

OPTION 1 (ANNUAL DEDUCTIONS)

As a condition of the Loan, it is anticipated that each Tenant-in-Common will be required to hold its undivided interest in a separate special purpose Delaware limited liability company (“LLC”). There will be costs associated with setting up each limited liability company, as well as annual maintenance and gross revenue fees and annual taxes. [Sponsor] will establish the LLC’s for the Tenants-in-Common. [Sponsor] will subcontract in order to have the annual reports filed that are due to each Secretary of State, as well as have the payments sent for the annual fees required for those filings. However, the Tenants-in-Common will be required to pay taxes attributable to the LLC’s. The annual fees in Delaware are currently approximately \$250, and [state] has a [] fee payable every [_____] year(s). *These filing fees, in addition to a yearly LLC Maintenance Fee of \$175, will be deducted yearly, from your 11th (eleventh) monthly distribution check.*

The Internal Revenue Service issued Revenue Procedure 2002-69 which provides that a limited liability company (i) wholly owned by a husband and wife as community property, (ii) in which no other person is an owner for federal income tax purposes, (iii) is not treated as a corporation under Treasury Regulation §301.7701-2 and may be considered a disregarded entity for federal income tax purposes. The Internal Revenue Service has not provided such guidance with respect to a limited liability company wholly owned by a husband and wife as other than community property. In the event a Purchaser is a husband and wife who wholly own their Interest as other than community property, such Purchaser should seek their own tax advice with respect to ownership of an Interest and two limited liability companies may be required to be formed.

OPTION 2 (MONTHLY DEDUCTIONS)

As a condition of the Loan, it is anticipated that each Tenant-in-Common will be required to hold its undivided interest in a separate special purpose Delaware limited liability company (“LLC”). There will be costs associated with setting up each limited liability company, as well as annual maintenance and gross revenue fees and annual taxes. [Sponsor] will establish the LLC’s for the Tenants-in-Common. [Sponsor] will subcontract in order to have the annual reports filed that are due to each Secretary of State, as well as have the payments sent for the annual fees required for those filings. However, the Tenants-in-Common will be required to pay taxes attributable to the LLC’s. The annual fees in Delaware are currently approximately \$250, and [state] has a [_____] fee payable every [_____] year(s). *These filing fees, in addition to a yearly LLC Maintenance Fee of \$175, will be deducted monthly, prorated at [\$_____] per month, from your distribution check.*

The Internal Revenue Service issued Revenue Procedure 2002-69 which provides that a limited liability company (i) wholly owned by a husband and wife as community property, (ii) in which no other person is an owner for federal income tax purposes, (iii) is not treated as a corporation under Treasury Regulation §301.7701-2 and may be considered a disregarded entity for federal income tax purposes. The Internal Revenue Service has not provided such guidance with respect to a limited liability company wholly owned by a husband and wife as other than community property. In the event a Purchaser is a husband and wife who wholly own their Interest as other than community property, such Purchaser should seek their own tax advice with respect to ownership of an Interest and two limited liability companies may be required to be formed.