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MAC Private Placement
Memorandum

# MID-ATLANTIC CAPITAL FUND, LLC
# A Real Estate Opportunity Fund

**MID-ATLANTIC CAPITAL FUND, LLC**
**Up to $20,000,000**
**(*$5,000,000 Minimum Offering*)**
**2,000 Class A Units; $10,000 per Class A Unit**
**(*Minimum Investment of 10 Class A Units*)**

# CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

**Dated: _____, 2008**

No. _____ For the exclusive use of: _____

## NOTICES TO INVESTORS

NO PERSON HAS BEEN AUTHORIZED TO PROVIDE ANY INFORMATION OR MAKE ANY REPRESENTATIONS REGARDING MID-ATLANTIC CAPITAL FUND, LLC (THE "FUND") EXCEPT AS CONTAINED IN THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THIS "MEMORANDUM"). STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE HEREOF UNLESS STATED OTHERWISE, AND NEITHER THE DELIVERY OF THIS MEMORANDUM AT ANY TIME, NOR ANY SALE HEREUNDER, SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS MEMORANDUM IS BEING FURNISHED TO SELECTED ACCREDITED INVESTORS ON A CONFIDENTIAL BASIS, AND BY ACCEPTING THE MEMORANDUM, THE RECIPIENT AGREES TO KEEP CONFIDENTIAL THE INFORMATION CONTAINED HEREIN. THE INFORMATION CONTAINED IN THIS MEMORANDUM MAY NOT BE PROVIDED TO PERSONS WHO ARE NOT DIRECTLY INVOLVED IN AN INVESTOR'S DECISION REGARDING THE INVESTMENT OFFERED HEREBY. THIS MEMORANDUM MAY NOT BE REPRODUCED OR RESDISTRIBUTED.

INVESTMENT IN THE FUND IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHOM SUCH INVESTMENT DOES NOT CONSTITUTE A SUBSTANTIAL AMOUNT OF THE INVESTOR'S NET ASSETS AND WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE ASSOCIATED RISKS INVOLVED IN AN INVESTMENT IN THE COMPANY. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY SUPPLEMENTAL LITERATURE AS LEGAL, BUSINESS OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN ADVISORS CONCERNING ITS INVESTMENT.

THE FUND AND THE MANAGER URGE INVESTORS TO CAREFULLY CONSIDER THE RISK FACTORS RELATING TO AN INVESTMENT IN THE FUND, AS DESCRIBED IN **"RISK FACTORS"** AND IN OTHER SECTIONS OF THIS MEMORANDUM. IN ADDITION, INVESTORS SHOULD CAREFULLY CONSIDER THE ACTUAL AND POTENTIAL CONFLICTS OF INTEREST TO WHICH THE MANAGER AND ITS AFFILIATES WILL BE SUBJECT IN MANAGING AND MAKING INVESTMENT DECISIONS FOR THE FUND, AS DESCRIBED IN **"CONFLICTS OF INTEREST"** AND IN OTHER SECTIONS OF THIS MEMORANDUM.

IN CONSIDERING THE MANAGER'S SAMPLE RATES OF RETURN ON PAST PROJECTS CONTAINED HEREIN, PROPSPECTIVE INVESTORS SHOULD BEAR IN MIND THAT PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS, AND THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE COMPARABLE RESULTS. THERE CAN BE NO ASSURANCE THAT ANY TARGETED RETURNS WILL NOT BE MATERIALLY LOWER THAN THOSE TARGETED.

