SAPPHIRE
GROUP

SAPPHIRE GROUP, LLC

CONFIDENTIAL

Revision 2.0 January 1st, 2021

CONFIDENTIAL EXECUTIVE SUMMARY OF PRIVATE OFFERING

Tab 1

CONFIDENTIAL EXECUTIVE SUMMARY

of

SAPPHIRE GROUP, LLC

This Executive Summary provides information concerning the Offering of equity interests in Sapphire Group, LLC (also referred to herein as "Sapphire" and "The Company"). The Limited Liability Company Interests being offered shall be referred to as "Units". This Executive Summary may not be reproduced or provided to any person other than the authorized Offeree and such Offeree's duly authorized representatives and agents.

The Company

Sapphire Group, LLC, is a business operating primarily as a real estate holding company that invests in a diversified portfolio of real estate investments. Sapphire owns properties primarily in, but not limited to, Texas. Sapphire's portfolio is a diversified basket of income-producing and speculative properties that includes commercial, residential, multifamily, and industry specific projects. Periodically Sapphire will invest in other entities that invest in real estate and/or participate in debt or equity financing of varied projects.

Management

Sapphire is managed by a board of directors ("The Board"). The Board manages and controls all aspects of the Company. Bluestone Partners, LLC acts as the Operating Manager and handles the day to day activities and reporting. This arrangement affords Sapphire Group a competitive advantage by eliminating fixed overhead costs often associated with investments of this nature. Eliminating executive salaries and corporate overhead is one way Sapphire Group pursues its primary goal: to provide superior returns for its Unit holders while putting them first in all decisions.

Vision

Sapphire Group intends to continue to grow its portfolio by reinvesting undistributed earnings and adding investors and guarantors as needed. Growing the investor base inures to the benefit of existing Unit holders by expanding the universe of investments the fund can support. The innovative mix of equity and guarantee shares simultaneously enhances security for the conservative investor while increasing returns for those who are less risk averse.
Sapphire Group is a solid option for people who would like to participate in real estate ventures but either lack the expertise to do so or are put off by the lack of diversification and large capital requirements commonly associated with real estate investing as an individual. Sapphire Group is confident in its structure as a company and its ability to provide quality returns for its investors.

IMPORTANT INVESTOR NOTICES

THE SECURITIES OFFERED BY THIS EXECUTIVE SUMMARY ARE SUBJECT TO RESTRICTIONS AS EXPLANED IN THE PPM (PRIVATE PLACEMENT MEMORANDUM), THE COMPANY AGREEMENT AND THE SUBSCRIPTION DOCUMENTS.

THE UNITS OFFERED INVOLVE RISK WHICH IS MORE FULLY DESCIRBED IN THE PPM (PRIVATE PLACEMENT MEMORANDUM), THE COMPANY AGREEMENT AND THE SUBSCRIPTION DOCUMENTS.

THIS OFFERING IS LIMITED TO ACCREDITED INVESTORS WHO MEET THE SUITABILITY STANDARDS DESCRIBED IN THE COMPANY AGREEMENT AND WHO, IN THE DISCRETION OF THE COMPANY, ARE SUFFICIENTLY KNOWLEDGEABLE TO MAKE AN INFORMED DECISION ABOUT INVESTMENT IN THE UNITS.

THIS EXECUTIVE SUMMARY HAS BEEN PREPARED ON THE BASIS OF DATA AND INFORMATION BELIEVED TO BE ACCURATE AND RELIABLE, BUT NO REPRESENTATION OR WARRANTY BY THE COMPANY OR ANY OF THEIR RESPECTIVE AGENTS IS MADE OR SHOULD BE IMPLIED AS TO THE ACCURACY OR COMPLETENESS OF INFORMATION CONTAINED IN THIS EXECUTIVE SUMMARY.

THIS EXECUTIVE SUMMARY DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH THE OFFERING OR SOLICITATION IS NOT LAWFUL, OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO.

THE STATEMENTS CONTAINED IN THIS EXECUTIVE SUMMARY CONCERNING THE COMPANY, THE RIGHTS, INTERESTS AND OBLIGATIONS OF THE MEMBERS OF THE COMPANY, AND THE OTHER MATERIAL DOCUMENTS REFERRED TO HEREIN ARE INTENDED TO BE A FAIR SUMMARY, BUT THEY ARE MERELY A SUMMARY AND DO NOT PURPORT TO BE COMPLETE. THEY ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE DOCUMENTS REFERENCED HEREIN. ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST FROM COMPANY'S MANAGERS.

PLEASE CONSULT YOUR TAX ADVISOR REGARDING ANY TAX IMPLICATIONS SURROUNDING YOUR POTENTIAL INVESTMENT IN THE COMPANY. THIS EXECUTIVE SUMMARY DOES NOT CONTAIN INFORMATION NECESSARY TO MAKE A DECISION ABOUT THE TAX CONSEQUENCES OF A POTENTIAL INVESTMENT.

CONTACT INFORMATION FOR
SAPPHIRE GROUP, LLC:

4708 N FM 1417
Sherman, TX 75092
Attn: Kyle Boothe
(903) 813-1415
kyleboothe@bluestone.ws

OFFERING TERMS

ISSUER:	Sapphire Group, LLC, a Texas limited liability company.
SECURITIES OFFERED:	Units representing limited liability company interests in the Company.
EXEMPTION FROM REGISTRATION:	The Company intends to conduct this Offering as a private placement in compliance with the requirements of Regulation D promulgated under the Securities Act.
MINIMUM INVESTMENT SIZE:	Minimum investment is $15,000.
INVESTOR SUITABILITY:	Subscriptions for Units will be accepted only from "accredited investors" and not more than 35 other purchasers as defined in Regulation D promulgated under the Securities Act.
BUSINESS OF THE COMPANY:	As stated previously in this Executive Summary.
GOVERNANCE AND MANAGEMENT:	The Board of Directors (the "Managers") will have authority to direct and control the Company.
COMPANY AGREEMENT:	The Company is governed by the Amended and Restated Company Agreement of the Company dated January 1st, 2021.
MEMBERS:	There are over sixty (60) investors as of the date of this document.
CONFLICTS OF INTEREST:	Certain Members, officers and Managers may have financial interests in various transactions and relationships related to the Company and the Offering.
DISTRIBUTIONS:	All distributions will be made, at such time as determined by the Managers as is explained in more detail in the Company Agreement. The goal is to provide annual distributions before the end of each fiscal year.
TRANSFERABILITY:	Except in limited circumstances, Units are transferable only in accordance with the limitations set forth in the Company Agreement of the Company.
VOTING RIGHTS:	Members are only entitled to vote in certain, very limited circumstances. Each Member's voting rights are the same as that Member's percentage share in the Company at the time of such vote.
ADDITIONAL DOCUMENTS:	Potential Member's should read and understand the following documents: • Private Placement Memorandum of Sapphire Group • The Amended and Restated Company Agreement of Sapphire Group • Exhibit A of the Company Agreement of Sapphire Group

SAPPHIRE
GROUP

SAPPHIRE GROUP, LLC

CONFIDENTIAL

Revision 2.1 January 1st, 2022

CONFIDENTIAL
PRIVATE
PLACEMENT
MEMORANDUM

Tab
2

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

of

SAPPHIRE GROUP, LLC

This Confidential Private Placement Memorandum ("Memorandum") describes the offering (the "Offering") by SAPPHIRE GROUP, LLC, a Texas series limited liability company ("SAPPHIRE" or the "Company").

The Company may reject your subscription or terminate the Offering in its discretion. The Offering is being conducted by the Company without the assistance of any broker/dealer or other placement agent. No commissions are being paid in connection with the sale of Units in this Offering.

THIS OFFERING INVOLVES MATERIAL RISKS. SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES PASSED ON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Summary of Offering

	Price	Selling Commissions	Proceeds to Company
Per Class A Common Unit	$450	$0	$450
Guarantee Units	Signing of a personal guarantee in the amount of $1,350	$0	N/A

THE DATE OF THIS MEMORANDUM IS

Revision: 2.1 Date: January 1, 2022

SPECIAL NOTICES TO ALL PROSPECTIVE INVESTORS

THE UNITS ARE DEEMED TO BE “HIGH RISK” AND “SPECULATIVE” AND SHOULD BE PURCHASED ONLY BY INVESTORS WHO ARE ABLE TO SUSTAIN A LOSS OF ONE HUNDRED PERCENT (100%) OF THEIR INVESTMENT. SEE “RISK FACTORS.”

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE UNITS EXCEPT TO OR FROM THE PERSON WHOSE NAME APPEARS ON THE COVER OF THIS MEMORANDUM, AND DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY TO OR FROM ANY PERSON WITH RESPECT TO WHOM SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL.

THIS MEMORANDUM IS SUBMITTED ONLY IN CONNECTION WITH THE PRIVATE PLACEMENT OF THE UNITS AND IS INTENDED SOLELY FOR THE USE OF THE OFFEREES OF THE UNITS. NO PERSON MAY REPRODUCE OR MAKE ANY USE OF ANY OF THE MATERIAL OR INFORMATION CONTAINED HEREIN, OR OTHERWISE DISTRIBUTE OR DISSEMINATE THIS MEMORANDUM OR ANY OF THE INFORMATION CONTAINED HEREIN, WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE COMPANY. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, THE RECIPIENT AGREES TO RETURN IT AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF SUCH RECIPIENT DOES NOT PURCHASE ANY OF THE UNITS.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING OF UNITS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM (INCLUDING THE EXHIBITS HERETO) AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON. NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM MAY BE EMPLOYED IN THE OFFERING OF THE UNITS OTHER THAN THIS MEMORANDUM AND THE DOCUMENTS INCLUDED HEREWITH AND REFERRED TO HEREIN. ANY INFORMATION OR REPRESENTATIONS OTHER THAN THOSE CONTAINED OR REFERENCED HEREIN CANNOT BE RELIED UPON WITHOUT THE EXPRESS WRITTEN CONSENT OF THECOMPANY.

THIS MEMORANDUM REPLACES AND SUPERSEDES ANY AND ALL INFORMATION AND MATERIALS RELATING TO THE UNITS WHICH MAY HAVE BEEN FURNISHED TO ANY PROSPECTIVE INVESTOR

PRIOR TO THE DATE OF THIS MEMORANDUM.

EACH INVESTOR MUST RELY EXCLUSIVELY ON THE INFORMATION CONTAINED OR REFERRED TO IN THIS MEMORANDUM IN DECIDING WHETHER TO PURCHASE UNITS. INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR ANY OF ITS OFFICERS, EMPLOYEES AND AGENTS AS LEGAL OR TAX ADVICE.

THE TAX CONSEQUENCES OF THIS INVESTMENT ARE COMPLEX, MAY NOT BE THE SAME FOR ALL INVESTORS, AND ARE A MATERIAL FACTOR WHICH SHOULD BE CONSIDERED BY EVERY INVESTOR. EACH INVESTOR IS ADVISED TO CONSULT WITH HIS OWN FINANCIAL ADVISOR, LEGAL COUNSEL AND ACCOUNTANT AS TO TAX, LEGAL AND RELATED MATTERS CONCERNING INVESTMENT IN THE UNITS.

THIS MEMORANDUM CONTAINS REFERENCES TO CERTAIN PROVISIONS OF THE COMPANY AGREEMENT AND OTHER AGREEMENTS AND DOCUMENTS. SUCH REFERENCES DO NOT PURPORT TO DESCRIBE OR SUMMARIZE EVERY MATERIAL TERM AND CONDITION OF SUCH AGREEMENTS AND DOCUMENTS AND ARE QUALIFIED IN THEIR ENTIRETY BY THE AGREEMENTS AND DOCUMENTS THEMSELVES. PROSPECTIVE INVESTORS MUST EXAMINE THE AGREEMENTS AND DOCUMENTS ATTACHED AS EXHIBITS HERETO, AS WELL AS THE OTHER AGREEMENTS AND DOCUMENTS SO REFERRED TO, FOR THE ACTUAL CONTENTS THEREOF.

THE STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE HEREUNDER SHALL CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS HEREIN SET FORTH SINCE THE DATE HEREOF. HOWEVER, THIS MEMORANDUM MAY BE AMENDED OR SUPPLEMENTED, IF NECESSARY, FROM TIME TO TIME, TO DISCLOSE ANY MATERIAL CHANGE IN THE FACTS SET FORTH HEREIN.

THE COMPANY RESERVES THE RIGHT TO WITHDRAW THIS OFFERING AT ANY TIME. THE COMPANY ALSO RESERVES THE RIGHT TO REJECT OR ACCEPT ANY SUBSCRIPTION FOR ANY REASON WHATSOEVER, WHETHER OR NOT EXPRESSED.

FORWARD LOOKING STATEMENTS

Certain statements in this Memorandum that relate to anticipated future events, including those that use words such as "will," "anticipate," "may," "intend," "estimate," "expect" and the like, including statements regarding the future performance of the Company, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others: general economic and business conditions; the demographic changes; competition; quality of management; business abilities and judgment of personnel; availability of qualified personnel; changes in or the failure to comply with government regulations; and other factors referenced in this Memorandum.

Forward-looking statements are only predictions as of the date they are made and are not guarantees of performance. All forward-looking statements included in this Memorandum are based on information available to the Company on the date of this Memorandum. Readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking events discussed in this Memorandum and other statements made from time to time by the Company or its representatives may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about the Company, including without limitation those factors set forth above and those discussed in this Memorandum under the heading "RISK FACTORS." The Company is not obligated to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. See "RISK FACTORS."

SUMMARY

This summary is intended for reference only and is qualified in its entirety by reference to the complete text of this Memorandum and the appendices attached hereto. Investors must read the entire Memorandum and are urged to seek the advice of their own legal counsel, tax consultants, and business advisors with respect to the legal, tax and business aspects of investing in the Company.

Definitions

In this Memorandum, all references to the "Company," "we," "us," and "our" refer to Sapphire Group, LLC. For your convenience, we have attached to this Memorandum a Glossary of defined terms, starting on page 23 of this Memorandum, which contains definitions or cross- references to the definitions of all capitalized terms used in this Memorandum.

Our Company

The Company is a Texas limited liability company formed on April 12, 2010. The Company is governed by its Certificate of Formation and Company Agreement. Its principal address and telephone number are:

Sapphire Group, LLC
4708 N FM 1417 Sherman, TX 75092
903-813-1415

The Company is a business operated as a real estate and investment holding company with Bluestone Partners, LLC as the Operating Manager. The Operating Manager's responsibilities will be to manage all operations of investments. The Board of Directors will be the final authority on all investment decisions. Their responsibilities include discussing all aspects of the business, advising on the types of investments to choose, and communicating with the Operating Manager on all business decisions.

Our Business

Sapphire Group will be investing in a diversified portfolio of real estate holdings and other investments as the Board of Directors sees fit. A number of the holdings will be income producing investments and the other portion will be speculative investments.

The Board of Directors of the Company

The Members have established the Company as a "manager-managed" limited liability company and have agreed to designate a board of managers (the "Board") to manage the Company and its business and affairs. Each Person appointed to the Board is referred to as a "Board Member". (As of the adoption of this Agreement, the number of Board Members shall be nine (9), and the number of Board Members may not exceed (12) without the majority vote of the Board. The Board shall have the right to designate, remove, and replace Board Members by majority vote.

The Offering

Securities Offered:	Class A Common Units, at a price of Four Hundred Fifty Dollars ($450) per Unit. Guarantee Units, Investor to receive one Unit for signing a personal guarantee to Sapphire Group in the amount of One Thousand Three Hundred Fifty ($1,350) per Unit. See "DESCRIPTION OF THE UNITS AND COMPANY AGREEMENT."
Risk Factors:	An investment in the Units is speculative and involves substantial risks. See "RISK FACTORS."
Manner of Offering:	The Offering is being conducted by the Company without the assistance of any broker/dealer or other placement agent. No commissions are being paid in connection with the sale of Class A Common Units in this Offering. The minimum investment is Fifteen Thousand Dollars ($15,000) from an accredited investor.
Allocation of Class A Common Units:	The Class A Common Units will be made available to investors as determined by the Board of Directors. See "INVESTOR SUITABILITY STANDARD" and "CAPITALIZATION."

Guarantee Units:	Guarantee Units are acquired by providing a personal guarantee to the Company, reflecting the amount of cash that an individual is willing to provide, if needed, at a future date.
Distributions of Cash Flow from Operations:	From time to time, the Board of Directors will determine the amount of cash and other liquid assets that are in excess of the Company's current needs. If the Board of Directors determines that excess cash exists, the Company will distribute such excess cash to the Unit holders on a pro rata basis in proportion to their capital accounts (subject to the Company's set-off rights). Income allocated to Unit holders will be taxable to them regardless of whether the Company also makes tax distributions with respect to those profits. The Board of Directors may decide to retain cash for purposes it deems appropriate. See "RISK FACTORS" and "TAX MATTERS."
Liquidation of the Company:	Upon the liquidation of the Company, after the satisfaction of all outstanding obligations of the Company, the Company will distribute its assets to the Class A Common Unit holder's pro rata based on their respective percentage ownership of the Class A Common Units. See "DESCRIPTION OF THE UNITS AND COMPANY AGREEMENT."
Restrictions on Transfer:	The Company must be notified and involved in the transfer of Units, unless prior written approval is given to the member. Transfer of units to a new member could take a few weeks up to several months. The Company, then all other members have first right of refusal to purchase the units. Also see "RISK FACTORS" and "DESCRIPTION OF THE UNITS AND COMPANY AGREEMENT."

Who May Invest

An investment in the Company involves a high degree of risk and is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and can afford the complete loss of their investment. This investment is not backed by FDIC, SPIC, or any other security insurance. The Company owns multiple real estate assets that are adequately insured with property insurance. SEE "RISK FACTORS."

To invest in the Offering, you must be a qualified investor as designated by the Board of Directors. Further, you must meet the suitability requirements adopted by the Company. See "INVESTOR SUITABILITY STANDARD." To subscribe for Units in the Offering, you must execute and deliver certain documents to the Company, and pay for the Units, in the manner set forth below under the heading "TERMS OF THE OFFERING." By executing the Subscription Documents, you will be making certain representations to us, including a representation that you have read and understand this Memorandum.

RISK FACTORS

Investment in any type of Sapphire Units is speculative and involves a high degree of risk and is suitable only for Investors of substantial financial means who have no need for liquidity in their investments and who are able to risk the loss of one hundred percent (100%) of their investment. You should carefully consider the following risk factors in addition to the remainder of this Memorandum before purchasing Units. This Memorandum contains forward-looking statements that involve risks and uncertainties. Many factors, including those described below, may cause actual results to differ materially from anticipated results.

There are restrictions on the transfer of the Units, and even if a transfer is permitted, you may not be able to sell when you want, as no outside market may exist for the sale of these Units.

Sapphire Units have not been registered under any federal or state securities laws and are being sold in reliance on exemptions from registration under the Securities Act of 1933 (the "Act") and the provisions of applicable state securities laws. Thus, the Units will constitute "restricted securities" under the securities laws, and they may be reoffered, sold, transferred, pledged, hypothecated or otherwise disposed of only (i) pursuant to an effective registration statement filed in compliance with the Act and any applicable state securities laws, or (ii) in a transaction which, in the opinion of counsel to the Company, is exempt from registration under the Act and any applicable state securities laws. The Company is not obligated to file a registration statement covering the resale of Units. Further, there is no public market for the Units, and there can be no assurance that a market ever will develop. Further, neither the Company nor the Board of Directors is obligated to purchase your Units at any time. Further, the Company Agreement restricts the transfer of the Units. Among other things, the Company Agreement provides that the Company must be notified and involved in the transfer of units, unless prior written approval is given to the member. Thus, holders of the Units or the underlying securities may not be able to liquidate their investment in such securities in the event of an emergency or for any other reason. Investors should not invest in the Units unless they can hold the Units for an indefinite period of time. See "TRANSFER RESTRICTIONS."

ACCORDINGLY, NO PERSON SHOULD PURCHASE UNITS IF THEY MAY NEED TO CONVERT THEIR INVESTMENT READILY INTO CASH.

The Board of Directors is entitled to approve a repurchase of Units of an Investor if the Investor undergoes certain events.

Upon the occurrence of certain events described in the Company Agreement the Company has a continuing option to purchase the Investor's Class A Common Units at a price equal to the fair market value of such Class A Common Units.

There is uncertainty in our financial projections.

Any projections, business plans, financial forecasts or other similar information furnished to you by the Company are merely management's attempts at organizing an operating strategy. Accordingly, any such information should not be relied on for purposes of making an investment decision to invest in the Company. Whether such projections are achieved depends on many factors, some of which are not in the control of either the Company or the officers. Such projections should be viewed as merely an orderly presentation of the results that are expected to be achieved if all underlying assumptions are realized. No assurance can be given as to the probability that the projected results will be achieved. Actual results might vary from the projections, and any variations might be substantial, material, and adverse.

