUTHORIZED BY FINMA FOR DISTRIBUTION TO NON-QUALIFIED INVESTORS, ANY OFFERING OF INTERESTS IN THE COMPANY, AND ANY OTHER FORM OF SOLICITATION OF INVESTORS IN RELATION TO THE COMPANY (INCLUDING BY WAY OF CIRCULATION OF OFFERING MATERIALS OR INFORMATION, INCLUDING THIS MEMORANDUM), MUST BE RESTRICTED TO INVESTORS CONSIDERED AS QUALIFIED INVESTORS WITHIN THE MEANING OF THE CISA AND ITS IMPLEMENTING REGULATIONS. FAILURE TO COMPLY WITH THE ABOVE-MENTIONED REQUIREMENTS MAY CONSTITUTE A BREACH OF THE CISA.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM. THIS MEMORANDUM DOES NOT CONSTITUTE OR FORM ANY PART OF ANY OFFER TO SELL OR AN INVITATION TO SUBSCRIBE FOR, UNDERWRITE OR PURCHASE ANY INTERESTS IN THE FUND. THIS MEMORANDUM WILL NOT FORM THE BASIS OR A PART OF, OR BE RELIED ON IN ANY WAY IN CONNECTION WITH, ANY INVESTMENT OR FINANCING DECISION OR ANY DECISION TO ENTER INTO ANY AGREEMENT FOR THE ACQUISITION OF ANY INTERESTS OR OTHER SECURITIES.

THE FUND IS AN UNREGULATED COLLECTIVE INVESTMENT SCHEME FOR THE PURPOSES OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("***FSMA***") OF THE UNITED KINGDOM.

THIS MEMORANDUM IS DIRECTED ONLY AT PERSONS WHO ARE: (A) OVERSEAS RECIPIENTS FOR THE PURPOSES OF ARTICLE 12 OF THE FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005 ("***FPO***"); (B) INVESTMENT PROFESSIONALS WITHIN THE MEANING OF ARTICLE 19 OF THE FPO (EXCLUDING SUB-SECTION (6) OF THAT ARTICLE); AND (C) HIGH NET WORTH PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FPO (TOGETHER "***ELIGIBLE RECIPIENTS***").

THIS MEMORANDUM IS EXEMPT FROM THE GENERAL RESTRICTION (IN SECTION 21 OF FSMA) ON THE COMMUNICATION OF INVITATIONS OR INDUCEMENTS TO ENGAGE IN INVESTMENT ACTIVITY ON THE GROUNDS THAT IT IS DIRECTED OR MADE ONLY AT ELIGIBLE RECIPIENTS. EXCEPT WHERE THIS MEMORANDUM IS COMMUNICATED OR STATED TO BE APPROVED BY AN AUTHORISED PERSON, THE CONTENT OF THIS MEMORANDUM HAS NOT BEEN APPROVED BY AN AUTHORISED PERSON AND SUCH APPROVAL IS, UNLESS AN EXEMPTION APPLIES, REQUIRED BY SECTION 21 OF THE ACT.

THIS MEMORANDUM IS NOT A PROSPECTUS AND ACCORDINGLY HAS NOT BEEN PREPARED TO THE STANDARDS REQUIRED BY PART VI OF FSMA AND THE PROSPECTUS RULES SOURCEBOOK MADE BY THE FSA.