THE SALE, TRANSFER OR DISPOSTION OF THE CLASS A UNITS OFFERED HEREBY WILL BE SUBJECT TO CONTRACTUAL RESTRICTIONS. IN ADDITION, A MARKET FOR THE CLASS A UNITS IS

NOT EXPECTED TO DEVELOP AT ANY TIME. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE CLASS A UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE MANAGER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FUTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS MEMORANDUM ARE ESTIMATES AND FORWARD-LOOKING STATEMENTS WITH RESPECT TO THE FUND'S ANTICIPATED FUTURE PERFORMANCE. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS REGARDING THE FUND'S CURRENT INTENT, BELIEFS OR EXPECTATIONS, PRIMARILY WITH RESPECT TO THE FUND'S FUTURE OPERATING PERFORMANCE OR RELATED INDUSTRY DEVELOPMENTS. WHEN USED IN THIS MEMORANDUM, THE WORDS "ESTIMATE," "INTEND," "MAY BE," "OBJECTIVE," "PLAN," "PREDICT," "WILL BE," AND SIMILAR EXPRESSIONS ARE GENERALLY INTENDED TO INDENTIFY FORWARD-LOOKING STATEMENTS. THE FUND CAUTIONS INVESTORS THAT SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INHERENTLY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTANTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE FUND'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMEMTS, OR INDUSTRY RESULTS TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS, UNCERTANTIES AND OTHER IMPORTANT FACTORS INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, INDUSTRY TRENDS, COMPETITION, CHANGES IN BUSINESS STRATEGY OR DEVELOPMENT PLANS, AVAILABILITY OF CAPITAL, AVAILABILITY OF QUALIFIED PERSONNEL, GOVERNMENTAL REGULATIONS, AND OTHER MATTERS SET FORTH IN "**RISK FACTORS**" BELOW. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS CONFIDENTIAL OFFERING MEMORANDUM. THE FUND EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGE IN THE FUND'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

**THESE SECURITIES ARE NOT BEING OFFERED, AND WILL NOT BE SOLD, TO ANY PENSION OR PROFIT SHARING PLAN, CHARITABLE ORGANIZATION OR OTHER TAX-EXEMPT ORGANIZATION, OR TO ANY PERSON OR ENTITY ACTING THROUGH OR ON BEHALF ANY SUCH PLAN OR ORGANIZATION.**

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## 1. INVESTMENT OPPORTUNITY

Mid-Atlantic Capital Fund, LLC (the "Fund"), a Maryland limited liability company, has been recently organized by affiliates of Tyler-Donegan Real Estate Services, Inc. ("Tyler-Donegan") with the intent of capitalizing on the opportunities described below and acquiring and developing various types of real estate projects that have the potential of delivering superior, risk-adjusted returns to the investor. Principals of Tyler-Donegan believe that the credit crisis turmoil in the financial markets, dismal performance of the housing sector over the last several months and general decline in the broader economy has created a unique buying opportunity for the astute real estate investor. Although this opportunity exists more visibly in the residential real estate sector, the commercial real estate sector is also beginning to experience resulting difficulties as well. While commercial real estate values have already begun to moderate, many analysts project that commercial real estate will experience a significant price correction, as much as 30%, over the next 12 to 24 months.

The current real estate investment environment has been compared by many experts to the late 1980's and early 1990's. At that time, the Resolution Trust Corporation (RTC) was established and took over hundreds of failed Savings and Loans Institutions, resulting in the sell-off of billions of dollars of real estate assets for pennies on the dollar.

Massive bank failures similar to those that occurred in the late 1980's are not anticipated during this current market correction. However, the current credit crisis primarily caused by the massive losses from mortgage-backed securities and sub-prime lending being recorded by the major banks and investment houses is providing an historic opportunity for experienced and sophisticated real estate investors.

The Fund is offering (the "Offering") units of membership interest (the "Class A Units") to certain "accredited investors," as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 (and as set forth in "Investor Suitability Standards" below), and to certain employees of Tyler-Donegan. Mid-Atlantic Capital Fund Management, LLC, a Maryland limited liability company (the "Manager"), "), is controlled by the Principals of Tyler-Donegan, a full-service real estate firm based in Frederick, Maryland and established in 1987. Up to 2,000 Class A Units are being offered at a price of $10,000 per Class A Unit. The Fund is seeking up to $20 million of equity commitments ("Capital Commitments").

The Manager will manage the Fund's day-to-day operations and will monitor the real estate projects in which the Fund invests (the "Projects").