Even if profitable, the timing and amount of distributions are uncertain.

The Company has been structured as a limited liability company to allow it to be treated as a partnership for federal income tax purposes. No federal income tax is payable by a partnership. The Company's items of income, loss and credit will be allocated among the Investors as described below in "DESCRIPTION OF THE UNITS AND COMPANY AGREEMENT—Allocations and Distributions." Each Investor's share of these items must be reported on the Investor's tax return. Income from the Company allocated to the Investors is taxable to them whether or not the Investor has received cash distributions from the Company during the year. The Company is not obligated to make distributions to the Investors in an amount sufficient to pay the tax attributable to that income unless the Board of Directors determines that there are sufficient cash reserves to meet the reasonable needs of the Company. Consequently, an Investor's tax liability with respect to the Company's income may exceed the cash distributed to the Investor in any year. Additionally, distributions other than tax distributions are made in the sole discretion of the Board of Directors. The Board of Directors has the authority to retain excess cash for any purpose, including the retention of such funds to maintain a working capital reserve.

Cash Proceeds, if any, will be distributed at the end of each calendar year. The decision to pay proceeds and the amount will be left to the judgment of The Board as they determine what is appropriate while analyzing the cash flow, income, assets and liabilities of the company. All cash flow revenues from the Company will be distributed as follows:

- First to normal operating expenses of the Company
- Then to normally scheduled payments of principal and interest
- Then to creation and maintenance of an operating reserve
- Then to the Members

EACH INVESTOR IS ENCOURAGED TO SEEK COMPETENT PROFESSIONAL TAX ADVICE RELATIVE TO THE EFFECT THIS MAY HAVE ON HIS PERSONAL, ENTITY OR BENEFIT PLAN TAX SITUATION.

We may not have sufficient working capital to fund our operations.

The company will be utilizing a leveraged investment strategy. Investors who sign a personal guarantee to the company may be required to contribute capital to the company.

Pursuant to the terms of the Company Agreement, the management of the business and affairs of the Company is vested in the Operating Manager and the Company's Board of Directors. Except for very limited rights reserved to the Members, as discussed further herein, the Members are not entitled to participate in the management of the Company. See "DESCRIPTION OF UNITS AND COMPANY AGREEMENT."

INVESTOR SUITABILITY STANDARD

An investment in the Units involves a high degree of risk and is suitable only for persons of substantial financial means that have no need for liquidity in their investments. In general, Units will be sold only to persons who are "Accredited Investors," as such term is defined in Rule 501(a) of Regulation D of the Securities Act of 1933, and a limited number of other Investors who meet the Board of Directors' criteria.

Each Investor desiring to purchase Units will be required, among other things, to (i) agree not to sell or transfer any Units at any time or to any person or entity if such sale or transfer would violate applicable federal or state securities laws or the Company Agreement of the Company; (ii) represent that

(a) such Investor can bear the economic risk of the purchase of Units, including the total loss of such Investor's investment, and (b) such Investor has sufficient knowledge and experience in business and financial matters as to be capable of evaluating the merits and risks of an investment in the Units; and (iii) represent that such person is purchasing Units for such person's own account without a view to public distribution or resale. Each Investor also may be required to provide current financial and other information to the Company to enable us to determine whether such Investor is qualified to purchase Units.

The suitability standards adopted by the Company are minimum requirements for prospective Investors and satisfying those standards does not necessarily mean that the Units are a suitable investment for any particular Investor. Each prospective Investor is cautioned to evaluate this Memorandum carefully, and to seek the advice of an attorney, accountant, and/or investment advisor with respect to the terms of the Offering. Further, each Investor must have adequate means for providing for the Investor's current needs and personal liquidity irrespective of this investment.

THE FACT THAT A PROSPECTIVE INVESTOR MEETS THE SUITABILITY STANDARDS DESCRIBED HEREIN DOES NOT NECESSARILY MEAN THAT THE UNITS ARE A SUITABLE INVESTMENT FOR THE INVESTOR.

THE BUSINESS

Sapphire Group, LLC (the "Company") is a Texas limited liability company formed on April 12, 2010. It was created to operate as a real estate holding company with Bluestone Partners, LLC as the Operating Manager. The Manager's responsibilities will be to manage all operations of investments. The Board of Directors will be the final authority on all investment decisions. Their responsibilities include discussing all aspects of the business, advising on the types of investments to choose, and communicating with Operating Manager on all business decisions.

Capital Calls

The Sapphire Group, LLC Company Agreement does not require Class A Common Unit holders to make additional Capital Contributions to the Company. In the event that an investor decides to sign a personal guarantee in exchange for guarantee units, those investors will be subject to calls on their guarantee as defined in the Guarantee itself.

Management

The management and control of the Company and its assets is reserved exclusively to the Operating Manager and the Board of Directors. The Operating Manager and the Board of Directors has all power and authority to manage, and direct the management of, the business and affairs of the Company, including but not limited to the power and authority to: (a) enter into contracts and leases on behalf of the Company; (b) cause the Company to borrow money on terms acceptable to the Board of Directors, (c) make such expenditures as it deems appropriate on behalf of the Company, and (d) determine the amount of reserves the Company should maintain and the excess cash available for distribution to the Unit holders. All votes and actions of the Board of Managers will be by a simple majority. See "RISK FACTORS."

Bluestone Partners will be compensated for managing the day to day activities of the company based on the performance and growth of the company, this compensation will be regulated by the Board.

Bluestone is also compensated by performing construction, real estate sales, real estate management and other similar contracts at a competitive price as monitored and regulated by the Board of Directors. Accounting details are available to all Members and will be sent in a quarterly update that will have details on income, expenses, balance sheet and cash flows. Bluestone will use its best judgment in conducting market research and gathering other data contained in the investment analysis. However, no assurances, representations or warranties are given that the investment will perform to the level indicated.

TRANSFER RESTRICTIONS

Restrictions under Applicable Securities Laws

The Units offered hereby have not been registered under the Securities Act, nor pursuant to the provisions of any state securities laws. Units are being offered and will be sold without registration under the federal laws by reason of exemptions from registration provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. The availability of such exemptions is dependent, in part, upon the "investment intent" of Investors, and the exemptions will not be available if any one Investor purchases the Units with a view to the resale or redistribution thereof. Accordingly, each Investor when executing the Subscription Documents will be required to acknowledge that his purchase is for investment purposes only, is for his own account and is without any view to any further sale or other disposition thereof. See "RISK FACTORS."

Restrictions Under the Company Agreement

An Investor may not sell, encumber or otherwise transfer his, her or its Units without the written consent of the Board of Directors and as specified under the Company Agreement.

TAX MATTERS

The following description of the federal income tax aspects of an investment in the Company is based upon the Internal Revenue Code of 1986, as amended to the date of this Memorandum, applicable Treasury Regulations promulgated thereunder ("Regulations"), current positions of the Internal Revenue

Service (the "Service") contained in published revenue rulings and revenue procedures and existing judicial decisions. No assurance can be given that future legislative or administrative changes or court decisions will not significantly modify present law or the interpretations of it set forth below. Any such changes may be retroactive with respect to transactions affected prior to the date of such changes.

NEITHER THE COMPANY, ITS COUNSEL NOR THE BOARD OF DIRECTORS ASSUME ANY RESPONSIBILITY FOR THE TAX CONSEQUENCES TO AN INVESTOR FROM AN INVESTMENT IN THE COMPANY AND THE UNITS, AND INVESTORS WILL ASSUME THE RISKS OF A CHALLENGE BY THE SERVICE OF THE TAX INTERPRETATIONS SET FORTH HEREIN OR OTHERWISE MADE BY THE COMPANY OR THE BOARD OF DIRECTORS AND THE RISK OF CHANGES IN THE TAX LAWS, RULES, REGULATIONS AND INTERPRETATIONS.

Taxation as a Partnership

The Company has been structured as a limited liability company to allow it to be treated as a partnership for federal income tax purposes. No federal income tax is payable by a partnership. The Company's items of income, loss and credit will be allocated among the Unit holders as described above in "DESCRIPTION OF THE UNITS AND COMPANY AGREEMENT." Each Unit holder's share of these items must be reported on the Unit holder's tax return. Income from the Company allocated to the Unit holders is taxable to them whether or not the Unit holder has received cash distributions from the Company during the year. The Company is not obligated to make distributions to the Unit holders in an amount sufficient to pay the tax attributable to that income unless the Board of Directors determines that there are sufficient cash reserves to meet the reasonable needs of the Company. Consequently, a Unit holder's tax liability with respect to the Company's income may exceed the cash distributed to the Unit holder in any particular year.

Tax Basis

The tax basis of a Unit holder's interest in the Company is used to determine if gain or loss is realized upon a sale of that interest or upon the receipt of cash distributions from the Company. Additionally, a Unit holder is allowed to deduct Company losses only to the extent of such basis. The basis of a Unit holder's Units will equal the Unit holder's contribution to the capital of the Company plus the Unit holder's proportionate share of the Company's liabilities. Liabilities with respect to which no Unit holder or related person has liability will be allocated among all Unit holders in proportion to their interest in the Company. A Unit holder's tax basis will also be increased by the Unit holder's distributive share of the Company's taxable income and reduced by the Unit holder's share of taxable losses and distributions of cash and other property to the Unit holder.

Distributions

Nonliquidating distributions of cash are generally treated as a return of capital and reduce the tax basis in a Unit holder's interest in the Company. If cash distributed exceeds the adjusted basis of the Unit holder's interest, the Unit holder will recognize taxable gain. The reduction in a Unit holder's share of liabilities is treated as a distribution of cash and, consequently, will reduce the Unit holder's tax basis and could cause a Unit holder to realize taxable gain without a corresponding receipt of cash.

Upon the liquidation of the Company, a Unit holder will recognize taxable gain to the extent that any money distributed exceeds the adjusted tax basis of the Unit holder's interest in the Company. If other property is distributed to a Unit holder, the basis of that property in the hands of the Unit holder is generally equal to the adjusted basis of the Unit holder's interest in the Company reduced by any money distributed to the Unit holder in the same transaction.

Sale of Units

Gain or loss realized by a Unit holder upon the sale or exchange of an interest in the Company will generally be treated as capital gain or loss. However, the portion of the sales proceeds attributable to the Unit holder's share of the Company's unrealized receivables, inventory and depreciation recapture will be taxable as ordinary income. Since the Unit holder's share of the Company's liabilities will be treated as additional cash received upon a sale or exchange, the Unit holder's gain, and perhaps federal tax liability, could exceed the actual cash proceeds of the sale.

State and Local Taxes

In addition to the income tax consequences described above, prospective Investors should consider potential state and local tax consequences of an investment in the Company. A Unit holder's share of the taxable income or loss of the Company may be required to be included in determining such Unit holder's income for state or local tax purposes. Each prospective Investor is advised to consult with his or her tax advisor for advice as to any state and local income tax factors that may relate to an investment in the Company.

ADDITIONAL INFORMATION

Prior to purchasing any Units, prospective Investors and/or their authorized purchaser representatives are encouraged to meet with the Company and obtain such information as they deem relevant in making an investment decision concerning the Units offered hereby, including information necessary to verify the accuracy of the information contained in this Memorandum. To the extent that the Company possesses such information or can obtain it without unreasonable expense or delay, it will be furnished. Each prospective Investor should consult his own attorney, accountant and/or other advisors as to legal, tax and related matters concerning an investment in the Company.

The Company's contact information is as follows:

Sapphire Group, LLC
4708 N FM 1417
Sherman, TX 75092
(903)813-1415

Except as otherwise indicated, this Memorandum speaks as of the date appearing on the first page hereof, and neither the delivery hereof nor the purchase of any Unit will create an implication that the affairs of the Company have continued without change since such date.

GLOSSARY OF DEFINED TERMS

Each prospective Investor should carefully review and learn the terminology used in this Memorandum.

"Act" means the Securities Act of 1933.

"Bankruptcy Code" means the United States Bankruptcy Code, as amended, 11 U.S.C. § 101 et seq.

"Board of Directors" means the Members of the Board as defined in the Company Agreement.

"Capital Contribution" means the amount in cash, or property, contributed by each Class A Common Unit holder to the capital of the Company for his, her or its Class A Common Units.

"Class A Common Units" means the Class A Common Units of the Company as described in further detail in the Company Agreement, also referred to as "Cash Units".

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means Sapphire Group, LLC, a Texas limited liability company.

"Company Agreement" means the Company Agreement of the Company, a copy of which is attached here to as Tab B including the First Amendment.

"Event of Insolvency" means an Event of Insolvency as defined by the Company Agreement.

"Guarantee Units" means Unit holders that acquire a different Class of Units by signing a personal guarantee to the company. Also, more fully described in the Company agreement.

"Investors" means Unit holders of Sapphire Group, LLC and such other eligible person, as determined by the Board of Directors (either directly or through an Affiliate) who meet the suitability requirements discussed in this Memorandum and includes Members and Unit holders.

"Member" means the persons listed on the Member's Ledger held at the Company Headquarters.

"Memorandum" means this Confidential Private Placement Memorandum and any supplements or addenda thereto, pursuant to which the Units are offered for sale.

"Offering" means the Offering of the Company's Units to Investors as contemplated by this Memorandum.

"Service" means the Internal Revenue Service.

"Subscription Documents" means the agreement executed by each Investor evidencing an obligation to subscribe for and purchase Class A Common Units and/or Guarantee Units.

"Unit Holders" means Investors in Sapphire Group, LLC and such other eligible person, as determined by the Board of Directors (either directly or through an Affiliate) who meet the suitability requirements discussed in this Memorandum and includes Members and Unit holders.

SAPPHIRE
GROUP

SAPPHIRE GROUP, LLC

CONFIDENTIAL

Revision 2.0 January 1st, 2021

COMPANY AGREEMENT

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

SAPPHIRE GROUP, LLC

A TEXAS SERIES LIMITED LIABILITY COMPANY

THE LIMITED LIABILITY COMPANY INTERESTS AND UNITS ISSUED PURSUANT TO THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (COLLECTIVELY, THE "UNITS") HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH INTERESTS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFER SET FORTH IN THIS AGREEMENT.

THE LLC INTERESTS ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THIS AGREEMENT, AND THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH INTERESTS UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER.

AMENDED AND RESTATED COMPANY AGREEMENT

OF

SAPPHIRE GROUP, LLC

A TEXAS SERIES LIMITED LIABILITY COMPANY

This AMENDED AND RESTATED COMPANY AGREEMENT OF SAPPHIRE GROUP, LLC (this *"Agreement"),* dated as of December 1st, 2020, is adopted, executed and agreed to, for good and valuable consideration, by and among the Members (as defined below).

Article 1
Definitions

1.01. *Definitions.* As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the provision following such term:

Adjusted Capital Account. A Capital Account determined and maintained for each Member throughout the term of this Agreement, the balance of which shall be equal to such Member's Capital Account balance, modified as follows:

(a) increased by the amount, if any, of such Member's share of the Minimum Gain of the Company as determined under Treasury Regulation Sec. 1.704-2(g)(1);

(b) increased by the amount, if any, of such Member's share of the Minimum Gain attributable to Member Nonrecourse Debt of the Company pursuant to Treasury Regulation Sec. 1.7042(i)(5);

(c) increased by the amount, if any, of such Member is treated as being obligated to contribute subsequently to the capital of the Company as determined under Treasury Regulation Sec. 1.704- 1(b)(2)(ii)(c);

(d) decreased by the amount, if any, of cash that is reasonably expected to be distributed to such Member, but only to the extent that the amount thereof exceeds any offsetting increase in such Member's Capital Account that is reasonably expected to occur during (or prior to) the tax year during which such distributions are reasonably expected to be made as determined under Treasury Regulation Sec. 1.704-1(b)(2)(ii)(d)(6); and

(e) decreased by the amount, if any, of loss and deduction that is reasonably expected to be allocated to such Member pursuant to Code Sec. 704(e)(2) or 706(d), Treasury Regulation Sec. 1.751- 1(b)(2)(ii) or Treasury Regulation Sec. 1.704-1(b)(2)(iv)(k).

Adjusted Capital Contribution. With respect to any Member and at any time, the aggregate amount of Capital Contributions made to the Company by such Member (or by its predecessor-in-interest) since the inception of the Company, (a) increased, at the time that all or any part of any Default Charge is added to the Adjusted Capital Contributions of such Partner pursuant to Sec. 7.04(b)(ii) hereof by the amount so added; and (b) decreased, at the time that all or any part of a Default Charge is subtracted from the Adjusted Capital Contributions of such Member pursuant to Sec. 4.04(b)(i) hereof, by the amount so subtracted. Except as provided in the preceding sentence, the amount of a Member's Adjusted Capital Contribution shall not be reduced on account of any distributions to such Member or for any other reason.

Affiliate. (a) with respect to any Person who is a natural person, (i) each entity that such Person Controls, and (ii) each member of such Person's immediate family; and (b) with respect to any Person that is an entity, (i) each entity that such Person Controls, (ii) each Person that Controls such Person, and (iii) each entity that is under common Control with such Person.

Arbitration Notice. Sec. 9.01(b).

Arbitrator. Sec. 9.02(a).

Assignee. Any Person that acquires Membership Rights or any portion thereof (including an Unit) through a Disposition; provided, however, that, an Assignee shall have no right to be admitted to the Company as a Member except in accordance with Sec. 3.03(b)(ii). The Assignee of a deceased Member is the Person or Persons who are the legal representatives or successor of the deceased Member. The Assignee of a dissolved Member is the shareholder, Member, member or other equity owner or owners of the dissolved Member to whom such Member's Membership Rights are assigned by the Person conducting the liquidation or winding up of such Member. In the case of a Divorce, the Assignee is the spouse of the applicable Member. In the case of a Spouse's Death, the Assignee is the Person or Persons to whom the spouse's (or former spouse's) Spouse's Fraction is bequeathed, or by whom it is inherited, pursuant to the deceased spouse's (or former spouse's) duly-probated will or a probate court order applying the laws of intestate succession.

Bankruptcy or *Bankrupt.* With respect to any Person, that (a) such Person (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for such Person a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Person's or of all or any substantial part of such Person's properties; or (b) against such Person, a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law has been commenced and 120 Days have expired without dismissal thereof or with respect to which, without such Person's consent or acquiescence, a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties has been appointed and 90 Days have expired without the appointment's having been vacated or stayed, or 90 Days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

Board. Has the meaning set forth in Section 6.01(a)

Board Member. Has the meaning set forth in Section 6.01(a)

BOC. The Business Organizations Code as adopted by the State of Texas and any successor statute, as amended from time to time.

Book Depreciation. For each fiscal year (or other period for which Book Depreciation must be computed) the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset, except that, if the Book Value of an asset differs from its adjusted tax basis at the beginning of the year, subject to Treasury Regulation Sec. 1.704-3(d), Book Depreciation will be an amount which bears the same ratio to Book Value at the beginning of the year as the federal income tax depreciation, amortization or other cost recovery deduction for the year bears to the beginning adjusted tax basis; provided, however, that if the adjusted tax basis of the asset at the beginning of the year is zero, Book Depreciation will be determined by the Board using any reasonable method.

Book Value. With respect to any asset, the adjusted basis of the asset for federal income tax purposes, adjusted as provided in Sec. 5.06.

Business. Sec. 2.04

Business Day. Any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Texas are closed.

Call Notice. Sec. 4.02(a).

Capital Account. The account to be maintained by the Company for each Member in accordance with Treasury Regulation Sec. 1.704-1(b)(2)(iv) and, to the extent not inconsistent therewith, the following provisions:

(a) a Member's Capital Account shall be credited with the cash or Net Agreed Value of the Member's Capital Contributions, the Member's distributive share of Profit, and any item of income or gain specially allocated to the Member pursuant to the provisions of Article 5 (other than Sec. 5.07); and

(b) a Member's Capital Account shall be debited with the amount of cash and the Net Agreed Value of any Company property distributed to the Member, the Member's distributive share of Loss and any item of expenses or losses specially allocated to the Member pursuant to the provisions of Article 5 (other than Sec. 5.07). If any Unit is transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Unit. A Member that has more than one Unit shall have a single Capital Account that reflects all of its Units, regardless of the class of Unit owned by that Member and regardless of the time or manner in which it was acquired.

Capital Commitment. With respect to any Member, the amount of capital committed to be contributed to the Company by such Member as set forth in such Member's Subscription Documents, counterpart signature page of this Agreement, or such other documents executed in connection with such Member's admission to the Company, as such amount may be amended from time to time pursuant to the provisions of this Agreement. For the avoidance of doubt, Capital Commitment includes the amounts of capital committed in the form of Cash and/or personal guarantee as consideration for Units, as applicable, specified in such Member's Subscription Documents. Capital committed in the form of a personal guarantee is further subject to the form of Guarantee Agreement set forth in the Subscription Documents.

Capital Contribution. With respect to any Member, the amount of money and the initial Book Value of any property (other than money) contributed to the Company by the Member. Any reference in this Agreement to the Capital Contribution of a Member shall include a Capital Contribution of his predecessors in interest.

Capital Transaction. Any transaction that results in the Company's receipt of cash or other consideration other than Capital Contributions, including proceeds of sales or exchanges or other Dispositions of property in the ordinary course of business, condemnations, recoveries of damage awards, and insurance proceeds that, in accordance with generally accepted accounting principles, are considered capital in nature.

Certificate of Formation or Certificate. Sec. 2.01.

Chairman. Has the meaning set forth Section 6.01(c).

Code. The United States Internal Revenue Code of 1986, as amended from time to time. All references herein to sections of the Code shall include any corresponding provision or provisions of succeeding Law.

Company or Fund. **SAPPHIRE GROUP, LLC**, a Texas series limited liability company.

Continuation Election. Sec. 10.01(b).

Control. The possession, directly or indirectly, through one or more intermediaries, of the following: (a) in the case of a corporation, more than 50% of the outstanding voting securities thereof; (b) in the case of a limited liability company, Company, limited Company or venture, the right to more than 50% of the distributions therefrom (including liquidating distributions); (c) in the case of a trust or estate, more than 50% of the beneficial interest therein; (d) in the case of any other entity, more than 50% of the economic or beneficial interest therein; or (e) in the case of any entity, the power or authority, through ownership of voting securities, by contract or otherwise, to direct the management, activities or policies of the entity.

Day. A calendar day; provided, however, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the first succeeding Business Day.

Default Charge. Sec. 4.04(b)(i).

Default Notice. Sec. 4.04(a)(iii).

Default Rate. A rate per annum equal to the lesser of (a) 4% plus the Prime Rate, and (b) the maximum rate permitted by Law.

Deficiency Drawdown. Sec. 4.01(c)(i).

Disabling Conduct. Conduct that constitutes fraud, willful misconduct, bad faith or gross negligence or conduct that is knowingly outside the scope of conduct permitted in this Agreement or in knowing violation of applicable laws.

Dispose, Disposing, or Disposition. With respect to any asset (including Membership Rights or any portion thereof, including an Unit), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary, or by operation of Law, including the following: (a) in the case of an asset owned by a natural person, a transfer of such asset upon the death of its owner, whether by will, intestate succession, or otherwise; (b) in the case of an asset owned by an Entity, (i) a merger or consolidation of such Entity, (ii) a conversion of such Entity into another type of Entity, or (iii) a distribution of such asset in connection with the dissolution, liquidation, winding up, or termination of such Entity; and (c) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance; but such terms shall not include the creation of an Encumbrance.

Disposing Member. Sec. 3.03(c)(i).

Disposition Notice. Sec. 3.03(c)(i).

Dispute. Sec. 9.01(a).

Disputing Party. Sec. 9.01(a).

Distributable Cash. Net Property Cash Flow and Net Cash Flow, in each case determined after any then outstanding Member Loans have been paid in full as to both principal and accrued interest.

Divorce. The establishment of a Spouse's Fraction as a result of the divorce or other termination of the marital relationship of any Member (other than by death), or upon the partition of community of property or other Disposition of property between a Member and such Member's spouse.

Drawdown. Sec. 4.01(a)

Drawdown Date. Sec. 4.02(a)

Encumber, Encumbering, or Encumbrance. The creation of a security interest, lien, pledge, mortgage, or other encumbrance, whether such encumbrance be voluntary, involuntary, or by operation of Law.

Excess Balance. Sec. 5.05(b)(i).

*Exercise Notic*e. Sec. 3.03(c)(i).

Final Closing Date. Sec. 4.01(b)(i).

Including. "Including, without limitation,".

Indemnified Party. Sec. 6.05(a).

Initial Closing Date. Sec. 4.01(b)(i).

Investment Period. The "Investment Period" shall begin on the Initial Closing Date and continue until terminated by the Board.

Law. Any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter of a governmental authority.

Major Actions. means any of the following actions proposed to be taken by the Company:

(a) causing or permitting the Company to enter into or engage in any transaction, contract, agreement, or arrangement that (A) is unrelated to the Company's purpose (as set forth in the Certificate of Formation and in Sec. 2.04), (B) otherwise contravenes the Certificate or this Agreement, (C) would make it impossible to carry on the ordinary business of the Company, or (D) is not apparently for the carrying on of the purpose of the Company, as set forth in Section 2.04,in the usual way;

(b) Designating, Removing and/or replacing the Operating Manager (as defined below).

(c) the liquidation, dissolution, or winding up of the Company, the declaration of bankruptcy of the Company, series, or any of its Subsidiaries, the appointment a receiver or Liquidator of the Company, series, or any of its Subsidiaries, or making of any assignment for the benefit of creditors of the Company, series, or any of its Subsidiaries;

(d) the termination of this Agreement;

(e) the amendment of this Agreement, the Certificate, or any other similar formation documents of the Company;

(f) the making, or the determination not to make, any "curative" or "remedial" allocations (within the meaning of the Treasury Regulations under Section 704(c) of the Code);

(g) any material change to the line(s) of business of the Company, series, or any of its Subsidiaries; and

(h) entering into any agreement to do any of the foregoing.

Majority Interest. Members holding among them at least a majority of all Voting Ratios; provided, however, that, if a provision of this Agreement provides that a Majority Interest, for purposes of such provision, is to be calculated or determined without reference to one or more excluded Members, then, solely for purposes of such provision, *"Majority Interest"* shall mean Members, other than the excluded Members, holding among them at least a majority of all Voting Ratios, other than Voting Ratios held by such excluded Members.

Operating Manager. Has the meaning set forth in Section 6.01(l).

Member. Any Person executing this Agreement as of the date of this Agreement as a member or hereafter admitted to the Company as a member as provided in this Agreement, but such term does not include any Person who has ceased to be a member in the Company. If a Member shall have Disposed of all or any portion of its Units but shall have retained its other Membership Rights, then solely with respect to the Units (or portion thereof) so Disposed, all references to "Member" that appear in Articles 5 and 8, in Secs. 3.03, 3.05, 4.06, 11.02(d) (and the last paragraph of Sec. 10.02), and 10.03, and in Sec. 1.01 with respect to defined terms first used in the preceding-listed Articles and Sections, shall be deemed to refer to the Assignee of such Units (or portion thereof).

Member Loans. Sec. 4.06

Member Nonrecourse Deductions. The meaning assigned to the term "Member nonrecourse deductions" in Treasury Regulation Sec. 1. 704-2(i).

Member Nonrecourse Debt. The meaning assigned to the term "Member nonrecourse debt" in Treasury Regulation Sec. 1.704-2(b)(4).

Member Nonrecourse Minimum Gain. The meaning assigned to the term "Member nonrecourse minimum gain" in Treasury Regulation Sec. 1. 704-2(i)(3).

Membership Rights. With respect to any Member, (a) that Member's status as a Member; (b) that Member's Units; (c) all other rights, benefits and privileges enjoyed by that Member (under the BOC, the Certificate of Formation, this Agreement or otherwise) in its capacity as a Member, including that Member's rights to vote, consent and approve and otherwise to participate in the management of the Company; and (d) all obligations, duties, and liabilities imposed on that Member (under the BOC, the Certificate of Formation, this Agreement or otherwise) in its capacity as a Member, including any obligations to make Capital Contributions; provided, however, that such term shall not include any management rights held by a Member solely in its capacity as a Board Member.

Minimum Gain. The meaning assigned to that term in Treasury Regulation Sec. 1.704-2(d).

Net Agreed Value. (a) in the case of any property contributed to the Company, the Book Value of the Company's property reduced by any indebtedness either assumed by the Company upon the contribution of the property or to which such property is subject when contributed; and (b) in the case of any property distributed to a Member, the Book Value of such property reduced by any indebtedness either assumed by such Member upon such distribution or to which such property is subject at the time of distribution.

Net Cash Flow. All cash funds derived from operations of the Company (including interest received on reserves), without reduction for any non-cash charges, other than Net Property Cash Flow, but less cash funds used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, future or current Properties, debt payments, capital improvements, and replacements as determined by the Board. Net Cash Flow shall include the proceeds received by the Company, other than Net Property Cash Flow, in connection with a Capital Transaction after the payment of costs and expenses incurred by the Company in connection with such Capital Transaction, including brokers' commissions, loan fees, loan payments, other closing costs, and the cost of any alteration, improvement, restoration, or repair of any Company property necessitated by or incurred in connection with such Capital Transaction and, if the Capital Transaction is a financing or refinancing, after the payment of any Company indebtedness that is repaid in connection with such financing or refinancing.

Net Property Cash Flow. All cash funds derived from operations of the Company's (including interest received on reserves) Properties, without reduction for any non-cash charges, but less cash funds used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, future or current Properties, debt payments, capital improvements, and replacements as determined by the Board.

Nonrecourse Deductions. The meaning assigned that term in Treasury Regulation Sec. 1.704- 2(b)(1).

Nonrecourse Liability. The meaning assigned that term in Treasury Regulation Sec. 1.704-2(b)(3).

Person. The meaning assigned that term in Section 1.02(69-b) of the BOC.

Prime Rate. A rate per annum equal to the lesser of (a) a varying rate per annum that is equal to the interest rate publicly quoted by The Wall Street Journal from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by Law.

Property or Properties. Any real property asset in which the Company invests and any and all other assets relating thereto, including, without limitation, investments in other entities directly or indirectly owning real property and all working capital reserves necessary to achieve the Company's Purpose with respect to such real property.

Profit and Loss. For each fiscal year of the Company (or other period for which Profit or Loss must be computed), the Company's taxable income (not including income allocated pursuant to Secs. 5.05, 5.10, 5.12, 5.13, 5.14, 5.15, and 5.16) or loss (not including loss or deduction allocated pursuant to Secs. 5.05, 5.09, 5.11, and 5.14) determined in accordance with Code Sec. 703(a), with the following adjustments:

(a) all items of income, gain, loss, and deduction required to be stated separately pursuant to Code Sec. 703(a)(1) shall be included in computing taxable income or loss;

(b) Any tax-exempt income of the Company, not otherwise taken into account in computing Profit or Loss, shall be included in computing taxable income or loss;

(c) any expenditures of the Company described in Code Sec. 705(a)(2)(B) (or treated as such pursuant to Treasury Regulation Sec. 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profit or Loss, shall be subtracted from taxable income or loss;

(d) Gain or loss resulting from any disposition of Company property shall be computed by reference to the Book Value of the property;

(e) in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, there shall be taken into account Book Depreciation; and

(f) If the Book Value of an asset of the Company is adjusted pursuant to Sec. 5.06, any increase or decrease in the Book Value of the asset as a result of the adjustment shall be treated as gain or loss, respectively, from the disposition of the asset and shall be taken into account in computing Profits or Losses.

Purchasing Member. Sec. 3.03(c)(i).

Related Person. With respect to any Member, any Person who is related to such Member within the meaning of Treasury Regulation Sec. 1.752-4(b).

Remaining Capital Commitment. With respect to any Member and at any time, an amount (not less than zero) equal to (a) its Capital Commitment, minus (b) such Member's aggregate Capital Contributions pursuant to this Agreement.

Securities Act. Securities Act of 1933, as amended.

Series LLC. refers to the Company's status as a series entity and shall mean that the Company may establish one or more designated series of members, managers, membership interests, or assets as provided in Sec. 101.601 et seq. of the BOC, the Certificate of Formation, and this Agreement.

Sharing Ratio. Subject in each case to adjustments on account of Dispositions of Membership Rights permitted by this Agreement, (a) in the case of a Member executing this Agreement as of the date of this Agreement or a Person acquiring those Membership Rights, the ratio between the Units owned by such Member and the total Units of the Company which are issued and outstanding, which are specified on the books and records of the Company by the Board pursuant to Section 8.01, amended from time to time, and which may be rounded, in the Sole Discretion of the Board, up or down to the nearest one-hundreth by the Board, and (b) in the case of Membership Rights issued pursuant to Sec. 3.04, the Sharing Ratio established pursuant thereto.

Sole Discretion. With respect to any Person, Board, Board Member, officer, or Operating Manager, as applicable, that Person's, Board, Board Member, officer or Operating Manager's sole and absolute discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

Spouse's Death. The death of a Member's spouse (or former spouse) prior to the death of such Member, and, in connection with such death, the establishment of a Spouse's Fraction to which (or to a portion of which) such Member does not succeed.

Spouse's Fraction. That portion (if any) of a Member's Membership Rights that such Member's spouse, such Member's former spouse, such Member's spouse's estate, or such Member's former spouse's estate is determined to own by a court of competent jurisdiction or, in the absence of a judicial determination, by a written agreement between the Member and such spouse, such spouse's estate, such former spouse, or such former spouse's estate.

Subscription Documents. The Subscription Agreement and other documents (attached hereto as Exhibit A) executed and delivered by a Person in connection with its subscription or purchase of Units in the Company and/or its admission as a Member of the Company.

Subsidiary. With respect to any specified Person, any other Person in which such specified Person, directly or indirectly through one or more Affiliates or otherwise, beneficially owns at least fifty percent (50%) of either the ownership interest (determined by equity or economic interests) in, or the voting Control of, such other Person.

Supermajority Interest. Members holding among them at least 75% of all Voting Ratios; provided, however, that, if a provision of this Agreement provides that a Supermajority Interest, for purposes of such provision, is to be calculated or determined without reference to one or more excluded Members, then, solely for purposes of such provision, "Supermajority Interest" shall mean Members, other than the excluded Members, holding among them at least 75% of all Voting Ratios, other than Voting Ratios held by such excluded Members.

Partnership Representative. Sec. 7.03.

Terminating Capital Transaction. Any Capital Transaction that is entered into in connection with or will result in, the dissolution, winding up, and termination of the Company.

Treasury Regulations. The regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute, proposed, or final Treasury Regulations.

Unit or Units. A Person's share of the income, gain, loss, deduction and credits of, and the right to receive distributions from, the Company, based on such Person's Sharing Ratio. The number of Units issued to any Member will be determined, at the Sole Discretion of the Board, based on the nature of the subscription, will initially be set forth on Exhibit A at the time of such Member's subscription, and will be subject to dilution.

Unreturned Capital Contributions. With respect to any Member, the total Capital Contributions (or, if a property Capital Contribution, the Net Agree Value of such property) of the Member less the cumulative distributions to the Member pursuant to Secs. 5.01, 5.02, and 5.03. If any Units are transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Unreturned Capital Contributions of the transferor to the extent of the Units transferred.

Voting Ratio. With respect to any Member, such Member's Sharing Ratio; provided, however, that, if a Member shall have Disposed of all or any portion of its Units but shall have retained its other Membership Rights, such Member shall be deemed, solely for purposes of determining such Member's Voting Ratio, to continue to hold the Sharing Ratio attributable to the Units that were the subject of such Disposition.

Winding Up Event. Sec. 10.01(a).

Withdraw, Withdrawing, or Withdrawal. The withdrawal, resignation, or retirement of a Member from the Company as a member. Such terms shall not include any Dispositions of Membership Rights (which are governed by Sec. 3.03), even though the Member making a Disposition may cease to be a Member as a result of such Disposition.

Other terms defined herein have the meanings so given them.

1.02. *Construction.* Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) references to Exhibits are to the Exhibits attached to this Agreement, each of which is made a part hereof for all purposes.

Article 2
Organization

2.01. *Formation.* The Company has been organized as a Texas series limited liability company by the filing of a Certificate of Formation with the office of the Secretary of State of the State of Texas (the *"Certificate" or "Certificate of Formation")* under and pursuant to the BOC.

2.02. *Name.* The name of the Company is "**SAPPHIRE GROUP, LLC**" and all Company business must be conducted in that name or such other names that comply with Law as the Board may select.

2.03. *Registered Office; Registered Agent; Principal Office in the United States; Other Offices.* The registered office of the Company required by the BOC to be maintained in the State of Texas shall be the office of the initial registered agent named in the Certificate or such other office as the Board may designate in the manner provided by the BOC. The registered agent of the Company in the State of Texas shall be the initial registered agent named in the Certificate or such other Person or Persons as the Board may designate in the manner provided by the BOC. The principal office of the Company in the United States shall be at such place as the Board may designate, which need not be in the State of Texas, and the Company shall maintain records there as required by the BOC Sec. 101.501 and shall keep the street address of such principal office at the registered office of the Company in the State of Texas. The Company may have such other offices as the Board may designate.

2.04. *Purposes.* The purpose of the Company shall be to engage in the acquisition, development, rehabilitation, management, financing and/or sale of real property for investment along with other investments in similar businesses from time to time (the "Purposes"). The Board shall not materially deviate from the Purposes described herein without the written consent of a Majority Interest.

2.05. *Series LLC.* The Company is a Series LLC and subject to the following provisions

(a) The Board may establish or provide for the establishment of one or more designated series of members, managers, membership interests, or assets that (1) has separate rights, powers, or duties with respect to specified property or obligations of the Company or profits and losses associated with specified property or obligations; or (2) has a separate investment objective. The Board may determine that certain assets, members, managers, or membership interests shall be designated as being part of a certain series or associated exclusively with that particular series. Different series of the Company may operate independently without affecting the rights, liabilities, or obligations associated with any other series.

(b) Series may be established from time to time by (1) the Board or (2) automatically by direct acquisition of an asset into a particular series that is named in the deed, bill of sale, or other transfer document, without necessity for a meeting or resolution of Members or Board, a supplemental filing with the Secretary of State, or any notice to the public.

(c) Specific series of assets shall be separately labeled or enumerated in such a manner as to identify each series' assets, structure, and operations. Unless the Board determines otherwise, each series shall be labeled in alphabetical order based on the date of its formation.

(d) Subject to the provisions of the BOC, (1) the debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to a particular series shall be enforceable against the assets of that series only, and shall not be enforceable against the assets of the Company generally or any other series; and (2) none of the debts,

liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to the Company generally or any other series shall be enforceable against the assets of a particular series. In particular, the assets of a series shall not be liable for execution upon a judgment or other civil process arising from transactions associated with the assets of another series. A debt or obligation to be collateralized or guaranteed by the assets of more than one series must be expressly approved by a supermajority vote of the Board. For the purposes of this section, a supermajority vote shall consist of a vote by 75% of the Board.

(e) Assets associated with a series may be held in the name of the series or in the name of the Company without affecting the independent and segregated nature of each series. It shall, however, be the preferred practice of this Company to title or label assets in such a manner as to reflect the specific series to which such assets belong.

(f) A series has the power and capacity in the series' own name, to (1) enter into contracts, leases, and other binding agreements; (2) sue and be sued; (3) acquire, hold, and convey title to assets of the series, including real property, personal property, and intangible property of any kind; (4) incur debt and grant liens and security interests in assets of the series; and (5) otherwise lawfully engage in the ordinary course of business in furtherance of the interests and purposes of the series independently of other series of the Company.

(g) All provisions of this Agreement that are applicable to the structure and operations of the Company generally are likewise applicable to the structure and operation of individual series. Unless otherwise stipulated or appended to this Agreement, any series created hereunder shall have the same Board, Member, rights, powers, investment objectives, profit and loss provisions, and duties applicable to the structure and operations of the Company.

(h) The records maintained for a particular series shall (i) account for the assets associated with that series separately from the other assets of the Company or any other series; and (ii) be maintained in a manner so that the assets of the series can be reasonably identified by specific listing, category, type, quantity, or computational or allocational formula or procedure, including a percentage or share of any assets, or by any other method in which the identity of the assets can be objectively determined.

(i) The Board may determine that one or more series shall be treated individually and separately for federal income tax purposes. If the Board so determine, then each series that is treated separately shall obtain its own taxpayer identification number.

2.06. *Foreign Qualification*. Prior to the Company's conducting business in any jurisdiction other than Texas, the Board shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Board, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. At the request of the Board, each Member shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

2.07. *Term.* The Company commenced on the date the Secretary of State of Texas accepted for filing the Certificate and shall continue in existence until its business and affairs are wound up and the Company is terminated as provided in Article 10 of this Agreement.

2.08. *No State-Law Company*. The Members intend that the Company not be a Company (including a limited Company) or joint venture, and that no Member or Board be a Member or joint venturer of any other Member or Board, for any purposes other than applicable Tax Laws, and this Agreement may not be construed to suggest otherwise.

Article 3
Membership; Dispositions of Units

3.01. *Initial Members*. The initial members of the Company are the Persons executing this Agreement as of the date of this Agreement as members, each of which is admitted to the Company as a member effective contemporaneously with the execution by such Person of this Agreement.