The Fund intends to focus its efforts primarily in Maryland, Virginia, North Carolina, South Carolina, West Virginia, Pennsylvania, Delaware, and the Washington D.C. metropolitan area. The Manager, in its sole discretion, may elect from time to time to acquire assets outside of this primary geographic area. The Fund's investments will be primarily on distressed and value-added residential and commercial properties that can be purchased at significant discounts compared to replacement costs or current market valuations.

In order to minimize investor risk and maximize investor profits, careful consideration will be taken to maintain a level of diversification and balance within the Fund's investments with regard to property types, geographic locations and investment schemes.

Targeted properties for the Fund include the following:

**Raw Land –** Residential and mixed-use development, with the Manager targeting specific locations it believes exhibit growth potential through expanding infrastructure, economic and demographic growth momentum, and a politically favorable development environment.

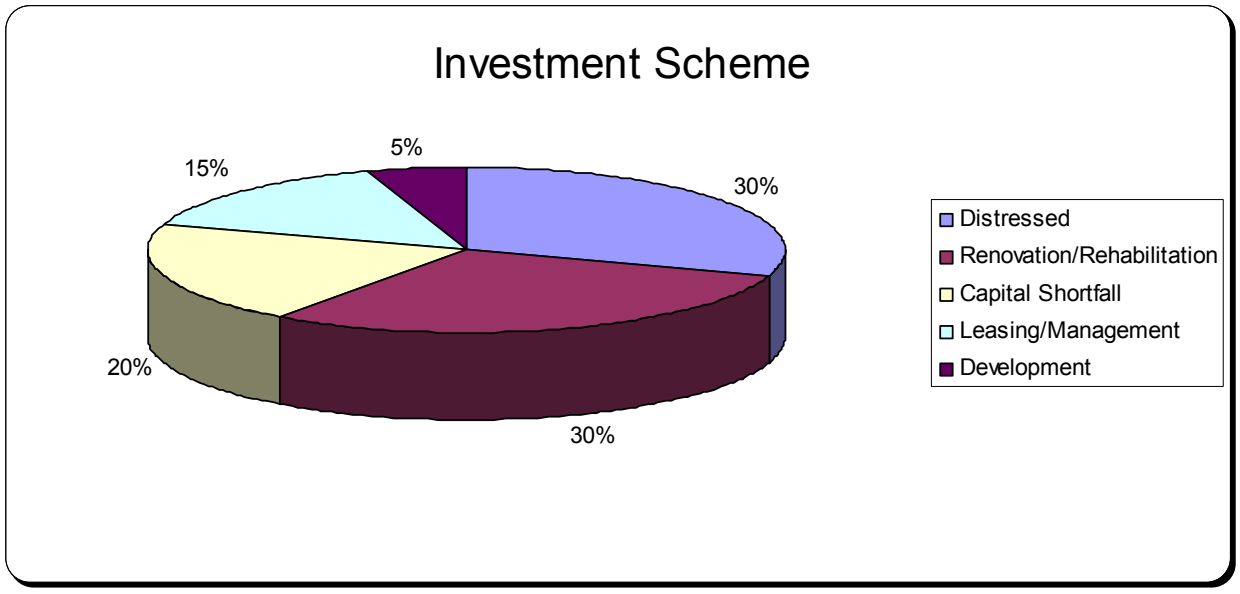
**Entitled Land** – Development opportunities involving entitled land (i.e. land for which governmental land use permits and approvals have been obtained) with existing development partners that require an equity infusion to deliver finished lots for homebuilders.

**Commercial Opportunities –** Commercial development opportunities, targeting locations where demographic profiles justify construction of improvements or acquisitions of value-added properties.

**Workout Opportunities –** Rapidly evolving target markets will create opportunities for "workout" situations, with a strong potential for acquiring or recapitalizing "distressed" projects emerging during the term of the Fund.

**Bulk Acquisitions –** Foreclosed residential properties from banks and other lending institutions which can be purchased in bulk.

**Sale-Leaseback Opportunities/Build-to-Suit –** Opportunities that arise as a result of downward economic pressures on corporate operating results.