3.02. *Representations and Warranties.* Each Member hereby represents and warrants to the Company and each other Member as follows:

(a) in the case of a Member that is an Entity: (i) that Member was previously formed and validly exists and has not been organized for the specific purpose of purchasing the Units (unless all beneficial owners of the Member are accredited investors as defined in Regulation D promulgated under the Securities Act of 1933); (ii) that Member is duly incorporated, organized, or formed (as applicable), validly existing, and (if applicable) in good standing under the Law of the jurisdiction of its incorporation, organization, or formation; (iii) if required by applicable Law, that Member is duly qualified and in good standing in the jurisdiction of its principal place of business, if different from its jurisdiction of incorporation, organization, or formation; and (iv) that Member has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and all necessary actions by the board of directors, shareholders, managers, members, Members, trustees, beneficiaries, or other applicable Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken;

(b) that Member has duly executed and delivered this Agreement, and they constitute the legal, valid and binding obligation of that Member enforceable against it in accordance with their terms (except as may be limited by bankruptcy, insolvency, or similar laws of general application and by the effect of general principles of equity, regardless of whether considered at law or in equity);

(c) that Member's authorization, execution, delivery, and performance of this Agreement do not and will not (i) conflict with, or result in a breach, default or violation of, (A) the organizational documents of such Member (if it is an Entity), (B) any contract or agreement to which that Member is a party or is otherwise subject, or (C) any Law, order, judgment, decree, writ, injunction, or arbitral award to which that Member is subject; or (ii) require any consent, approval or authorization from, filing or registration with, or notice to, any governmental authority or other Person, unless such requirement has already been satisfied;

(d) That Member has read in full and completely understands the terms of this Agreement, understands the investment objectives of the Company, and has (or has had the opportunity to) consulted with legal counsel regarding this Agreement; has received and reviewed preliminary investment information and risks included in Exhibits of this Agreement and is familiar with the existing or proposed business, financial condition, properties, operations, and prospects of the Company; has asked such questions, and conducted such due diligence, concerning such matters and concerning its acquisition of Membership Rights as it has desired to ask and conduct, and all such questions have been answered to its full satisfaction; has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Company; it understands that owning Membership Rights involves various risks, including the restrictions on Dispositions and Encumbrances set forth in Sec. 3.03, the lack of any public market for Membership Rights, the risk of owning its Membership Rights for an indefinite period of time and the risk of losing its entire investment in the Company; it is able to bear the economic risk of such investment; it is acquiring its Membership Rights for investment, solely for its own beneficial account and not with a view to or any present intention of directly or indirectly selling, transferring, offering to sell or transfer, participating in any distribution, or otherwise Disposing of all or a portion of its Membership Rights; and it acknowledges that the Membership Rights have not been registered under the Securities Act or any other applicable federal or state securities laws, and that the Company has no intention, and shall not have any obligation, to register or to obtain an exemption from registration for the Membership Rights or to take action so as to permit sales pursuant to the Securities Act (including Rules 144 and 144A thereunder, if applicable).

(e) Furthermore, by executing this Agreement, each Member acknowledges the following:

(i) I have committed myself to become a Member in the Company. I agree to be bound by all of the terms and conditions described in this Agreement. I understand that I may not revoke, cancel, terminate or withdraw my membership in the Company.

(ii) I understand that the Units are being offered without registration under the Securities Act of 1933 (the "Securities Act") in reliance upon the exemption pursuant to Section 4(a)(2) of the Securities Act for transactions by an issuer not involving any public offering.

(iii) I am acquiring the Units for my own account, for investment and not with a view to, or for resale in connection with, any distribution. By such representation I mean that no other person has a beneficial interest in the securities I propose to purchase hereunder. I do not intend to dispose of all or any part of the Units unless and until I determine that some change in my personal circumstances, by reason of some intervening event not now in contemplation, has occurred which makes such disposition necessary.

(iv) I understand that no Commissioner of Securities of any state or any federal agency has made any finding or determination relating to the fairness for investment of the Units and that no commissioner of Securities of any state or any federal agency has recommended or endorsed the Units. I understand that there are substantial restrictions on the transfer of Units, including, but not limited to, (a) that Units may not be transferred except as permitted by this Agreement, and (b) that Units may not be transferred unless the Units are registered or exempt from registration under applicable federal and state securities laws.

(v) I am able to bear the economic risk of this investment, including a complete loss thereof and I have no need for liquidity in this investment. I have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of this investment and protecting my interests in connection with, investing in Units. I am familiar with the nature and extent of the risks inherent in a real estate rehabilitation, and I have determined that an investment in the Company is consistent with my investment objectives and my income requirements.

(vi) I have adequate means of providing for my current needs and personal contingencies without anticipating income from this investment, and I maintain my domicile (and is not a transient or temporary resident) at the address shown on the Member’s completed Subscription Documents attached hereto as Exhibit A. My total investment in the Company is reasonable in relation to my net worth and financial needs, and does not comprise a significant portion of my investment portfolio.

(vii) Each Member further represents, as to himself or itself, that he/she or it is an “Accredited Investor” as that term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, in that he/she or it is:

(A) Any natural person whose individual net worth, or joint net worth with that person’s spouse or spousal equivalent, exceeds $1,000,000 excluding the value of the primary residence of such natural person, calculated by subtracting from the estimated fair market value of the property the amount of debt secured by the property, up to the estimated fair market value of the property. For the purposes of calculating joint net worth in this paragraph, (1) joint net worth can be the aggregate net worth of the investor and spouse or spousal equivalent, (2) assets need not be held jointly to be included in the calculation, (3) Reliance on the joint net worth standard of this paragraph does not require that the securities be purchased jointly. The term *spousal equivalent* shall mean a cohabitant occupying a relationship generally equivalent to that of a spouse; or

(B) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person’s spouse or spousal equivalent in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. It is permissible to look through various forms of equity ownership to natural persons in determining the accredited investor status of entities under this paragraph. If those natural persons are themselves accredited investors, and if all other equity owners of the entity seeking accredited investor status are accredited investors, then this paragraph may be available. The term *spousal equivalent* shall mean a cohabitant occupying a relationship generally equivalent to that of a spouse; or

(C) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000; or

(D) Any entity, of a type not listed otherwise listed in Rule 501 of Regulation D, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of $5,000,000. For the purposes this section, “investments” is defined in rule 2a51-1(b) under the Investment Company Act of 1940 (17 CFR 270.2a51-1(b)).; or

(E) Any natural person holding in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission (on their website) has designated as qualifying an individual for accredited investor status. In determining whether to designate a professional certification or designation or credential from an accredited educational institution for purposes of this paragraph (a)(10), the Commission will consider, among others, the following attributes:

(a) The certification, designation, or credential arises out of an examination or series of examinations administered by a self-regulatory organization or other industry body or is issued by an accredited educational institution;

(b) The examination or series of examinations is designed to reliably and validly demonstrate an individual’s comprehension and sophistication in the areas of securities and investing;

(c) Persons obtaining such certification, designation, or credential can reasonably be expected to have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of a prospective investment; and

(d) An indication that an individual holds the certification or designation is either made publicly available by the relevant self-regulatory organization or other industry body or is otherwise independently verifiable; or

(F) Any “family office,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1), (i) With assets under management in excess of $5,000,000, (ii) That is not formed for the specific purpose of acquiring the securities offered, and (iii) Whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment; or

(G) Any “family client,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1)), of a family office meeting the requirements in paragraph (a)(12) of this section and whose prospective investment in the issuer is directed by such family office pursuant to paragraph (a)(12)(iii); or

(H) Any bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the Commission under section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in section 2(a)(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any Rural Business Investment Company as defined in section 384A of the

Consolidated Farm and Rural Development Act; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; or

(I) a director, manager, executive officer, or Board Member of the Company; or

(J) Any natural person who is a "knowledgeable employee," as defined in rule 3c5(a)(4) under the Investment Company Act of 1940 (17 CFR 270.3c-5(a)(4)), of the issuer of the securities being offered or sold where the issuer would be an investment company, as defined in section 3 of such act, but for the exclusion provided by either section 3(c)(1) or section 3(c)(7) of such act; and

(K) an entity which is otherwise an "Accredited Investor" and which has supplied the Board sufficient information demonstrating such entity's "Accredited Investor" status.

3.03. *Dispositions and Encumbrances of Membership Rights.*

(a) *General Restriction.* A Member may not Dispose of or Encumber all or any portion of its Membership Rights except in strict accordance with this Sec. 3.03. Any attempted Disposition or Encumbrance of all or any portion of its Membership Rights, other than in strict accordance with this Sec. 3.03, shall be, and is hereby declared, null and void *ab initio.* The Members agree that breach of the provisions of this Sec. 3.03 may cause irreparable injury to the Company for which monetary damages (or other remedy at law) are inadequate in view of (i) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Member to comply with such provisions, (ii) the uniqueness of the Company business and the relationship among the Members. Accordingly, the Members agree that the provisions of this Sec. 3.03 may be enforced by specific performance.

(b) *Dispositions of Membership Rights.*

(i) *General Restriction.* If a Member desires to make a Disposition of all or any portion of its Membership Rights (including its Units), it must first offer the Company, and second, the other Members (if the Company is not interested) the right to purchase such Membership Rights (or portion thereof, as applicable), in accordance with Sec. 3.03(c); provided, however, that compliance with Sec. 3.03(c) shall not be required in the case of the following dispositions:

(A) Dispositions by a Member to one of its Affiliates;

(B) Dispositions of all or any portion of a Delinquent Member's Membership Rights to a purchaser at a foreclosure of the security interest granted therein pursuant to Sec. 4.04; and

(ii) Admission of Assignee as a Member. An Assignee has the right to be admitted to the Company as a Member, with the Membership Rights (and attendant Sharing Ratio) so transferred to such Assignee, only if the following requirements are satisfied:

(A) except for Dispositions resulting from the death or dissolution of a Member, the Member making the Disposition must have granted the Assignee the Member's entire Membership Rights; or

(B) in the case of a Disposition resulting from the death or dissolution of a Member, such Assignee must have been granted (by will, probate court order, or act of the liquidator of a dissolved Entity) the Member's entire Membership Rights,

(C) and the admission of the Assignee has been approved by the Board, in its Sole Discretion.

If an Assignee is admitted to the Company as a Member, it shall cease to have the status of an Assignee. If an Assignee does not request admission, the Assignee shall continue to have the status of an Assignee and shall only own the Units attendant to the Membership Rights transferred to it.

(c) *Preferential Purchase Right.*

(i) *Procedure.* Should any Member at any time desire to Dispose of all or a portion of its Membership Rights pursuant to a bona fide offer from another Person (except in the circumstances described in the proviso to Sec. 3.03(b)(i)), such Member (the *"Disposing Member")* shall promptly give notice thereof (the *"Disposition Notice")* to the Company. The Disposition Notice shall set forth all relevant information with respect to the proposed Disposition, including the name and address of the prospective acquirer, the purchase price (and any related information that is required by Sec. 3.03(c)(ii)), the precise Membership Rights that are the subject of the Disposition, and any other terms and conditions of the proposed Disposition. The Company first, then (if the Company is not interested) the other Members shall have the preferential right to acquire such Membership Rights for the same purchase price, and on the same terms and conditions, as are set forth in the Disposition Notice, except as provided otherwise in this Sec. 3.03(c). The Company shall have 15 days following its receipt of the Disposition notice in which to notify the Disposing Member whether the Company desirers to exercise its preferential right. Each Member (other than the Disposing Member) shall have 15 Days following its receipt of the Disposition Notice (which will be sent within 15 days from the Company's election not to exercise its preferential right)) in which to notify the Disposing Member whether such Member desires to exercise its preferential right. Notwithstanding the foregoing, if any Person elects to require arbitration pursuant to Sec. 3.03(c)(ii)(B) and Article 9, then the applicable deadline for the Company and all Members, in order of their preferential right, for delivering such notice shall be 15 Days following delivery of the Arbitrator's decision. (A notice in which a Member exercises such right is referred to herein as an *"Exercise Notice,"* and a Member that delivers an Exercise Notice is referred to herein as a *"Purchasing Member.")* Any Member that does not respond during the applicable period shall be deemed to have waived such right. If there is more than one Purchasing Member, each Purchasing Member shall participate in the purchase in the same proportion that its Sharing Ratio bears to the aggregate Sharing Ratios of all Purchasing Members (or on such other basis as the Purchasing Members may mutually agree).

(ii) *Non-Cash Consideration.* If any portion of the purchase price, as disclosed in the Disposition Notice, is to be paid in a form other than cash, the following procedures shall be applicable:

(A) If any portion of the purchase price is to be represented by a promissory note (which term shall include any form of deferred payment obligation), the Disposition Notice shall set forth the terms of such promissory note. With respect to such portion of the purchase price, each Purchasing Member shall have the option (to be elected in its Exercise Notice), either (I) to deliver an equivalent promissory note, or (II) to pay in cash the principal amount of such promissory note.

(B) If any portion of the purchase price is to be payable in a form other than cash or a promissory note, the Disposition Notice shall set forth the Disposing Member's best estimate of the fair market value thereof. If the Company, or one or more Purchasing Members disagree with such estimate, as applicable, and if such disagreement is not resolved within 20 Days following delivery of the Disposition Notice, any such Person, by notice to the others, may require the determination of fair market value to be made by the Arbitrator pursuant to Article 9. With respect to such portion of the purchase price, each Purchasing Member shall have the option, to be elected in its Exercise Notice, either (I) to make such portion of the price in the same form as is specified in the Disposition Notice, or (II) to pay in cash the fair market value of such portion of the price, as so determined by agreement or arbitration.

(iii) *Closing.* If the preferential right is exercised in accordance with Sec. 3.03(c)(i), the closing of such purchase shall occur at the principal place of business of the Company on the 30th Day after the expiration of the preferential right period (or, if later, the fifth Business Day after the receipt of all applicable regulatory and governmental approvals to the purchase), unless the Disposing Member and the Company or the Purchasing Members, as applicable, agree upon a different place or date. At the closing, (A) the Disposing Member shall execute and deliver to the Company or Purchasing Members, as applicable, (I) an assignment of the Membership Rights described in the Disposition Notice, in form and substance reasonably acceptable to the Company or Purchasing Members, as applicable, containing a general warranty of title as to such Membership Rights (including that such Membership Rights are free and clear of any Encumbrances) and (II) any other instruments reasonably requested by the

Company or Purchasing Members, as applicable, to give effect to the purchase; and (B) the Company or Purchasing Members, as applicable, shall deliver to the Disposing Member the purchase price specified in the Disposition Notice in immediately available funds, subject to any modifications thereof required by Sec. 3.03(c). The Sharing Ratios of the Members shall be deemed adjusted to reflect the effect of the purchase.

(iv) *Waiver of Preferential Right.* If neither the Company nor Members deliver an Exercise Notice, the Disposing Member shall have the right, subject to compliance with the provisions of this Sec. 3.03, to Dispose of the Membership Rights described in the Disposition Notice to the proposed Assignee strictly in accordance with the terms of the Disposition Notice for a period of 60 Days after the expiration of the preferential right period. If, however, the Disposing Member fails so to Dispose of the Membership Rights within such 60-Day period, the proposed Disposition shall again become subject to the preferential right set forth in this Sec. 3.03(c).

(d) *Requirements Applicable to All Dispositions and Admissions.* In addition to the requirements set forth in Sec. 3.03(b) or (c), as applicable, any Disposition of Membership Rights or any portion thereof (including an Unit), and any admission of an Assignee as a Member, shall also be subject to the following requirements, and such Disposition (and admission, if applicable) shall not be effective unless such requirements are complied with; provided, however, that the Board, in its Sole Discretion, may waive any of the following requirements:

(i) *Disposition Documents.* The following documents must be delivered to the Board and must be satisfactory, in form and substance, to the Board:

(A) *Disposition Instrument.* A copy of the instrument pursuant to which the Disposition is effected.

(B) *Ratification of Agreement.* An instrument, executed by the Member making the Disposition and its Assignee, containing the following information and agreements, to the extent they are not contained in the instrument described in Sec. 3.03(d)(i)(A): (i) the notice address of the Assignee; (iii) the Sharing Ratios (if the Assignee is to be admitted as a Member) after the Disposition of the Member effecting the Disposition and its Assignee (which together must total the Sharing Ratio of the Member effecting the Disposition before the Disposition); (iii) if the Assignee is to be admitted as a Member, (A) the Assignee's ratification of this Agreement and agreement to be bound by them, and (B) its confirmation that the representations and warranties in Sec. 3.02 are true and correct with respect to it; (iv) if the Assignee is not to be admitted as a Member, an acknowledgment by the Assignee that the Units (or other applicable Membership Rights) acquired by it is subject in all respects to this Agreement; and (iv) representations and warranties by the Member and its Assignee (A) that the Disposition (and admission, if applicable), is being made in accordance with all applicable Law, and (B) that the matters set forth in Secs. 3.03(d)(i)(C) and (D) are true and correct.

(C) *Securities Law Opinion.* Unless the Membership Rights (or portion thereof) subject to the Disposition are registered under the Securities Act and any applicable state securities Law, a favorable opinion of the Company's legal counsel, or of other legal counsel acceptable to the Board, to the effect that the Disposition (and admission, if applicable) is being made pursuant to a valid exemption from registration under those Laws and in accordance with those Laws.

(D) *Tax Opinion.* The Company must receive a favorable opinion of the Company's legal counsel or legal counsel acceptable to the Board to the effect that the Disposition would not result in the Company's being considered to have terminated within the meaning of Code Sec. 708.

(ii) *Payment of Expenses.* The Member effecting a Disposition and its Assignee shall pay, or reimburse the Company for, all costs and expenses incurred by the Company in connection with the Disposition (and admission, if applicable), including the legal fees incurred in connection with the legal opinions referred to in Sec. 3.03(d)(i)(C) and (D), on or before the tenth Day after the receipt by that Person of the Company's invoice for the amount due. If payment is not made by the date due, the Person owing that amount shall pay interest on the unpaid amount from the date due until paid at a rate per annum equal to the Default Rate.

(iii) *Effective Date.* Each Disposition (and admission, if applicable) complying with the provisions of this Sec. 3.03 is effective as of the first calendar Day of the month immediately succeeding the month in which all of the requirements of this Sec. 3.03(d) have been met.

(e) *Encumbrances of Membership Rights.* A Member may not Encumber all or any portion of its Membership Rights without the consent of the Board (calculated without reference to the Member desiring to make such Encumbrance); provided, however, that this Sec. 3.03(e) shall not apply to (i) the creation of the security interest granted pursuant to Sec. 4.04, or (ii) Encumbrances by a Member in favor of one of its Affiliates.

3.04. *Creation of Additional Membership Rights.*

(a) Additional Membership Rights may be created and issued to existing Members or to other Persons, and such other Persons may be admitted to the Company as Members, at the direction of the Board, on such terms and conditions as the Board may determine in its Sole Discretion, and no consent of any Member shall be required whatsoever, but any such Member must agree in writing to be bound by this Agreement. The terms of admission or issuance must specify the Sharing Ratios applicable thereto and may provide for the creation of different classes or groups of Members and having different rights, powers, and duties. The Board may reflect the creation of any new class or group in an amendment to this Agreement indicating the different rights, powers, and duties, and such an amendment need be executed only by the Board. Any such admission is effective only after the new Member has executed and delivered to the Board (or its designee, the Operating Manager) the Subscription Documents attached hereto as Exhibit A and an instrument containing the notice address of the new Member, the Assignee's ratification of this Agreement and agreement to be bound by them, and its confirmation that the representations and warranties in Sec. 3.02 are true and correct with respect to it.

(b) The provisions of this Sec. 3.04 shall not apply to Dispositions of Membership Rights or admissions of Assignees in connection therewith, such matters being governed by Sec. 3.03.

3.05. *Dispositions of Units in a Member.* No Member that is not a natural person may cause or permit Units, direct or indirect, in itself to be Disposed of such that, after the Disposition the Company would be considered to have terminated within the meaning of Code Sec. 708.

3.06. *Withdrawal.* A Member does not have the right or power to Withdraw.

3.07. *Information.*

(a) In addition to the other rights specifically set forth in this Agreement, each Member and each Assignee is entitled to all information to which that Member or Assignee is entitled to have access pursuant to Sec. 101.502 of the BOC under the circumstances and subject to the conditions therein stated. The Members (on behalf of themselves and their Assignees) agree, however, that the Board may determine, due to contractual obligations, business concerns, or other considerations, that certain information regarding the business, affairs, properties, and financial condition of the Company should be kept confidential and not provided to some or all other Members or Assignees, and that it is not just or reasonable for those Members or Assignees (or representatives thereof) to examine or copy that information.

(b) The Members (on behalf of themselves and their Assignees) acknowledge that they may receive information from or regarding the Company in the nature of trade secrets or that otherwise is confidential, the release of which may be damaging to the Company or Persons with which it does business. Each Member and Assignee shall hold in strict confidence any information it receives regarding the Company that is identified as being confidential (and if that information is provided in writing, that is so marked) and may not disclose it to any Person other than another Member, Board Member, officer, or Operating Manager, except for disclosures (i) compelled by Law (but the Member or Assignee must notify the Board promptly of any request for that information, before disclosing it if practicable), (ii) to advisers or representatives of the Member or Assignee, but only if the recipients have agreed to be bound by the provisions of this Sec. 3.07(b), or (iii) of information that Member or Assignee also has received from a source independent of the Company that the Member or Assignee reasonably believes obtained that information without breach of any obligation of confidentiality. The Members (on behalf of themselves and their Assignees) agree that breach of the provisions of this Sec. 3.07(b) may cause irreparable injury to the Company for which monetary damages (or other remedy at law) are inadequate in view of (y) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Member or Assignee to comply with such provisions, and (z) the uniqueness of the Company business

and the confidential nature of the information described in this Sec. 3.07(b). Accordingly, the Members (on behalf of themselves and their Assignees) agree that the provisions of this Sec. 3.07(b) may be enforced by specific performance.

(c) Each Member shall reimburse the Company for all costs and expenses incurred by the Company in connection with the Member's inspection and copying of the Company's books and records.

3.08. *Liability to Third Parties.* Unless otherwise specified in this Agreement, no Member or Operating Manager shall be liable to third-parties for the debts, obligations, or liabilities, of the Company, including under a judgment decree or order of a court.

3.09. *Spouses of Members.* Spouses of the Members do not become Members as a result of such marital relationship.

Article 4
Capital Contributions

4.01 *Obligation to Contribute.*

(a) *Capital Commitments; Drawdowns*. The Board has established an initial targeted amount of Capital Commitments of Twenty Five Million and 00/100 Dollars ($25,000,000.00) but reserves the right, at its sole discretion, to increase the targeted amount to a maximum Capital Commitments of up to One Hundred Million and 00/100 Dollars ($100,000,000.00). Payments of Capital Contributions shall be made pursuant to Call Notices, issued at Board's Sole Discretion in accordance with Sec. 4.02. hereof in separate drawdowns ("Drawdowns") at such times and in such amounts as are necessary, in the Sole Discretion of the Board, to fund Properties acquisitions or pay expenses, any fees set forth herein, or other Company or expenses on existing Properties, including, but not limited to the repayment of indebtedness and the costs of any alterations to existing Properties. The minimum Capital Commitment of each Member shall be Fifteen Thousand and No/100 Dollars ($15,000.00); provided, however, that the Company may accept Capital Commitments of lesser amounts in the Sole Discretion of the Board. Except as otherwise provided in this Agreement, a Member's obligation to make Capital Contributions to the Company may not be enforced by a creditor of the Company. Each Capital Contribution to the Company shall be made by means of a check or by wire transfer of immediately available funds to an account designated by the Board.

(b) *Initial Closing Date; Admission of Additional Members.*

(i) *Initial Closing*. The initial closing will occur at the Board's Sole Discretion, upon the ratification of this Agreement by the existing Members, (the date of such closing(s) shall be referred to herein as the "Initial Closing Date").

(ii) *Additional Capital Commitments*. Subject to the provisions of this Agreement, including the restrictions on the aggregate amount of Capital Commitments permitted to be accepted as set forth herein, the Board is authorized to accept or reject, in its Sole Discretion as necessary to meet the capital needs of the Company, additional Capital Commitments from the Members and to select, admit and accept Capital Commitments from other Persons to the Company as additional Members. At no time shall there be more than five hundred (500) Members in the Company. No acceptance of additional Capital Commitments or admission of additional Members pursuant to this Section is subject to any preemptive or similar rights.

(iii) *Accession to Agreement and Consents of Other Members*. Each Person who is to be admitted as an additional or substitute Member pursuant to this Agreement shall agree to the terms and conditions of and become a party to this Agreement by executing, together with the Board (or its designee, the Operating Manager), a counterpart signature page to this Agreement providing for such admission, which shall be deemed for all purposes to constitute an amendment to this Agreement providing for such admission, but shall not require the consent or approval of any other Member. The Board shall make or cause to be made any necessary filings with the appropriate governmental authorities and take such actions as are necessary under applicable law to effectuate such admission. The admission of additional or substitute Members to the Company shall be effective upon the execution of a counterpart signature page to this Agreement or such

later effective date as is set forth in any written agreement executed or caused to be executed by the Board and any newly admitted Member.

(c) *Deficiency Drawdowns*

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(i) *General.* In the event that any Member fails to make a Capital Contribution to the Company as required herein and becomes a Defaulting Member, the Board may, but shall not be obligated to, call for an additional Drawdown, in accordance with this Sec. 4.01(c), equal to such defaulted Capital Contribution, from Members other than such Defaulting Member who have outstanding (i.e. unfunded) Capital Commitments, in the amounts determined pursuant to Sec. 4.01(c)(iii) hereof. Any Drawdown pursuant to this Sec. 4.01(c)(i) is referred to as a "Deficiency Drawdown." For avoidance of doubt, nothing in Sec. 4.01(c) shall obligate any Member to make a Capital Contribution greater than such Member's Capital Commitment.

(ii) *Procedure.* If the Board determines to make a Deficiency Drawdown, it will either amend the original or outstanding Call Notice previously sent to each Member pursuant to Sec. 4.02 hereof in order to increase such Member's required contribution by its proportionate share of the total Deficiency Drawdown, with such amended Call Notice to be given at least ten (10) days before the Drawdown Date for such Deficiency Drawdown; or deliver a new Call Notice in accordance with Sec. 4.02 hereof which shall supersede the original or outstanding Call Notice and shall include the additional Deficiency Drawdown.

(iii) *Amount and Effect.* Deficiency Drawdowns shall be allocated to the Members (other than the Defaulting Member) in such proportions as are determined by the Board in its Sole Discretion. Any payment by a Member pursuant to this Sec. 4.01(c) shall be deemed to be added to such Member's Capital Contributions and credited against such Member's Capital Commitment.

(d) *Termination of Investment Period.* If the Board determines in good faith that it will be impracticable for the Company to meet the primary objective of the Company set forth in Sec. 2.04 hereof, then the Board may, in its Sole Discretion, immediately terminate the Investment Period without further action necessary on behalf of any party. The Board shall promptly deliver or cause to be delivered notice of such termination to all of the Members. Furthermore, the Board may, in its Sole Discretion, elect to distribute part or all Unreturned Capital Contributions to one or more Members at any time and pursuant to Sec. 5.02.

(e) *Expiration of Capital Commitments*. The undrawn Capital Commitments of all Members, regardless of when made, shall expire upon the expiration of the Investment Period (or the earlier termination of the Investment Period in accordance with Sec. 4.01(d) hereof), and, thereafter, no Member, regardless of when admitted as a Member, shall be obligated to make any further Capital Contributions to the Company, except: (i) as necessary to effect follow-on investments in Properties owned at the end of the Investment Period, (ii) for Capital Commitments that are subject to a Call Notice issued prior to the expiration, suspension or termination of the Investment Period, but for which the Drawdown Date, as may be extended in accordance with this Agreement, has not yet occurred; (iii) for Drawdowns required of all Members by the Board to pay any Company expenses (including, but not limited to, any indebtedness of the Company); (iv) for Drawdowns required of all Members by the Board to complete acquisitions by the Company of Properties which, prior to the expiration, suspension or termination of the Investment Period, are the subject of a signed letter of intent or a definitive agreement setting forth the material terms and conditions of such acquisition; or (v) as otherwise obligated in this Agreement, for instance such Member's subscription as a personal guarantor to the Company. For the avoidance of doubt, nothing in this Sec. 4.01(e) shall obligate any Member to make a Capital Contribution greater than such Member's Capital Commitment.

(f) *No Interest or Withdrawals.* Interest earned on Company funds shall inure solely to the benefit of the Company, and no Member shall be entitled to any interest on any Capital Contributions made thereby. No Member shall have the right to resign or withdraw or to withdraw or be repaid any of its Capital Contributions to the Company or be entitled to receive any Company property (other than cash) in return for its Capital Contribution upon termination of the Company, except as specifically provided in this Agreement.

4.02 *Call Notices.*

(a) *General.* The Board shall specify the time of each Drawdown of Capital Contributions in a written notice (a "Call Notice") given to the Members prior to the date of such Drawdown as determined by the Board (the "Drawdown Date").

(b) *Timing.* The Board shall give Call Notices to the Members at least seven (7) Business Days prior to each Drawdown Date.

(c) *Contents.* Each Call Notice shall set forth:

(i) the name of the Company;

(ii) the scheduled Drawdown Date and the total amount of Capital Contributions to be made by all Members on the Drawdown Date;

(iii) the required Capital Contributions to be made by the Member to which such Call Notice is directed;

(iv) the Company account or location to which such Capital Contributions shall be made, including wiring and routing information, if any; and

(v) such information relating to the proposed use to be made of the Capital Contributions as the Board, in its Sole Discretion, determines to include in such Call Notice.

(d) *Rescission and Postponement*. Any Drawdown in respect of which a Call Notice has been delivered may be rescinded or postponed by the Board one or more times. The Board shall give prompt written notice to each Member by telecopy, email or overnight mail of any such rescission or postponement, whereupon any rescheduled Drawdown Date set forth in such Call Notice shall constitute the Drawdown Date for all purposes under this Agreement. A notice of postponement shall restate the entire Call Notice and indicate to the Members any material changes in the information contained in the original Call Notice.

4.03 *Amount of Contributions*

(a) *Apportionment Among Members.* Drawdowns shall be allocated to the Members in such proportions as are determined by the Board in its Sole Discretion. All Capital Contributions shall be made to the Company by 11:00 a.m. (Dallas, Texas time) on the relevant Drawdown Date, to the account or location designated by the Board in the Call Notice for such purpose.

(b) *No Partial Payments in Respect of Drawdowns.* Each Member shall be obligated to make payment in full of each Drawdown on the terms set forth herein, and no Member shall make (nor shall the Company be obligated to accept) any partial payments as to any Drawdown, except as otherwise explicitly provided in this Agreement.

4.04 *Failure to Make Required Payment.*

(a) *Delay Penalty.*

(i) *General.* Upon any failure by a Member to pay in full when due the Capital Contribution to be paid by it on a Drawdown Date, interest will accrue at the Default Rate, compounded annually, on the outstanding unpaid balance of such Capital Contribution. Such interest shall accrue from and including such Drawdown Date until the earlier of the date of payment of such Capital Contribution or such time, if any, as such Member becomes a Defaulting Member.

(ii) *Payment Before Notice of Default Given.* If a Member fails to pay in full when due the Capital Contribution to be paid by it on a Drawdown Date but pays such amount (together with any accrued interest thereon) prior to the time it becomes a Defaulting Member, the Board shall reflect in the records of the Company the amount paid by such Member, with such amount treated as payment first of accrued interest to the extent thereof; provided, however, that no such payment of interest shall increase such Member's Capital Contributions or reduce its Remaining Capital Commitment.

(iii) *Designation as Defaulting Member.* A Member that fails to make a payment on a Drawdown Date in satisfaction of such Member's Capital Commitment (together with any interest or other amounts due) pursuant to a Call Notice by the close of business on the date that is three (3) Business Days after the General Member has given written notice to such Member of such failure (the "Default Notice") may be deemed to be a "Defaulting Member" as and when determined by the Board in its Sole Discretion.

(b) *Default Charge.*

(i) *Imposition.* The Members agree that the damages suffered by the Company as the result of any failure by a Member to make a Capital Contribution or other payment to the Company that is required by this Agreement cannot be estimated with reasonable accuracy. As liquidated damages for each such default (which each Member hereby agrees are reasonable), the Adjusted Capital Contributions and Capital Account of a Defaulting Member may be reduced in the Sole Discretion of the Board by an amount of up to fifteen percent (15%) of such Defaulting Member's Capital Commitment at the time of the default (the "Default Charge").

(ii) *Reallocation.* The amount of any Default Charge imposed upon a Defaulting Member shall immediately become unrestricted funds of the Company and shall be allocated, as to the Adjusted Capital Contribution amount, to and among the respective Adjusted Capital Contributions of the non-defaulting Members in proportion to their respective Unreturned Capital Contributions and, as to the Capital Account amount, to and among the respective Capital Accounts of the non-defaulting Members in proportion to the positive balances in their respective Capital Accounts. For this purpose (A) the amount by which a Defaulting Member's Adjusted Capital Contributions or Capital Account is reduced shall in no case exceed such Defaulting Member's Adjusted Capital Contributions or the positive balance in such Defaulting Member's Capital Account, respectively, immediately before the reduction; (B) if either the Adjusted Capital Contributions or the Capital Account of such Defaulting Member otherwise would be reduced below zero by the imposition of the full amount of any Default Charge, such Defaulting Member's Adjusted Capital Contributions or the balance in its Capital Account shall be reduced to zero and any excess of the full amount of the Default Charge over the amount of such Defaulting Member's Adjusted Capital Contributions or such positive balance in its Capital Account immediately before such reduction, as applicable, shall be carried over and applied to reduce such Defaulting Member's Adjusted Capital Contributions or the balance in its Capital Account, as applicable, at such subsequent time or times as such Defaulting Member's Adjusted Capital Contributions are greater than zero or its Capital Account has a positive balance; and (C) any increase in the Adjusted Capital Contributions or Capital Accounts of non-defaulting Members as the result of the imposition of a Default Charge shall occur only at such time or times as the corresponding reduction in the Defaulting Member's Adjusted Capital Contributions or Capital Account occurs.

(c) *Limitation on Distributions to Defaulting Members.* The Board, in its Sole Discretion, may cause the Company to withhold any distributions that otherwise would be made to a Defaulting Member; provided, however, that if, on or before the date that is thirty (30) days after a Default Notice is given to such Defaulting Member, such Defaulting Member has paid to the Company all amounts then due and payable (including any interest) by such Defaulting Member, any distributions so withheld shall be delivered to such Defaulting Member at the end of such 30-day period. In the event that any Defaulting Member does not make full payment to the Company of all amounts due and payable on or before the date that is thirty (30) days after a Default Notice is given to such Defaulting Member, then, notwithstanding any other provision of this Agreement, the Board in its Sole Discretion may cause the Company to retain, and use for any purpose, any amounts otherwise distributable to such Defaulting Member until such time as the Company makes its final liquidating distribution in accordance herewith.

(d) *Effect of Default on Remaining Interest in Company.*

(i) *No Automatic Reduction in Remaining Capital Commitment*. The imposition of Default Charges against a Defaulting Member shall not relieve such Defaulting Member of its obligation to make all payments of its Remaining Capital Commitment pursuant to Drawdowns when due, including, the Drawdown that caused the default, except as such obligation may be waived in the Sole Discretion of the General Member, provided, however, that no waiver shall be effective unless made in writing.

(ii) *Discretionary Reduction in Remaining Capital Commitment*. The Board, in its Sole Discretion, may determine that no additional Capital Contributions to the Company shall be accepted from the Defaulting Member, in which case the Board shall so notify such Defaulting Member in writing. As of the date that such notice is sent to the Defaulting Member, such Defaulting Member's Remaining Capital Commitment shall be reduced to zero.

(iii) *Reduction of Contribution and Capital Account to Zero*. In the event that each of the Defaulting Member's Adjusted Capital Contributions and the balance in its Capital Account have been reduced to zero and either (A) the Remaining Capital Commitment of each Member (other than the Defaulting Member(s)) has been reduced to zero; or (B) the Board has determined that such Defaulting Member shall not be permitted to make any further Capital Contributions to the Company, such Defaulting Member's Units in the Company shall be extinguished completely and the Company shall have no further obligation of any nature to such Defaulting Member.

(iv) *Loss of Right to Vote.* Notwithstanding any right of a Member to vote or approve any action of the Company or the Board set forth in this Agreement or the Act, a Defaulting Member shall, without notice or any other action necessary on behalf of any party, lose all such voting and approval rights immediately upon becoming a Defaulting Member; provided, however, that the Board may waive such loss of rights in its Sole Discretion.

(e) *Other Remedies.* The Company shall have all other remedies available under law to a limited Company organized under the Act to enforce the collection from a Defaulting Member of any unpaid Capital Commitment for which a Call Notice has been issued, any interest owed by such Member as provided herein, all costs of collection (including reasonable attorneys' fees), and interest at the Default Rate on all such collection costs from the date paid. All such remedies shall be cumulative.

4.05 *Limit on Contributions and Obligations of Members.* Except as expressly set forth in this Agreement, the Members shall have no liability or obligation to the Company or to the other Members: (a) to make additional Capital Commitments to the Company; (b) to make any loans to the Company; (c) to endorse or guarantee the payment of any loan to the Company; or (d) otherwise to make any payment to or on behalf of the Company.

4.06 *Member Loans.* In addition to the Board's other rights under this Agreement, the Board shall have the right to request Member Loans (as defined herein) from one or more of the Members in writing, without the prior consent of any Member and on such terms and conditions as the Board may determine, in its Sole Discretion, is necessary to enable the Company to pursue its purposes, and any Member who receives any such request for a Member Loan from the Board may, but shall not be obligated to, within five (5) days of any such request, loan to the Company such funds (a "Member Loan"). Member Loans shall bear interest at the rate offered by the Board in its request for such Member Loans, which rate shall in no event be less than the Applicable Federal Rate as that term is defined under Section 1274 of the Code. The interest and expenses of such Member Loans shall be paid and charged as an expense of the Company's business. Any Member Loans made pursuant to this Sec. 4.06. shall not be treated as a Capital Contribution to the Company and shall be repaid prior to the distribution of Distributable Cash to the Members in the ratio that the outstanding principal and interest of the Member Loans made by any Member to the Company pursuant to this Section 4.06. bears to the aggregate outstanding principal and interest of the Member Loans made by all of the Members to the Company pursuant to this Sec. 4.06. Any repayment of the Member Loans made pursuant to this Sec. 4.06. shall be treated first as in payment of the accrued but unpaid interest thereon and next as a repayment of the principal amount thereof. No Member Loan shall have priority over any other Member Loan, and all Member Loans shall be repaid in accordance with the preceding two sentences. Notwithstanding the foregoing, no Member may make a loan to the Company in lieu of making the Capital Contributions required of it pursuant to the terms hereof.

Article 5
Allocations and Distributions

5.01. *Distributions of Distributable Cash.* Unless otherwise specified in this Agreement, Distributable Cash of the Company shall be distributed to the Members as follows:

(a) Net Property Cash Flow shall be distributed to the Members in proportion to their respective Sharing Ratios as often as determined by the Board.

(b) Net Cash Flow shall be distributed to the Members in proportion to their respective Sharing Ratios as often as determined by the Board.

Notwithstanding anything in this Agreement to the contrary and provided that funds are available therefore and except as otherwise prohibited by law, at the Sole Discretion of the Board, Distributable Cash may be distributed to each Member to provide such Member with cash to pay all or any portion of the income tax liability incurred on the taxable income or gain of the Company allocated to such Member pursuant to this Article 5, net of any taxable losses, deductions and credits of the Company allocated to such Member in the current or prior taxable years (and not previously taken into account pursuant to this sentence) ("Tax Distributions"). The Tax Distributions distributable to each Member, if any, shall be determined by the Board, taking into account (i) the maximum combined federal, state and local individual tax rates in effect (taking into account the deductibility of state and local taxes for federal income tax purposes) at the time of such distribution (which such rates shall be determined with respect to the Member subject to the highest such rates, and applied uniformly to all Members), (ii) the amounts and character of income and loss thereof so allocated to the Members, (iii) the cumulative aggregate distributions previously made to the Members pursuant to this Sec. 5.01. since the Effective Date, and otherwise based on such reasonable assumptions as the Board determine in good faith to be appropriate. To the extent any Tax Distribution is made to a Member pursuant to this Sec. 5.01, the future distributions to such Member pursuant to this Article 5 or Sec. 5.03. shall be reduced by the amount of any prior Tax Distributions pursuant to this Sec. 5.01.

5.02. *Distributions of Unreturned Capital Contributions.*

(a) As soon as reasonably practicable by the Board after the termination of the Company's Investment Period, all available proceeds distributable to the Members, including any Unreturned Capital Contributions in possession of the Company, shall be distributed to the Members in proportion to their respective Unreturned Capital Contributions until the Members have received a return of their respective Unreturned Capital Contributions;

(b) The Board, in its Sole Discretion and at any time during the Investment Period, may distribute any available funds to one or more of the Members in proportion to such Members' Unreturned Capital Contributions which the Board determines in good faith would be impracticable, unnecessary, or unable to be used to attain the primary objective of the Company set forth in Sec. 2.04. hereof, until such Members have received a return, in the Board's Sole Discretion, of some or all of their respective Unreturned Capital Contributions.

5.03. *Distributions on Dissolution and Winding Up.* Upon the dissolution and winding up of the Company, after adjusting the Capital Accounts for all distributions made under Secs. 5.01 and 5.02, and all allocations under Article 5, all available proceeds distributable to the Members as determined under Sec. 10.02 shall be distributed to the Members in proportion to their respective Unreturned Capital Contributions until the Members have received pursuant to this Sec. 5.03 their respective Unreturned Capital Contributions; provided, however, that no Member shall ever be distributed an amount pursuant to this Sec. 5.03 in excess of its positive Capital Account balance.