**The Manager seeks to acquire assets that are projected to (1) yield a maximum return on investment of twenty percent (20%) to thirty percent (30%) per annum and (2) achieve a multiple return on equity invested of at least 2 to 1.**

In choosing to participate in the Fund, each investor will be required to deposit fifteen percent (15%) of his or her total Capital Commitment when executing the Subscription Agreement attached as Exhibit B. This amount will be deposited in a non-interest bearing account to be held in escrow. The remaining balance of the Capital Commitment will be paid upon fifteen (15) days advanced written notice from the

Manager after the Fund has received subscriptions for Capital Commitments of at least $5,000,000 (the "Minimum Commitment Amount"), which is the minimum capital requirement established to launch the Fund. The funds deposited in escrow will also be delivered to the Fund after it has received subscriptions for the Minimum Commitment Amount.

The minimum Capital Commitment that will be accepted by the Fund from any investor will be One Hundred Thousand Dollars ($100,000) (i.e. 10 Class A Units). The Manager may, in its discretion, sell Class A Units for lesser Capital Commitments. The Manager may discontinue the Offering at any time after the Manager has received subscriptions for the Minimum Commitment Amount. The Manager may not accept subscriptions for Class A Units after the date that is twelve (12) months after the Minimum Commitment Amount has been achieved. The Manager and employees or affiliates of the Manager, including employees and affiliates of Tyler-Donegan, and their immediate families have also agreed to make a minimum Capital Commitment in an amount equal to five percent (5%) of the total Capital Commitments of all investors.

## 2. MARKET OPPORTUNITY

As stated above, the Manager believes that the credit crisis turmoil in the overall financial markets, dismal performance of the housing sector over the last several months and general decline in the broader economy has created a unique buying opportunity. The Manager believes that the seriousness of the troubles within the financial markets can be evidenced by unprecedented measures taken by the Federal Reserve Bank during the first quarter of 2008. These measures include substantial interest rate drops, allowing financial institutions the right to swap/trade Treasury Securities for Mortgage Backed Securities, and orchestrating the bail out of Bear Stearns, the fifth largest investment bank in the country.

Focusing on the residential sector, Bloomberg Financial Services has reported that U.S. home foreclosure filings jumped 60 percent and bank seizures more than doubled in February 2008, as rates on adjustable mortgages rose and property owners were unable to sell or refinance amid falling prices. More than 223,000 properties were in some stage of default, or one in every 557 U.S. households, Irvine, California-based RealtyTrac Inc., a seller of foreclosure data recently reported.

The Manager believes that these dynamics have created real estate investment opportunities in various different capacities, including the following:

- Banks have taken back (foreclosed on) many projects which include entitled and partially developed land, condominium buildings with new units that have failed to sell, individual single family homes and some commercial projects either completed or in various stages of development.

- With the commercial financing conduit market having come to a virtual standstill, there are many existing loans which are coming to maturity and these loans/projects will be faced with stricter underwriting criteria and a lack of available credit to refinance. This will require borrowers to contribute additional investment capital. To the extent borrowers do not have the additional capital, they will have to seek additional investors or look to sell projects.

- Commercial real estate values are driven by several factors. The primary ones being demand for space/buildings from end users (i.e. businesses), and the availability and pricing of capital. With the overall economy slumping, businesses are being conservative in their expansion and relocation plans. This is resulting in higher vacancy rates in virtually every commercial real estate sector (office, warehouse, flex & retail). While the cost of capital has come down, the

availability of capital has been greatly reduced and lenders are more restrictive as to the amount they will lend on any given project (loan-to-value ratios and valuations have been reduced).

- Boyken International, a well respected consulting and building project management company, reported that "The ups and downs of the residential real estate market foreshadow commercial real estate a year or two later. That is the pattern seen during the past 30 years." "We have found that when the residential market moves, the commercial market moves 12 to 18 months later," says Don Boyken, CEO of Boyken International. With the residential market moving down in the past months, Boyken sees all the warning indicators for the commercial market to start moving down during the course of this year.