5.04. *Allocations of Profit and Loss.* Profit and Loss of the Company shall be allocated as follows:

(a) Loss shall be allocated in the following order of priority:

(i) to each Member until the cumulative Losses allocated to such Member under this Sec. 5.04(a)(i) equal the cumulative Profits allocated to such Member under Sec. 5.04(b)(iii) for all prior periods; and then

(ii) to the Members in proportion to their respective positive Adjusted Capital Account balances in an amount equal to, but not in excess of, the positive Adjusted Capital Account balance of each Member as determined prior to the allocation provided for in this Sec. 5.04(a)(ii); and then

(iii) to the Members in their Sharing Ratios.

(b) Profit shall be allocated in the following order of priority:

(i) to the Members until the cumulative Profits allocated to the Members under this Sec. 5.04(b)(i) equal the cumulative Losses allocated to the Members under Sec. 5.04(a)(iii) for all prior periods, with such Profits allocated among the Members in proportion to their respective shares of the cumulative Losses allocated to the Members under Sec. 5.04(a)(iii); and then

(ii) to the Members until the cumulative Profits allocated to the Member under this Sec. 5.04(b)(ii) equals the cumulative Losses allocated to the Members under Sec. 5.04(a)(ii) for all prior periods, with such Profits allocated among the Members in proportion to their respective shares of the cumulative Losses allocated to the Members under Sec. 5.04(a)(ii); and then

(iii) third, to the Members in their Sharing Ratios.

5.05. *Allocation of Net Gains or Net Losses from the Dissolution and Winding Up of the Company.*

(a) *Net Gains.* After adjusting the Capital Accounts for distributions under Secs. 5.01 and 5.02 and allocations under Sec. 5.04 and Secs. 5.08 through 5.16 for the year, net gain resulting from a sale of the Company's property upon the dissolution and winding up of the Company shall be allocated to the Members in the following order of priority:

(i) if the Capital Account of any Member has a negative balance, to such Member to the extent of such negative balance. If the Capital Accounts of more than one Member have a negative balance, net gain, to the extent of the aggregate negative balances in the Capital Accounts of the Members, shall be allocated to the Members in proportion to their respective negative balances; and then

(ii) to the Members to the extent necessary to cause their respective positive Capital Account balances to equal the aggregate amount distributable pursuant to Sec. 5.03 in proportion to their respective distributable amounts pursuant to Sec. 5.03; and then

(iii) after the Capital Accounts of the Members are adjusted for the allocation of net gains under Secs. 5.05(a)(i) and 5.05(a)(ii) and distributions under Sec. 5.03(a), to the Members to the extent necessary to cause their respective positive Capital Account balances to equal the aggregate amount distributable to them pursuant to Sec. 5.03(b) in proportion to their respective distributable amounts pursuant to Sec. 5.03(b); and then

(iv) fourth, all remaining net gain shall be allocated to the Members in their Sharing Ratios.

(b) *Net Loss.* After adjusting the Capital Accounts for distributions under Secs. 5.01 and 5.02 and allocations under Sec. 5.04 and Secs. 5.08 through 5.16 for the year, net loss resulting from a sale of the Company's property upon the dissolution and winding up of the Company shall be allocated to the Members in the following order of priority:

(i) to those Members in the least amount necessary and to the extent possible so that the Members' Excess Balances (as hereinafter defined) are as closely as possible in the ratio of their Sharing Ratios and then to all Members in proportion to their Excess Balances until the Excess Balances are reduced to zero. A Member's Excess Balance is defined as the amount, if any, by which the positive balance in its Capital Account exceeds the aggregate amount of Unreturned Capital Contributions; and then

(ii) to the Members with positive Capital Account balances in proportion to such positive Capital Account balances until such balances are reduced to zero; and then

(iii) to the Members in their Sharing Ratios.

5.06. *Adjustment of Book Value.* Book Value with respect to any asset of the Company is the asset's adjusted tax basis for federal income tax purposes, except as follows:

(a) The initial Book Value of any asset contributed to the Company by a Member shall be the fair market value of the asset as of the date of contribution.

(b) The Book Value of each asset shall be its respective fair market value, as of (i) the issuance of Units in the Company to a new or existing Member in exchange for either a Capital Contribution or as consideration for the provision of services to or for the benefit of the Company, (ii) the distribution by the Company to a Member in liquidation of the Member's interest in the Company, and (iii) the liquidation of the Company within the meaning of Treasury Regulation Sec. 1.704-1(b)(2)(ii)(g).

(c) The Book Value of each asset distributed to any Member will be the fair market value of the asset as of the date of distribution.

(d) The Book Value of each asset will be increased or decreased to reflect any adjustment to the adjusted basis of the asset under Code Sec. 734(b) or 743(b), but only to the extent that the adjustment is taken into account in determining Capital Accounts under Treasury Regulation Sec. 1.704- 1(b)(2)(iv)(m), provided that the Book Value will not be adjusted under this Sec. 5.06(d) to the extent that an adjustment under Sec. 5.06(b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment under this Sec. 5.06(d).

Book Value will be adjusted by Book Depreciation, and gain or loss on a disposition of any asset shall be determined by reference to such assets Book Value as adjusted herein. The determination of the fair market value of property as required under this Sec. 5.06 shall be determined by the Board using any reasonable method of valuation.

5.07. *Tax Allocations.*

(a) Except as otherwise provided in this Sec. 5.07, each item of income, gain, loss, deduction, and credit determined for federal income tax purposes shall be allocated among the Members in the same manner as each correlative item of income, gain, loss, deduction, and credit is allocated to the Members for purposes of maintaining their respective Capital Accounts.

(b) Under Code Sec. 704(c) and Treasury Regulation Sec. 1.704-3, income, gain, loss, and deduction with respect to any asset contributed to the capital of the Company, solely for federal income tax purposes, shall be allocated among the Members so as to take into account any variation between the adjusted tax basis of the asset for federal income tax purposes and the initial Book Value. If the Book Value of any asset is adjusted under Sec. 5.06, subsequent allocations of income, gain, loss, and deduction, solely for federal income tax purposes, will be allocated among the Members so as to take into account any variation between the adjusted tax basis of the asset and its Book Value as adjusted in the manner required under Treasury Regulation Sec. 1.704-3(a)(6). The allocations required by this Sec. 5.07 shall be made by the Board using any reasonable method of valuation.

5.08. *Stop Loss.* Notwithstanding any other provision hereof to the contrary, no Loss (or item of loss or deduction) of the Company shall be allocated to a Member if such allocation would result in a deficit balance in such Member's Adjusted Capital Account. Such Loss (or item of loss or deduction) shall be allocated among the Members whose Adjusted Capital Account balances are positive in proportion to such positive balances to the extent necessary to reduce the balances of such other Member's positive Adjusted Capital Accounts balances to zero, it being the intention of the Members that no Member's positive Adjusted Capital Account balance shall fall below zero while any other Member's positive Adjusted Capital Account balance has a positive balance.

5.09. *Nonrecourse Deductions.* All Nonrecourse Deductions shall be allocated among the Members in their Sharing Ratios.

5.10. *Minimum Gain Chargeback.* Notwithstanding any other provision hereof to the contrary, if there is a net decrease in Minimum Gain for a taxable year (or if there was a net decrease in Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Sec. 5.10), then items of income and gain shall be allocated to each Member in an amount equal to such Members' share of the net decrease in such Minimum Gain (as determined pursuant to Treasury Regulation Sec. 1.704-2(g)(2)), It is the intent of the Members that any allocation pursuant to this Sec. 5.10 shall constitute a "minimum gain chargeback" under Treasury Regulation Sec. 1.704-2(f) and shall be interpreted consistently therewith.

5.11. *Member Nonrecourse Deductions.* All Member Nonrecourse Deductions attributable to Member Nonrecourse Debt shall be allocated among the Members bearing the economic risk of loss for such debt as determined under Treasury Regulation Sec. 1.7042(b)(4); provided, however, that if more than one Member bears the economic risk of loss for such debt, the Member Nonrecourse Deductions attributable to such debt shall be allocated to and among the Members in the same proportion that they bear the economic risk of loss for such debt. This Sec. 5.11 is intended to comply with the provision of Treasury Regulation Sec. 1.704-2(i) and shall be interpreted consistently therewith.

5.12. *Member Nonrecourse Minimum Gain Chargeback.* Notwithstanding any other provision hereof to the contrary (except for Sec. 5.10 regarding minimum gain chargeback), if there is a net decrease in Member Nonrecourse Minimum Gain for a taxable year (or if there was a net decrease in Member Nonrecourse Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Sec. 5.12), then items of income and gain shall be allocated to each Member in an amount equal to such Member's share of the net decrease in such Member's Nonrecourse Minimum Gain (as determined pursuant to Treasury Regulation Sec. 1.704-2(i)(4)). It is the intent of the Members that any allocation pursuant to this Sec. 5.12 shall constitute a *"minimum gain chargeback"* under Treasury Regulation Sec. 1.704-2(i)(4) and shall be interpreted consistently therewith.

5.13. *Qualified Income Offset.* A Member who unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulation Secs. 1.704-1(b)(2)(ii)(d)(4), (5) or (6) will be specially allocated items of income or gain (after the allocations required by Sec. 5.10 regarding minimum gain chargeback and Sec. 5.12 regarding minimum gain chargeback for Member Nonrecourse Debt but before any other allocation required by this Article 5) in an amount and in the manner sufficient to eliminate any deficit balance in his Adjusted Capital Account as quickly as possible; provided, however, that an allocation shall be made pursuant to this Sec. 5.13 only if and to the extent that such Member would have a deficit in his Adjusted Capital Account after all allocations in this Article V have been tentatively made as if Sec. 5.13 were not in the Agreement. This Sec. 5.13 is intended to satisfy the provisions of Treasury Regulation Sec. 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

5.14. *Curative Allocation.* If any items of income and gain (including gross income) or loss and deduction are allocated to a Member pursuant to Secs. 5.08 through 5.13, 5.16, and 5.18, then, prior to any allocation pursuant to Sec. 5.04 or 5.05, and subject to Secs. 5.08 through 5.13, 5.16, and 5.18, items of income and gain (including gross income) and items of loss and deduction for subsequent periods shall be allocated to the Members in a manner designed to result in each Member's Adjusted Capital Account having a balance equal to the balance it would have had if such allocation of income and gain (including gross income) and item of loss and deduction not occurred pursuant to Secs. 5.08 through 5.13, 5.16, and 5.18. For purposes of applying the foregoing provisions of this Sec. 5.14: (i) allocations hereunder with respect to allocations under Sec. 5.18 shall be made only to the extent that the Board reasonably determines that such allocations are consistent with the economic agreement of the Members; (ii) allocations hereunder with respect to allocations under Sec. 5.10 shall not be made prior to a year in which there is a net decrease in Minimum Gain and then only to the extent that the Board reasonably determines that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members and allocations hereunder with respect to allocations under Sec. 5.09 shall be made only to the extent that the Board reasonably determines that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members; and (iii) allocations hereunder with respect to allocations under Sec. 5.12 shall not be made prior to a year in which there is a net decrease in Member Nonrecourse Minimum Gain and then only to the extent that the Board reasonably determines that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members and allocations hereunder with respect to allocations under Sec. 5.11 shall be made only to the extent that the Board reasonably determines that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members.

5.15. *Investment Return Allocation.* After giving effect to all special allocations provided in Secs. 5.10 through 5.14 and Sec. 5.16, all or a portion of the remaining items of income or gain for the taxable year, if any, will be specially allocated to the Members in proportion to the cumulative distributions each Member has received pursuant to Secs. 5.01 and 5.02 from the formation of the Company and is reasonably anticipated to receive to a date 75 Days after the end of the taxable year until the aggregate amounts of income and gain allocated to each such Member pursuant to this Sec. 5.15 for the year in question and all prior years is equal to such cumulative distribution.

5.16. *Gross Income Allocation.* In the event any Member has a deficit balance in its Capital Account at the end of any fiscal year or other period that is in excess of the amount such Member is obligated to restore under this Agreement or pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Code, each such Member shall be specially allocated items of Company income or gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Sec. 5.16. shall be made only if and to the extent that such Member would have a deficit Capital Account balance in excess of such amount after all other allocations provided in this Sec. 5.16 have been made as if this Sec. 5.16. and Sec. 5.13. were not contained in this Agreement.

5.17. *Interests in Company.* Notwithstanding any other provision of this Agreement, no allocation of Profits or Losses or item thereof will be made to a Member if the allocation would not have *"economic effect"* under Treasury Regulation Sec. 1.704-1(b)(2)(ii) or otherwise would not be in accordance with the Members' interests in the Company within the meaning of Treasury Regulation Sec. 1.704-1(b)(4) or 1.7042(b)(1). The Board will have the authority to reallocate any item in accordance with this Sec. 5.17; provided, however, that (a) no such change shall have a material adverse effect upon the amount of cash or other property distributable to any Member, (b) each Member shall have 30 Days prior notice of such proposed modification and (c) if such proposed modification would be material, the Company shall have received an opinion of tax counsel to the Company that such modification is necessary to comply with Code Sec. 704(b).

5.18. *Code Sec. 754 Adjustment.* To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sec. 734(b) or Code Sec. 743(b) is required to be taken into account in determining Capital Accounts pursuant to Treasury Regulation Sec. 1.704-1(b)(2)(iv)(m), Book Value of the Company's assets shall be adjusted as set forth in Sec. 5.06, and any such adjustment in Book Value shall be treated as gain or loss (as the case may be) in computing Profits or Losses.

5.19. *Withholding.* All amounts required to be withheld pursuant to Code Sec. 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Members for all purposes under this Agreement.

5.20. *Varying Interests.* All Profit and Loss (and any item of income, gain, loss, deduction, or credit specially allocated under this Agreement) shall be allocated, and all distributions shall be made, to the Persons shown on the records of the Company to have been Members as of the last calendar day of the period for which the allocation or distribution is to be made. Notwithstanding the foregoing, if during any taxable year there is a change in any Member's interest in the Company, the Members agree that their allocable shares of the Profits and Losses (or items thereof) for the taxable year shall be determined on any method determined by the Board to be permissible by Code Sec. 706 and the related Treasury Regulations to take account of the Member's varying interest.

5.21. *Interest in Company Profits.* Pursuant to Sec. 1.752-3(a)(3) of the Regulations, the Members' interest in Company profits for purposes of determining the Members' proportionate share of the excess nonrecourse liabilities (as defined in Sec. 1.752-3(a)(3) of the Regulations) of the Company shall be determined in accordance with their respective Sharing Ratios.

Article 6
Management; Indemnification; Fees; Intermember Liability

6.01. *Management and Control of the Company.*

(a) The Members have established the Company as a "manager-managed" limited liability company and have agreed to designate a board of managers (the "Board") to manage the Company and its business and affairs. Each Person appointed to the Board is referred to in this Agreement as a "Board Member".

(b) As of the adoption of this Agreement, the number of Board Members shall be eight (8), and the number of Board Members may not exceed twelve (12) without the majority vote of the Board. The Board shall have the right to designate, remove, and replace Board Members by majority vote.

(c) The initial Board Members shall be Kyle Boothe, Curtis Hall, Barry Boothe, Chip Adami, Caleb Venable, Jim Brown, Tom Boothe, and Paul Daniec. The Board shall have the exclusive right to designate, remove, and replace the chairman of the (the "Chairman"). The initial Chairman of the Board shall be Kyle Boothe.

(d) The Board shall have the exclusive right to manage and control the Company, subject to the BOC and any other provisions in this Agreement requiring the approval of the Members, any class of Members, or any specified Member(s). Except as otherwise specifically provided in this Agreement, the Board shall have the right to perform all actions necessary, convenient, or incidental to the accomplishment of the purposes and authorized acts of the Company, as specified in Section 2.04, and each Board Member shall possess and may enjoy and exercise all of the rights and powers of a "manager" as provided in and under the BOC; and each Board Member shall be a "manager" for purposes of the BOC; provided, however, that unless otherwise specified in this Agreement, no individual Board Member shall have the authority to act for or bind the Company without the requisite consent of the Board. Except as otherwise specifically provided in this Agreement, including Section (m), all decisions outside of the normal day-to-day operations of the Company and its Subsidiaries shall be made by the Board.

(e) Unless expressly provided to the contrary in this Agreement, any action, consent, approval, election, decision, or determination to be made by the Board under or in connection with this Agreement (including any act by the Board within its "discretion" under this Agreement and the execution and delivery of any documents or agreements on behalf of the Company), shall be in the sole and absolute discretion of the Board.

(f) Meetings of the Board are expected to be held on approximately a quarterly basis, but in any event shall be held not less than annually, when called by the Chairman, upon not less than five (5) Business Days' advance written notice to the members of the Board by the Chairman. Attendance at any meeting of the Board shall constitute waiver of the notice requirement for such meeting. Additionally, a waiver of such notice in writing signed by the Board Member entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to providing such notice. The quorum for a meeting of the Board shall be a simple majority in voting power of its members. Members of the Board may participate in any meeting of the Board by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

(g) Each Board Member shall have one (1) vote on all matters submitted to the Board. Subject to the consent rights of the Members set forth in Section 6.02, all actions taken by the Board shall be authorized by a simple majority of the votes represented by the Board Members present at a duly-called and constituted meeting thereof, unless stated otherwise in this Agreement. Any Board Member may designate any other Board Member to act as the absent Board Member's alternate at any meeting, and the alternate so designated may exercise all of the powers of the absent Board Member at any such meeting.

(h) The Board may create and maintain customary committees, including an executive committee, an audit committee and compensation committee.

(i) The Board may take action that is otherwise in compliance with the terms of this Agreement without any meeting of the members of the Board, if such action is authorized by the written consent of a simple majority of the members of the Board, setting forth the action to be approved. To the extent that the Board approves or authorizes any action by less than unanimous written consent, the Board shall promptly notify the non-consenting Board Members(s) of such action.

(j) Each Member consents to the exercise by the Board of the powers conferred upon the Board by this Agreement. To the fullest extent permitted by the BOC, and other than through the exercise of rights set forth in this Agreement, (i) the Members, in their capacities as such, shall not participate in the Control, management, direction, or operation of the activities or affairs of the Company and shall not have any authority or right, in their capacities as Members of the Company, to act for or bind the Company, and (ii) no Member, in its capacity as such, shall participate in or have any Control over the Purposes of the Company

(k) The Board is authorized to appoint any Person as an officer of the Company who shall have such powers and perform such duties incident to such Person's office as may from time to time be conferred upon or assigned to it by the Board and assign in writing titles (including Operating Manager, President, Vice President, Secretary, and Treasurer) to any such Person; The Board is authorized to employ, engage, and dismiss, on behalf of the Company, any Person, including an Affiliate of any Member, to perform services for, or furnish goods to, the Company. The appointment of any officer pursuant to this Section 6.01(k) may be revoked at any time by the Board. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers or Operating Manager of the Company shall be fixed by the Board. Any officer or Operating Manager may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board.

(l) Bluestone Partners, LLC has been designated to serve, subject to this Agreement and the Board's supervision, as the initial manager (the "Operating Manager") responsible for the day-to-day operations of the Company, series, and its Subsidiaries. The Board, upon a supermajority vote (75%), shall have the right to petition the Members for a vote pertaining to the designation, removal, and/or replacement the Operating Manager.

(m) Except as may be expressly limited by the provisions of this Agreement, including Section 6.01(d) the Chairman is specifically authorized to execute, sign, seal, and deliver in the name and on behalf of the Company any and all agreements, certificates, instruments, or other documents requisite to carrying out matters approved by the Board in accordance with the terms of this Agreement.

6.02. *Member's Consent*. In addition to any other requisite approval of the Board pursuant to this Article 6, neither the Company, series nor any of Subsidiary thereof shall (and neither the Board nor the Members shall cause the Company or any Subsidiary thereof to), without the prior written consent of a Majority Interest, take any Major Actions.

6.03. *Expenses; No Separate Board Member Compensation.*

(a) Each Member will be solely responsible for its own legal and tax counsel expenses and any out-of-pocket expenses incurred in connection with the evaluation of, its admission to, or the maintenance of its Units in the Company.

(b) The Company shall pay (or reimburse the Operating Manager and/or the Board) for any and all expenses, costs, and liabilities incurred in organization and in connection with the conduct of the Purposes of the Company, its series, and its Subsidiaries in accordance with the provisions of this Agreement, including but not limited to:

(i) legal and accounting fees, government filing fees and printing and mailing expenses, syndication and other expenses of the offering of Units in the Company;

(ii) any reasonable legal, accounting and audit fees and expenses, travel expenses, including those associated with investigating potential investments or maximizing return on existing investments;

(iii) Costs and fees relating to the preparation of financial and tax reports, portfolio valuations and tax returns of the Company;

(iv) The costs of prosecuting or defending any legal action for or against the Company, the Board, the Operating Manager, the Members, or their Affiliates;

(v) The costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Company;

(vi) All expenses of liquidating the Company;

(vii) Any taxes, fees or other governmental charges levied against the Company and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Company; and

(viii) Subject to the provisions of this Agreement, any other expenses that the Board deems appropriate or necessary to achieve the objectives of the Company.

(c) Notwithstanding the foregoing, the Company shall not pay, and no Board Member shall be entitled to, any compensation for serving on the Board or any committee thereof, except that (i) the Company, with the approval of the Board, may pay reasonable compensation to any independent Board Member who is not an Affiliate of any Member for his or her service on the Board or any committee thereof and (ii) each Board Member may seek reimbursement from the Company of reasonable, out-of-pocket costs, and expenses incurred by such Board Member in connection with his or her performance of services as a Board Member on behalf of the Company.

6.04. *Exculpation.*

(a) Subject to applicable Law, no Indemnified Party shall be liable, in damages or otherwise, to the Company, series, any Member, or any Affiliate thereof for any act or omission performed or omitted by such Indemnified Party in good faith and in a manner which he or she reasonably believed to be in the best interests of the Company (including any act or omission performed or omitted by such Indemnified Party in reliance upon and in accordance with the opinion or advice of experts, including that of legal counsel as to matters of applicable law, accountants as to matters of accounting, or investment bankers or appraisers as to matters of valuation), except for (i) any act taken by such Indemnified Party purporting to bind the Company that has not been authorized pursuant to this Agreement, or (ii) any act or omission with respect to which such Indemnified Party was grossly negligent or engaged in intentional misconduct or fraud.

(b) To the extent that, at law or in equity, any Indemnified Party has duties (including fiduciary duties) and liabilities relating thereto to the Company, series, or to any Member, such Indemnified Party acting under this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of an Indemnified Party otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Party, to the maximum extent permitted by applicable Law.

6.05. *Indemnification.*

(a) To the fullest extent permitted by applicable Law, the Company and its series shall and do hereby agree to indemnify and hold harmless and pay all judgments and claims against the Board, each Board Member, Operating Manager, the Partnership Representative, each Member, any Affiliate of the foregoing and each of, their respective officers, directors, employees, shareholders, partners, managers, and members and each officer of the Company (each, an "Indemnified Party", each of which shall be a third party beneficiary of this Agreement solely for purposes of this Section 6.05), from and against any loss or damage incurred by such Indemnified Party or by the Company for any act or omission taken or suffered by such Indemnified Party in good faith and in a manner which he or she reasonably believed to be in the best interests of the Company (including any act or omission taken or suffered by any of them in reliance upon and in accordance with the opinion or advice of experts, including that of legal counsel as to matters of applicable Law, accountants as to matters of accounting, or investment bankers, or appraisers as to matters of valuation) in connection with the Business, including costs and reasonable attorneys' fees and any amount expended in the settlement of any claims, loss, or damage, except with respect to (i) any act taken by such Indemnified Party purporting to bind the Company that has not been authorized pursuant to this Agreement, or (ii) any act or omission with respect to which such Indemnified Party was grossly negligent or engaged in intentional misconduct or fraud.

(b) The satisfaction of any indemnification obligation pursuant to Section 6.05 shall be from and limited to Company assets (including insurance and any agreements pursuant to which the Company, its officers or employees are entitled to indemnification) and no Member, in such capacity, shall be subject to personal liability therefor.

(c) Expenses reasonably incurred by an Indemnified Party in defense or settlement of any claim that may be subject to a right of indemnification under this Agreement shall be advanced by the Company prior to the final disposition thereof upon receipt of an undertaking by or on behalf of such Indemnified Party to repay such amount to the extent that

it shall be determined upon final adjudication after all possible appeals have been exhausted that such Indemnified Party is not entitled to be indemnified under this Agreement.

(d) The Company may purchase and maintain insurance on behalf of the Indemnified Parties against any liability that may be asserted against, or expense which may be incurred by, any such Person in connection with the Company's activities.

(e) The provisions set forth in this Section 6.05 apply to each Indemnified Party during and following the currency of the position giving rise to such status as an Indemnified Party, but only with respect to such claims, judgments, losses, or damages arising or incurred in, or relating to, the period of such currency.

(f) An Indemnified Person shall not be denied indemnification in whole or in part under this Section 6.05. because the Indemnified Person had an interest in the transaction with respect to which the indemnification applies if the transaction is otherwise permitted by the terms of this Agreement.

(g) If this Article 6.05 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees and expenses), claims, demands, liabilities, judgments, fines, penalties and amounts paid in settlement with respect to any proceeding, to the full extent permitted by any applicable portion of this Article 6.05 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

6.06. *Conflicts of Interest.* Subject to the other express provisions of this Agreement, each Member, Operating Manager, officer, or Affiliate thereof may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company or any other Member, Operating Manager, or officer the right to participate therein. The Company may transact business with any Member, Board Member, Operating Manager, officer, or Affiliate thereof, provided the terms of those transactions are no less favorable than those the Company could obtain from unrelated third parties.

6.07. *Fees and Compensation.* With respect to the Company's Business and Properties and subject to the applicable provisions in Section 6.06, each Member consents, to the extent necessary or applicable, to the payment of the following direct, indirect, or related fees or compensation, at the discretion of the Board, by the Company to the Manager, Board Members, or their Affiliates:

(a) Broker's fees, including but not limited to:
    (i) Property management fees.
    (ii) Leasing fees;
    (iii) Service fees;
    (iv) Renewal or Extension fees;
    (v) Fees in the event of a sale (commissions);
    (vi) Administrative fees; and
    (vii) Interest on trust accounts;
(b) Asset management fees;
(c) Construction management fees;
(d) Architectural and other Design Fees;
(e) Loan servicing fees;
(f) Promoted non-investment derived interest commonly referred "Carried Interest"; and

6.08. *Liability of Members to Company and One Another.* No Member shall be liable for the debts, liabilities, contracts or any other obligation of the Company or any series thereof, except to the extent expressly provided herein or in the BOC or as expressly provided otherwise. No Member shall be liable for the debts or liabilities of any other Member. With respect to the Company and its business and the enterprise established by this Agreement, no Member shall be liable, responsible, or accountable in damages or otherwise to the Company or any other Member for any act performed by it (i) within the scope of the authority conferred on it by this Agreement and in good faith, (ii) based on the good faith opinion of legal counsel or other appropriate expert

or, (iii) otherwise made in good faith, except for acts constituting Disabling Conduct. No Member shall be required to make any Capital Contributions, or loan the Company any funds, other than as expressly required in this Agreement. Except as otherwise expressly provided herein, no Member shall have any priority over any other Member as to the return of its Capital Contributions or as to compensation by way of income.

6.09. *Liability of Service Providers*. Pursuant to Article 581-1 et seq. of the Texas Revised Civil Statutes (the "Texas Securities Act"), the liability under the Texas Securities Act of a lawyer, accountant, consultant, the firm of any of the foregoing, and any other person engaged to provide services relating to an offering of securities of the Company ("Service Providers") is limited to a maximum of three times the fee paid by the Company or seller of the Company's securities, unless the trier of fact finds that such Service Provider engaged in intentional wrongdoing in providing the services. By executing this Agreement, each Member hereby acknowledges the disclosure contained in this paragraph.

Article 7
Taxes

7.01. *Tax Returns.* The Company shall prepare and timely file all federal, state, and local tax returns required to be filed by the Company. Each Member shall furnish to the Company all pertinent information in its possession relating to the Company's operations that is necessary to enable the Company's tax returns to be timely prepared and filed. The Company shall deliver to the Members on or before ten Days prior to the applicable due date, additional information as may be required by the Members in order for the Members to file their individual returns reflecting the Company's operations. The Company shall bear the costs of the preparation and filing of its returns.

7.02. *Tax Elections.* The Company shall make the following elections on the appropriate tax returns:

(a) To adopt the calendar year as the Company's fiscal year;

(b) To adopt the cash method of accounting and to keep the Company's books and records on the income-tax method;

(c) if a distribution of the Company's property as described in Code Sec. 734 occurs or upon a transfer of Membership Rights as described in Code Sec. 743 occurs, on request by notice from any Member, to elect to adjust the basis of Company's properties, pursuant to Code Sec. 754;

(d) to elect to deduct the maximum amount of organizational expenses in the fiscal year the company begins business and to amortize the balance of the organizational expenses of the Company ratably over a period of 180 months as permitted by Sec. 709(b) of the Code; and

(e) Any other election the Board may deem appropriate and in the best interests of the Members.

Neither the Company nor any Board or Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law and no provision of this Agreement (including Sec. 2.07) shall be construed to sanction or approve such an election.

7.03 *Partnership Representative.*

(a) The Operating Manager is designated to be the "Partnership Representative" of the Company pursuant to Sec. 6223 of the Code.

(b) The Partnership Representative shall be responsible for making all decisions, filing all elections and taking all other actions, in each case related to any audit, examination, litigation or other tax-related proceeding, or otherwise related to its role as "partnership representative" pursuant to Sections 6221 through 6231 of the Code, in its Sole Discretion. The Partnership Representative shall keep the Members fully informed of such any inquiry, examination, or proceeding. Any action by the

Partnership Representative in connection with any such inquiry, examination, or proceeding shall be binding on the Company and the Members, and the Members have no right to contact the Internal Revenue Service or participate in an audit or other proceeding in connection with an audit of the Company.

(c) Each Member shall indemnify and reimburse the Company to the extent the Company is required to make any payment for taxes, interest, additions to tax or penalties or with respect to a Member's share of any adjustment to income, gain, loss, deduction or credit as determined in the reasonable good faith discretion of the Partnership Representative.

(d) To the fullest extent permitted by applicable law, a Member's obligations under this Section 7.03 shall survive the dissolution, liquidation, termination and winding-up of the Company and shall survive, as to each Member, such Member's withdrawal from the Company or termination of the Member's status as a Member.

(e) The Members agree to reasonably cooperate with the Company and the Partnership Representative as necessary to carry out the intent of this Section 7.03.

(f) Any cost or expense incurred by the Partnership Representative in connection with its duties, including the preparation for or pursuance of administrative or judicial proceedings, shall be paid or reimbursed by the Company.

Article 8
Books, Records, Reports, and Bank Accounts

8.01. *Books and Records.* The Board shall keep or cause to be kept at the principal office of the Company complete and accurate books and records of the Company, supporting documentation of the transactions with respect to the conduct of the Company's business, and minutes of the proceedings of its Board Members, Operating Manager, Members, and each committee of the Board. The records shall include, but not be limited to, complete and accurate information regarding the state of the business and financial condition of the Company; a copy of the Certificate and this Agreement and all amendments thereto; a current list of the names and last known business, residence, or mailing addresses of all Members; each Member's Units; and the Company's federal, state, and local tax returns for the Company's six most recent tax years.

8.02. *Reports.* On or before the 120th Day following the end of each fiscal year during the term of the Company, the Board shall cause each Member to be furnished with a balance sheet, an income statement, and a statement of changes in Members' capital of the Company for, or as of the end of, that year certified by a recognized firm of certified public accountants. These financial statements must be prepared in accordance with accounting principles generally employed for cash basis records consistently applied (except as therein noted). The Board also may cause to be prepared or delivered such other reports as they may deem appropriate. The Company shall bear the costs of all these reports.

8.03. *Accounts.* The Board shall establish one or more separate bank accounts and arrangements for the Company, which shall be maintained in the Company's name with financial institutions and firms that the Board determines appropriate. The Board may not commingle the Company's funds with the funds of any Member; provided, however, that the Company funds may be invested in a manner the same as or similar to the Board's investment of their own funds or investments by their Affiliates.

Article 9
Arbitration

9.01. *Submission of Disputes to Arbitration.*

(a) This Article 9 shall apply to any of the following types of disputes (each a *"Dispute"):*

(i) Any dispute as to fair market value under Sec. 3.03(c)(ii)(B) or 10.04;

(ii) Any dispute as to any accounting or tax issue under this Agreement; or

(iii) except for disputes described in the foregoing paragraphs (i) and (ii), (A) any dispute regarding the construction, interpretation, performance, validity, or enforceability of any provision of the Certificate or this Agreement, or whether any Person is in compliance with, or breach of, any provisions of the Certificate or this Agreement, or (B) any other dispute of a legal nature arising under the Certificate or this Agreement, or (C) any controversy or claim arising out of or relating to this Agreement.

With respect to a particular Dispute, each Person that is a party to such Dispute (whether a Member, Operating Manager, Board Member, or other Person) is referred to herein as a *"Disputing Party."*

(b) If the Disputing Parties are unable to resolve a Dispute within a reasonable period of time after the commencement of the Dispute (or, in the case of Disputes described in Sec. 3.03(c)(ii)(B) or 9.04, the time period set forth in such Section), any Disputing Party shall submit such Dispute to binding arbitration under this Article 9 by notifying the other Disputing Parties (an *"Arbitration Notice").* Arbitration pursuant to this Article 9 shall be the exclusive method of resolving Disputes other than through agreement of the Disputing Parties.

9.02. *Selection of Arbitrator.*

(a) Any arbitration conducted under this Article 9 shall be heard by a sole arbitrator (the *"Arbitrator")* selected in accordance with this Sec. 9.02. In the case of a Dispute described in Sec. 9.01(a)(i), the arbitrator shall be a Person (such as an investment banker or appraiser) with expertise in the valuation of assets and interests similar to the asset or interest required to be valued thereunder. In the case of a Dispute described in Sec. 9.01(a)(ii), the arbitrator shall be a certified public accounting firm with expertise in limited liability company or Company accounting and tax matters. In the case of a Dispute described in Sec. 9.01(a)(ii), the arbitrator shall be an attorney or law firm with expertise in the law of limited liability companies (unless the Dispute concerns a different field of Law, in which case the arbitrator shall have expertise in such other field). Each Disputing Party and each proposed Arbitrator shall disclose to the other Disputing Parties any business, familial or other relationship or Affiliation that may exist between such Disputing Party and such proposed Arbitrator; and any Disputing Party may disapprove of such proposed Arbitrator on the basis of such relationship or Affiliation.

(b) The Disputing Party that submits a Dispute to arbitration shall designate a proposed Arbitrator in its Arbitration Notice. If any other Disputing Party objects to such proposed Arbitrator, it may, on or before the tenth Day following deliver of the Arbitration Notice, notify all of the other Disputing Parties of such objection. All of the Disputing Parties shall attempt to agree upon a mutually acceptable Arbitrator. If they are unable to do so within 20 Days following delivery of the notice described in the immediately-preceding sentence, any Disputing Party may petition the American Arbitration Association to designate the Arbitrator. If the Arbitrator so chosen shall die, resign, or otherwise fail or become unable to serve as Arbitrator, a replacement Arbitrator shall be chosen in accordance with this Sec. 9.02.

10.03. *Conduct of Arbitration.* The Arbitrator shall expeditiously (and, if possible, within 60 Days after the Arbitrator's selection) hear and decide all matters concerning the Dispute. Any arbitration hearing shall be held in Collin County, Texas. The arbitrator shall be conducted in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association (excluding rules governing the payment of arbitration, administrative, or other fees or expenses to the Arbitrator or such Association), to the extent that such Rules do not conflict with the terms of this Agreement. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power (a) to gather such materials, information, testimony, and evidence as it deems relevant to the dispute before it (and each Member will provide such materials, information, testimony, and evidence requested by the Arbitrator, except to the extent any information so requested is proprietary, subject to a third-party confidentiality restriction or to an attorney-client or other privilege) and (b) to grant injunctive relief and enforce specific performance. If it deems necessary, the Arbitrator may propose to the Disputing Parties that one or more other experts be retained to assist it in resolving the Dispute. The retention of such other experts shall require the unanimous consent of the Disputing Parties, which shall not be unreasonably withheld. Each Disputing Party, the Arbitrator, and any proposed expert shall disclose to the other Disputing Parties any business, familial, or other relationship or Affiliation that may exist between such Disputing Party (or the Arbitrator) and such proposed expert; and any Disputing Party may disapprove of such proposed expert on the basis of such relationship or Affiliation. The decision of the Arbitrator (which shall be rendered in writing) shall be final, non-appealable, and binding upon the Disputing Parties and may be enforced in any court of competent jurisdiction. The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrator and any experts retained by the Arbitrator, shall be

allocated among the Disputing Parties in a manner determined by the Arbitrator to be fair and reasonable under the circumstances. Each Disputing Party shall be responsible for the fees and expenses of its respective counsel, consultants, and witnesses, unless the Arbitrator determines that compelling reasons exist for allocating all or a portion of such costs and expenses to one or more other Disputing Parties.

Article 10
Winding Up and Termination

10.01. *Events Requiring Winding Up*. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following (each a "Winding Up Event"):

(a) The determination by the Board;

(b) Entry of a decree of judicial dissolution of the Company under the BOC; and

(c) The occurrence of an event specified under the laws of the State of Texas as one effecting dissolution;

The death, insanity, retirement, resignation, expulsion, bankruptcy or dissolution of a Member, or the occurrence of any other event that terminates the continued membership of a Member in the Company, shall not cause a dissolution of the Company.

10.02. *Winding Up and Termination.* On dissolution of the Company, the Board shall act as liquidators or may appoint one or more individual Members thereof to act as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the BOC. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidator shall continue to manage the Company with all of the power and authority of the Members. The steps to be accomplished by the liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidator shall apply the assets of the Company remaining after payment of the costs and expenses of winding up in the following priority:

(i) First, to the creditors of the Company, but not otherwise to the Members with respect to any loans by such Members, all amounts due them from the Company in the order of priority established by law;

(ii) Second, to the Members, to the extent of all amounts due them in repayment of any loans to the Company pursuant to Sec. 4.06; and

(iii) Third, to the Members in accordance with Article 5, as applicable.

Notwithstanding the foregoing, distributions to the Members pursuant to this Sec. 10.02(b) shall properly take into account (and increase or decrease each Member's distributions pursuant to this Sec. 10.02(b) accordingly) any tax distributions previously made to any Member pursuant to Sec. 5.01 which have not previously reduced subsequent distributions to such Member.

10.03. *Reserves*. The liquidator shall set up reserves as it deems reasonably necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Company. Said reserves may be paid over by the Members to a bank or an attorney-at-law, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as the Members may deem advisable, such reserves shall be paid or distributed to the Members or their assigns in the order of priority provided for distributions pursuant to Sec. 10.02 hereof.

10.04. *Certificate of Dissolution*. On completion of the distribution of Company assets as provided herein (and the establishment of reserves pursuant to Sec. 10.03, if any), the Company is terminated, and the officers (or such other Person or Persons as the BOC may require or permit) shall file a Certificate of Dissolution with the Secretary of State of Texas and take such other actions as may be necessary to terminate the Company.

10.05. *Termination of a Series*. Subject to the provisions of the BOC, a series terminates on the completion of the winding up of the business and affairs of such series. Termination of a series does not affect the limitation on liabilities of such series.

10.06. *Winding Up a Series.* Subject to the provisions of the BOC, a series and its business and affairs may be wound up and terminated without causing the winding up of the Company. The winding up of a series must be carried out by (1) the Board or (2) one or more persons, including a governing person, designated by the Board, or by a person designated by a court of law to carry out the winding up of the series.

10.07. *Events Requiring Winding Up a Series.* Subject to the provisions of the BOC, the business and affairs of a series are required to be wound up:

(a) if the winding up of the Company is required under the BOC; or

(b) on the earlier of:

(i) the time specified in this Agreement, if any, for the winding up of the series;

(ii) the occurrence of an event specified with respect to the series in this Agreement, if any;

(iii) a determination by a district court in accordance with the provisions of the BOC.

10.08. *Revocation of Voluntary Winding Up and Termination of Series*. Before the termination of a series takes effect, a voluntary decision to wind up the series may be revoked and canceled by the Board.

Article 11
General Provisions

11.01. *Offset.* Whenever the Company is to pay any sum to any Member, any amounts that Member owes the Company may be deducted from that sum before payment.

11.02. *Notices.* Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier or mail or by facsimile, telegram, telex, cablegram, Internet mail or "e-mail" or similar transmission; and a notice, request, or consent given under this Agreement is effective on receipt by the Person to receive it. All notices, requests, and consents to be sent to a Member must be sent to or made at the addresses given for that Member on the Subscription Documents, or in the instrument described in Sec. 3.03(d)(i)(B) or 3.04, or such other address as that Member may specify by notice to the other Members.

Any notice, request or consent to the Company, the Board, or Operating Manager, as applicable, must be delivered to the following address:

SAPPHIRE GROUP, LLC
4708 N. FM 1417
Sherman, TX 75092
E-mail: info@bluestone.ws

Whenever any notice is required to be given by Law, the Certificate, or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

11.03. *Entire Agreement; Supersedure.* This Agreement constitutes the entire agreement of the Members and their Affiliates relating to the Company and supersedes all prior contracts or agreements with respect to the Company, whether oral or written.