Given all of the aforementioned factors, the Manager believes that now is an ideal time to consolidate capital and aggressively seek out unique buying opportunities within the market place. Additionally, the Mid-Atlantic and Southeast regions have historically recovered more quickly than many other national markets. Correspondingly, the Manager's primary emphasis will be on locating suitable investments in this marketplace.

## 3. FUND INVESTMENT STRATEGY

### Investment Objectives

The Fund's investment objectives consist of the following primary components:

- Identify emerging real estate market trends that correlate with sustained population and economic growth.
- Investing in projects that provide opportunities to limit equity investment acquisition and development costs.
- Developing strategic alliances with successful, competent real estate operating partners who share investment goals and values.
- Maintaining flexibility to capitalize on market opportunities not yet identified.
- Identify small to medium size investment opportunities that fall below the radar of most institutional investors but are too large for small local investors.

### Projected Returns

The Manager believes it can identify market dynamics and economic conditions which create favorable buying opportunities in the residential and commercial real estate sectors where the Manager can produce superior returns with disproportionately lower risk.

The Manager seeks to acquire assets that are projected to:

- Yield a minimum return on investment of twenty percent (20%) to thirty percent (30%) per annum
- Achieve a multiple return on equity invested of at least two (2) to one (1).

These projected returns will be achieved through a combination of current cash flow and capital appreciation. The Fund anticipates investment holding periods for individual assets of four (4) to seven (7) years.

**Investment Platform**

In order to achieve the expected returns with managed risk, the Manager shall seek employ two investment platforms, generally.

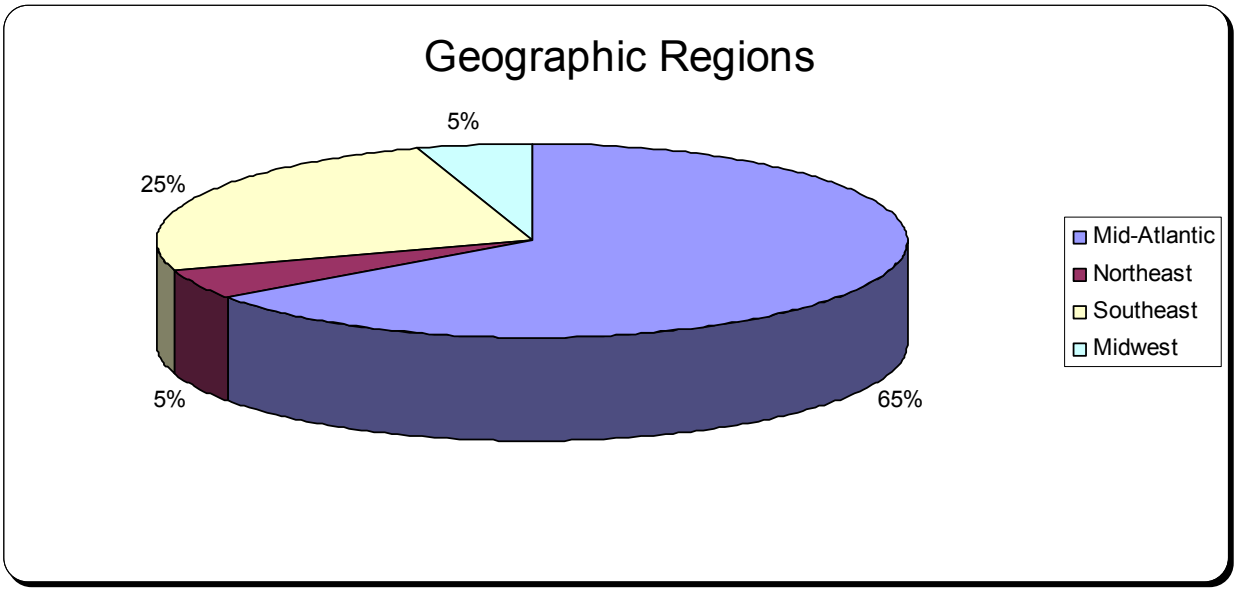
First, the majority of the Fund's equity is projected to be invested in projects whereby the Fund will invest 100% of the equity required in a given project and acquire a 100% interest in that project.