11.04. *Effect of Waiver or Consent.* A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

11.05. *Amendment or Modification.*

(a) Except for such amendments as result from the operation of the various provisions of this Agreement or as otherwise provided in this Sec. 11.05, this Agreement may be amended only by a written approval instrument signed by (i) the Board, and (ii) upon the vote of at least a Majority Interest.

(b) The Board may make or cause to be made ministerial changes in this Agreement for the purpose of correcting errors and inconsistencies, to comply with federal, state and local rules, regulations and laws, to reflect the admission of new Members pursuant this Agreement and otherwise to reflect amendments resulting from the operation of the various provisions of this Agreement.

11.06. *Binding Effect.* Subject to the restrictions on Dispositions set forth in this Agreement, this Agreement is binding on and inures to the benefit of the Members and their respective heirs, legal representatives, successors, and assigns.

11.07. *Governing Law; Severability.* THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Certificate, or (b) any mandatory, non-waivable provision of the BOC, such provision of the Certificate or the BOC shall control. If any provision of the BOC provides that it may be varied or superseded in the company agreement of a limited liability company (or otherwise by agreement of the members or managers of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by Law.

11.08. *Further Assurances.* In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

11.09. *Waiver of Certain Rights.* Each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the property of the Company. Each Member irrevocably waives its right to a jury trial and hereby consents to the Arbitration provisions set forth in Article 9.

11.10. *Directly or Indirectly.* Where any provision of this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any Affiliate of such Person.

11.11. *Counterparts*. This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

[*Signatures to follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

BOARD MEMBERS:

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

By: ______________________________

Name: ______________________________

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

MEMBERS:

Signatures included on attached Counterpart Signature Pages

SAPPHIRE GROUP

SAPPHIRE GROUP, LLC

CONFIDENTIAL

Revision 2.1 January 1st, 2022

EXHIBIT A – SUBSCRIPTION DOCUMENTS

Tab
4

SAPPHIRE GROUP, LLC
4708 N. FM 1417
Sherman, TX 75092
Phone: 903.813.1415
E-mail: info@bluestone.ws

Subscription Booklet

All prospective subscribers must complete and deliver to the Company the following materials (all of which is referred to as the **"Subscription Documents"**).

1. A counterpart Subscription Agreement and signed Subscription Agreement Signature Page;

2. A completed and executed Amended and Restated Company Agreement Signature Page;

3. Payment of the applicable subscription amount for the Units, as applicable, called by the Operating Manager by wire transfer or check. Wiring instructions will be provided under separate cover by the Operating Manager. If, in addition to a cash subscription, a subscriber wishes to make a Personal Guarantee to Sapphire Group, LLC, the Subscriber must also provide the Guarantee Agreement on Page 9 of this Subscription Booklet.

5. A completed and executed IRS Form W-9 to certify your tax identification number. If you are not a U.S. person, you must instead complete the appropriate IRS Form W-8. Attached to the Subscription Documents is a Form W-9 from the Department of the Treasury Internal Revenue Service. Forms may also be found on www.irs.gov.

The Operating Manager may require you to deliver additional documents, financials, tax returns, agreements, certificates, or instruments prior to acceptance into the Company.

DELIVERY INSTRUCTIONS. Subscription Documents should be delivered to the following address:

SAPPHIRE GROUP, LLC
4708 N. FM 1417
Sherman, TX 75092
E-mail: info@bluestone.ws

ACCEPTANCE OF SUBSCRIPTIONS. If your subscription is accepted, you will receive confirmation you have been admitted as a Member as soon as reasonably possible subsequent to your admittance. Subscription proceeds received by the Company with respect to subscriptions that are rejected will be returned promptly to the subscriber, without interest.

SUBSCRIPTION AGREEMENT

A. Subscriber Information

Subscriber Name(s): ______________________________

____

Address: ______________________________

____

Email: ______________________________

Phone Number: ______________________________

Social Security Number(s): ______________________________

Tax ID (for entities): ______________________________

Subscription Type: ___ Individual ___ Joint ___ Corporation/LLC ___ Partnership ___ Trust

Annual Income: ____________________

Net Worth: ____________________

I will allow Sapphire Group LLC to disclose my name to other potential investors: ________ (yes or no)

I elect to reinvest my cash distribution for additional cash units at the end of each year: _______ (yes, no or maybe)

The undersigned represents, as to himself or itself, that he/she or it is an "Accredited Investor" as that term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, in that he/she or it is: (Initial all that apply)

____ a natural person with an individual net worth or joint net worth with that person's spouse, at the time of purchase, in excess of $1,000,000, excluding the value of the primary residence of such natural person, calculated by subtracting from the estimated fair market value of the property the amount of debt secured by the property, up to the estimated fair market value of the property; or

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

____ an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust or a Company, not formed for the specific purpose of purchasing any Units, with total assets in excess of $5,000,000; or

____ an entity or individual which is otherwise an "Accredited Investor" and which has supplied the Board sufficient information regarding such entity's or investor's "Accredited Investor" status. (Please complete Accredited Investor Supplement on Page 11).

Unit Consideration	Unit Value	# Units	Total Amount
Cash	$450	______	____________
Personal Guarantee	$1,350	______	____________
	Total Units	______	____________

B. Subscription Terms

The undersigned ("**Subscriber**") acknowledges receiving and reviewing a copy of the Amended and Restated Company Agreement of Sapphire Group, LLC, dated December 1st, 2020, together with all exhibits called for thereunder (the "**Agreement**"), relating to the private offering (the "Offering") of membership interests (the "**Units**") by **SAPPHIRE GROUP, LLC** a Texas series limited liability company (the "**Company**"). Terms used and not otherwise defined shall have the meanings ascribed thereto in the Company's Agreement. Bluestone Partners, LLC, a Texas limited liability company (the "**Operating Manager**") has been designated by the Board to, among other things, with the capacity of accepting or rejecting subscriptions on behalf of the Company.

1. Subscription. Subject to the terms and conditions hereof, the Subscriber hereby subscribes for and agrees to purchase Units in the Company for the subscription amount indicated in Agreement and hereby agrees to contribute such amount as a Capital Contribution to the Company pursuant to the Agreement. This Subscription Agreement shall not become binding unless the Operating Manager accepts this subscription and signs this Agreement and such additional conditions as the Operating Manager, in its sole and absolute discretion, shall require are satisfied. If this subscription is accepted, this Agreement shall become effective as between the Company and the Subscriber. If this subscription is rejected, the Agreement and the subscription price will be returned to the Subscriber as soon as reasonably practicable, and this subscription shall be rendered void and have no further force or effect.

2. Acceptance of Subscription. The Subscriber acknowledges and agrees that this subscription is made subject to the following express terms and conditions: (a) the Subscriber is committing to purchase the Units for which he/she/it has subscribed, (b) the Company and Operating Manager shall have the right to reject the subscription, in whole or in part, for any reason whatsoever or no reason, (c) the Operating Manager shall have no obligation to accept subscriptions for Units in the order received, and (d) the Company and Operating Manager shall have no liability for documents or checks lost in the mail or by other delivery carriers, or for documents delivered to registered investment advisers, except as such documents are actually received by the Company and Operating Manager.

3. General Acknowledgments, Representations and Covenants of the Subscriber. The Subscriber acknowledges that he/she/it is purchasing Units in the Company without being furnished any offering literature or prospectus other than the Company Agreement (which supersedes any other documentation that may have been furnished to Subscriber) and its exhibits. The Subscriber acknowledges that he/she/it has had an opportunity to ask questions of and receive answers concerning the terms and conditions of the Offering and to obtain any additional information that the Operating Manager possesses or could acquire without unreasonable effort or expense necessary to verify the accuracy of the information contained in the Agreement, and that he/she/it has relied on his/her/its own knowledge or the advice of his/her/its own counsel, accountants, or advisers with regard to the tax and other considerations involved in making an investment in the Units, and no representations have been made to the Subscriber concerning the Units, the Company, its business or prospects, or other matters, except as set forth in the Agreement.

4. Acknowledgements and Representations. The Subscriber further acknowledges, represents, warrants and covenants as follows:

(a) Acknowledges that the undersigned (i) has received the Agreement and (ii) is familiar with and understands the nature and risks related to the Company's business;

(b) that the undersigned in determining to purchase Units, has relied solely upon the Agreement (including the exhibits thereto) and the advice of the undersigned's legal counsel and accountants or other financial advisers with respect to the tax and other consequences involved in purchasing Units;

(c) that the undersigned (i) can bear the economic risk of the purchase of Units including the total loss of the undersigned's investment and (ii) has such knowledge and experience in business and financial matters, including the analysis of or participation in offerings of privately issued membership interests, as to be capable of evaluating the merits and risks of an investment in Units;

(d) The Subscriber has adequate means of providing for his/her/its current needs and possible personal contingencies, and has no need, and anticipates no need in the foreseeable future, to sell the Units for which the Subscriber hereby subscribes. The Subscriber is able (i) to bear the economic risk of his/her/its investment in the Units, (ii) to hold the Units for an indefinite period of time, and (iii) has sufficient financial liquidity to sustain a loss of the entire investment in the event such loss should occur.

(e) The Subscriber acknowledges and confirms that he/she/it has fully considered the contents of the Agreement, and that he/she/it understands and is aware of all the risks related to this investment. The Subscriber further acknowledges and confirms that this investment involves various risk factors that are set forth in the Agreement, including but not limited to the following factors: (i) any projections, forecasts or estimates as may have been provided to the Subscriber are purely speculative and cannot be relied upon to indicate actual results that may be obtained through this investment; any such projections, forecasts and estimates are based upon assumptions which are subject to change and which are beyond the control of the Company or its management; and past performance does not predict future performance; (ii) the tax consequences which may be expected by this investment are not susceptible to absolute prediction, and new developments and rules of the Internal Revenue Service, audit adjustment, court decisions or legislative changes may have an adverse effect on one or more of the tax consequences of this investment; (iii) the Subscriber has been advised to consult with his/her/its own advisor regarding legal matters and tax consequences involving this investment; (iv) an investment in the Units involves a risk of loss of such investment; (v) there will be no trading market for the Units nor will the Units be freely transferable, and, accordingly, it may not be possible for the Subscriber to liquidate his/her/its investment or any portion thereof, in case of emergency, if at all; (vi) the general condition of the economy will all affect the Company's business, financial condition and results of operations, and there is no assurance that the Operating Manager will be successful in addressing such risks; and (vii) the Company has limited history of operations, it may not have any significant assets other than its investment as stated in the Agreement, and there is no assurance that the Company will be successful in addressing the various risks that could affect its business and financial condition and results of operations.

(f) The Subscriber has determined that the purchase of Units is consistent with his/her/its investment objectives and income prospects. The Subscriber's overall commitment to investments that are not readily marketable is not disproportionate to his/her/its individual net worth, and his/her/its investment in the Units will not cause such overall commitment to become excessive.

(g) The Subscriber acknowledges and understands that the Agreement supersedes all previously given materials, if any, and nothing other than the Agreement was relied upon in making a decision to subscribe for the Units.

(h) The Subscriber understands that the Units have not been registered under the Securities Act or the laws of any State and are being offered under an exemption from registration thereunder; the Subscriber represents warrants that the Units will be acquired by the Subscriber solely for his/her/its own account, for investment purposes only, and not with a view to, or in connection with, any resale or other distribution thereof in a manner which would require registration under the Securities Act of 1933 (the "**Securities Act**"), or any applicable state securities laws; the Subscriber does not now have any reason to anticipate any change in his/her/its circumstances or other particular occasion or event which would cause him/her/it to sell the Units; and the Subscriber further represents and warrants that he/she/it has no agreement or other arrangement, formal or informal, with any person to sell, transfer or pledge any part of the Units subscribed for hereby.

(i) The Subscriber understands that no federal or state agency has passed on the fairness for investment of, or made any recommendation or endorsement of, the Units.

(j) The Subscriber (or its designee) has the requisite legal capacity to subscribe to the Units.

(k) The address and social security number or federal tax identification number set forth above are the Subscriber's true and correct residence and social security number or federal tax identification number.

(l) The Subscriber will be the sole party in interest in the Units and as such will be vested with all legal and equitable rights in the Units.

(m) Neither the Subscriber, nor any of its beneficial owners, appears on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control of the United States Department of the Treasury or in the Annex to United States Executive Order 132224 – Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, nor are they otherwise a prohibited party under the laws of the United States (an "**Unacceptable Investor**"). The Subscriber further represents that the monies used to fund the investment in the Company are not derived from, invested for the benefit of, or related in any way to, the governments of, or persons within, any country under a U.S. embargo enforced by OFAC. The Subscriber further represents and warrants that the Subscriber: (i) has conducted thorough due diligence with respect to all of its beneficial owners, (ii) has established the identities of all beneficial owners and the source of each of the beneficial owner's funds and (iii) will retain evidence of any such identities, any such source of funds and any such

due diligence. The Subscriber further represents that he/she/it does not know or have any reason to suspect that (i) the monies used to fund the subscriber's investment in the Company have been or will be derived from or related to any illegal activities, including but not limited to, money laundering activities, and (ii) the proceeds from the Subscriber's investment in the Company will be used to finance any illegal activities.

(n) The Subscriber has full requisite power and authority to make, execute, deliver and perform this Agreement and to effect the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Subscriber.

(o) This Agreement is a valid and binding obligation of the Subscriber, enforceable (subject to normal equitable principles) in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, debtor relief or similar laws affecting the rights of creditors generally. The execution and delivery of this Agreement by the Subscriber, or the consummation of the transactions contemplated hereby, will not conflict with or result in a violation or breach of any term or provision of, nor constitute a default under (i) if the Subscriber is an entity, any provision of the Subscriber's formation or organization documents; (ii) any indenture, mortgage, deed of trust, credit agreement or other contract or agreement of any nature whatsoever to which the Subscriber is a party or by which its properties are bound; or (iii) any provision of any law, rule, regulation, order, permit, certificate, writ, judgment, injunction, decree, determination, award or other decision of any court, arbitrator or other governmental authority to which the Subscriber is subject to.

(p) The undersigned acknowledges that the Operating Manager has the unconditional right to accept or reject this Subscription.

(q) That all representations, warranties and covenants contained in this Subscription Agreement and elsewhere are true and correct as of the date hereof and will be true and correct as of the date this subscription is accepted by the Operating Manager, if at all.

5. Limitation on Transfer of Units. The Subscriber acknowledges that he/she/it is aware that there are substantial restrictions on the transferability of the Units. The Units are being offered and sold in reliance upon the exemption from the registration requirements of the Securities Act afforded by Section 4(a)(2) thereof as interpreted by the Commission in Rule 506 of Regulation D and exemptions from the registration provisions of applicable state securities laws. Accordingly, transferability of the Units is restricted under the Securities Act and by provisions of applicable state securities laws. The Units may not be sold or transferred by an investor in the absence of an effective registration statement under the Securities Act and applicable state securities laws or an opinion of counsel acceptable to the Operating Manager, the Company and its counsel that registration is not required. The Company does not intend to file a registration statement under the Securities Act to provide for a public resale of the Units.

6. Compliance with Private Placement Exemption Requirements. The Subscriber understands and agrees that the following restrictions and limitations are applicable to the Subscriber's purchase and resales, hypothecations or other transfers of the Units pursuant to federal and state securities laws:

(a) Such Units shall not be sold, pledged, hypothecated or otherwise transferred unless they are registered under the Securities Act and applicable state securities laws or are exempt therefrom.

(b) A legend in substantially the following form has been or will be placed on any certificate(s) or other document(s) evidencing the Units:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT OR DOCUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT UPON DELIVERY TO THE ISSUER OF AN OPINION OF COUNSEL THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER OR THE SUBMISSION TO THE ISSUER OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATION PROMULGATED THEREUNDER.

(c) In addition, the legend described in subparagraph (b) above will be placed with respect to any new certificate(s) or other document(s) issued upon presentment by the undersigned of certificate(s) or other

document(s) for transfer.

7. Other Matters.

(a) The Subscriber agrees to execute (with acknowledgment or affidavit, if requested by the Company) promptly all such agreements, certificates, tax statements, tax returns and other documents as may be required of the Company or the investors in the Company by the laws of the United States of America, or any state in which the Company conducts or plans to conduct business, or any political subdivision or agency thereof or of any foreign nation. The Subscriber agrees that, except as provided herein, this Agreement or any agreement made hereunder or pursuant hereto may not be canceled, terminated or revoked by him/her/it except with the written consent of the Company. The Subscriber agrees that this Agreement and the foregoing acknowledgments, representations and covenants shall survive delivery, acceptance of the subscription, closing of the transactions contemplated by this Agreement and any investigation made by any party relying on the same. The Subscriber agrees to execute any and all further documents necessary or advisable, in the sole discretion of the Company, in connection with his/her/its becoming a holder of the Units. The Subscriber agrees not to transfer or assign this Agreement, or any of his/her/its interest herein, and further agrees that the assignment and transfer of the Units acquired pursuant hereto shall be made only in accordance with all applicable laws.

(b) All notices or other communications given or made hereunder shall be in writing and delivered by hand, by mail or by electronic mail. If mailed it shall be addressed as follows: (i) if to the Company or the Operating Manager, to the address indicated in the Agreement or (ii) if to the Subscriber, to the street address set forth on the Subscription Documents (or at such address as either party may, by notice given in the manner described herein, change its address for purposes of notice hereunder).

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to the conflict of laws principles of any jurisdiction. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and may be amended only by a writing executed by the party to be bound thereby.

IN WITNESS WHEREOF, the undersigned Subscriber hereby confirms and agrees to all matters set forth in this Subscription Agreement, agrees to be irrevocably bound by the terms hereof, and subscribes for the Units as set forth hereto.

SUBSCRIBER:

____

Signature

____

Printed Name

____

Date

____

Joint Signature – *if applicable*

____

Printed Name

____

Date

Company's Acceptance of Subscription

The Company hereby accepts the Subscriber's subscription to the Company as set forth above.

ACCEPTED AND AGREED

OPERATING MANAGER:

BLUESTONE PARTNERS LLC

By: ______________________________

Name: ______________________________

GUARANTEE AGREEMENT

Reference is hereby made to the subscription of membership interests ("Guarantee Units") evidenced by that certain Subscription Agreement between **SAPPHIRE GROUP, LLC** ("Company"), and ______________________________ ("Guarantor"), dated ____________________. In consideration of receiving Guarantee Units of the Company, the undersigned ("Guarantor") hereby unconditionally guarantees to the Company the payment of $_______________ ("Guarantee Amount"). Terms used and not otherwise defined shall have the meanings ascribed thereto in the Company's Amended and Restated Company Agreement.

Upon written notice from the Company, Guarantor agrees to remit to the Company the sums of money so requested, not to exceed the amount of the Guarantee Amount as stated herein. Guarantor agrees to provide the Company with a personal financial statement prior to the Company's acceptance of Guarantor's subscription for the Guarantee Units and will provide an updated statement annually thereafter. Board approval will be required for the subscription of the Guarantee Units.

Guarantor hereby waives presentment for payment, demand for payment, notice of nonpayment or dishonor, protest and notice of protest, diligence in collection, and any and all formalities that may be legally required to charge Guarantor with liability; and Guarantor further agrees that his liability as Guarantor shall in no way be impaired or affected by any renewals, waivers, or extensions that may be made from time to time, with or without the knowledge and consent of Guarantor, of any default or the time of payment or performance required under the Company's Amended and Restated Company Agreement, or by any forbearance or delay in enforcing any obligation thereof.

Guarantor further covenants and agrees to pay all expenses and fees, including attorney fees that may be incurred by the Company or its successors or assigns enforcing any of the terms or provisions of this Guarantee Agreement.

This Guarantee Agreement shall be binding upon the heirs, legal representatives, successors and assigns of Guarantor, and shall not be discharged or affected, in whole or in part by the death, bankruptcy or insolvency of Guarantor.

This Guarantee Agreement is absolute, unconditional and continuing, and payment of the sums for which the Guarantor becomes liable shall be made by check or wire transfer (or by any other means agreed between Guarantor and Company) to Company or its successors or assigns from time to time on demand as the same become or are declared due.

IN WITNESS WHEREOF, Guarantor has executed this Guarantee on _________________.

GUARANTOR SIGNATURE: ____________________________________

GUARANTOR NAME: ____________________________________

Address: ____________________

____

Email: ____________________

AMENDED AND RESTATED COMPANY AGREEMENT COUNTERPART SIGNATURE PAGE

MEMBER:

Signature: ______________________________

Signer's Printed name: ______________________________

Entity Name (if applicable): ______________________________

Title (if applicable): ______________________________

Current notice address: ______________________________

____

____

Email: ______________________________

Phone: ______________________________