Second, the Fund intends to deploy a percentage of its capital in joint ventures where the Fund can control a disproportionately larger ownership interest than the percentage share of equity invested in a particular project. The Manager believes there are opportunities to co-invest a portion of the Fund's capital in certain asset classes with larger institutional investors and/or competent local operating partners. This strategy is projected to allow the Fund to invest, for example, 10% of the equity required for a given project and acquire a 20% stake in the project, while retaining significant operational influence and control.

Utilizing a combination of these two investment platforms, the Fund can greatly leverage its investments and acquire between $120 million and $185 million in assets, enhancing overall return on equity while diversifying the investment portfolio of the Fund, thereby reducing the investment risks to the investors.

**Geographic Area**

For more than 25 years, Tyler-Donegan has used similar strategies to identify and acquire interests in residential and commercial land development opportunities, multi-family, office properties industrial buildings, and retail centers throughout the United States. The primary focus of the Fund will be on properties located in the Mid-Atlantic and Southeast regions and certain other areas outside those regions that the Manager believes possess compelling market characteristics.

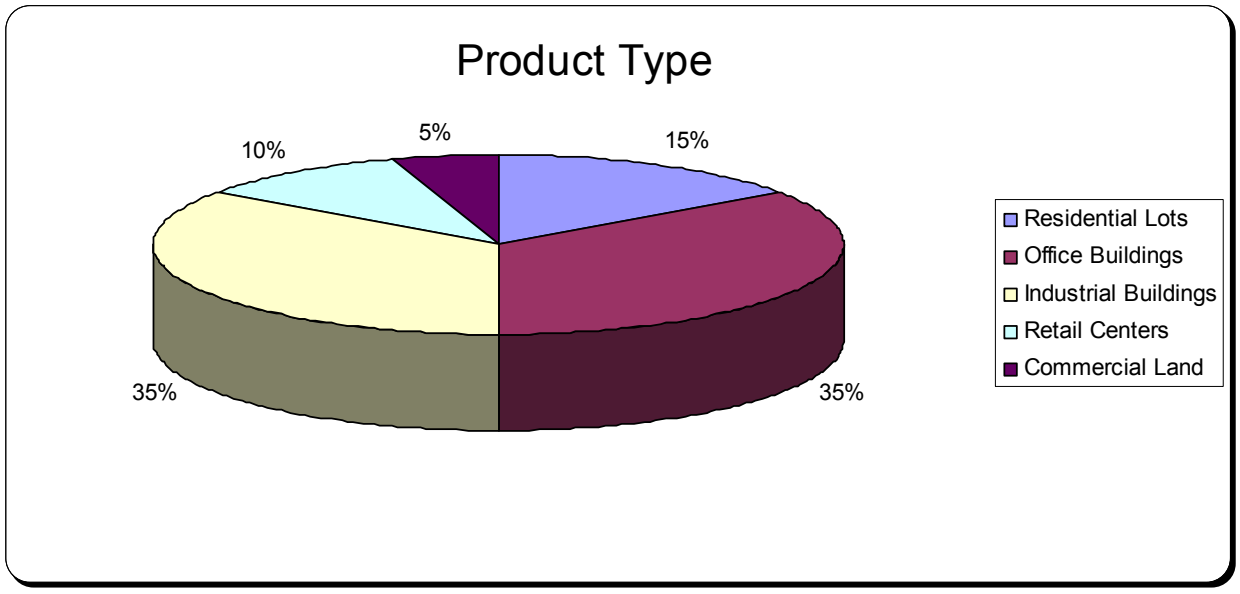



**Property Types**

The Fund intends to invest in office, industrial, retail and multi-family properties and residential lots. Focusing on value-added opportunities, distressed assets and otherwise performing properties that are

experiencing capital shortfalls due to the current restrictive lending environment, the Manager will pursue fundamentally strong assets that are:

- Underperforming and available at a disproportionate discount to "stabilized" market values
- Suitable for rehabilitation, repositioning or redevelopment from Class B and Class C status to Class A and Class B+ status in markets where there is a large differential between market rents in the various classes of properties
- Priced below replacement cost in markets with strong fundamentals, such as limited supply, growing demand and stable economic development engines (e.g. airports, seaports, government facilities, military installations and significant private and institutional operations)
- Priced well below fair market values from motivated/forced sellers that are over-leveraged and require recapitalization
- Performing assets that have significant excess development capacity that is valued "within" the transaction
- Performing and non-performing loans at a discount to face value with the goal of foreclosing on the underlying real estate




## 4. EXPERIENCE OF THE MANAGER

The Manager is a recently organized Maryland limited liability company operating solely for the purpose of managing the affairs of the Fund. The Manager is controlled by principals of Tyler-Donegan Tyler-Donegan's business activities include real estate sales, leasing, property management, development and real estate investment advisory services. Tyler-Donegan is one of four affiliated companies that operate together under the "Tyler Companies" name. Tyler Mechanical Contracting, Inc. is the largest business unit of the Tyler Companies and was established in 1968, has annual revenues of approximately $55 million and employs approximately 250 people.

Over the last 15 years, Tyler-Donegan has developed and invested over $385 million of debt and equity capital in more than 40 separate real estate transactions. These projects have included office, industrial, retail, multi-family, residential land and mixed-use projects ranging in size from nine residential lots to a

2,000,000 square foot, industrial redevelopment project. While most of these projects have been located in the Mid-Atlantic region, the Manager has also completed projects in Florida, Texas, California, South Carolina, North Carolina, New Jersey, Alabama, Ohio and Missouri.

In addition to its investment activities, Tyler-Donegan has also been involved in hundreds of other brokerage, management and investment advisory transactions with third parties across the country and valued at more than $1 billion.

The Manager possesses investment, development and operating experience in all facets of real estate transactions, including:

- Identifying market opportunities.
- Sourcing transactions.
- Working with local governments, consultants and attorneys.
- Identifying and negotiating strategic joint ventures with development and financial partners.
- Conducting financial analysis and securing and negotiating the terms of debt and equity investment and financing.
- Existing building redevelopment, repositioning and value enhancement, implementing project design and management and land development.
- Assessing proper timing to divest of its assets and developing appropriate exit strategies.

Key employees of the Manager have an average of 25 years of experience in the real estate business, including acquisition/disposition, development, leasing, sales, construction, finance, and property and asset management. Their experience ranges from the execution of real estate transactions to strategic real estate portfolio development and management. Chad Tyler and Jeff Cahall will manage the day-to-day investment activities of the Fund. The management team will be comprised of the following individuals:

*Chad Tyler* is the President of Tyler-Donegan. Mr. Tyler has an Undergraduate Degree in Finance from the University of Maryland and a Master's Degree in Real Estate & Urban Development from American University. Mr. Tyler is a past President of the Gaithersburg-Germantown Chamber of Commerce, a recent graduate of the Leadership Maryland Program and is a member of the Business Development Advisory Council for the Frederick County Office of Economic Development. Throughout Tyler-Donegan's 21 year history, Mr. Tyler has been intimately involved in all the company's business activities. Mr. Tyler has personally overseen the development and acquisition of 15 projects on behalf of several investment partnerships. Additionally, Mr. Tyler has been involved in brokering the sale of numerous real estate projects in the Mid-Atlantic region on behalf of third parties with an aggregate value in excess of $200 million. A family limited liability company controlled by Mr. Tyler is a Class B Member of the Fund.

*Jeff Cahall* is the Director of Development & Investment Services for Tyler-Donegan. Prior to joining the Manager, Mr. Cahall was a partner in three (3) real estate investment entities that acquired and developed more than 3.8 million square feet of office and industrial space between 2001 and 2007 valued in excess of $175 million. These properties resulted in a return of capital invested ratio to the inventors of more than six to one. Prior to 2001, Mr. Cahall was a senior broker with Cushman & Wakefield where he established a national practice representing many of the world's largest corporations and property owners in enhancing the value of their real estate holdings. During his tenure at Cushman & Wakefield, Mr. Cahall was involved in more than 300 real estate transactions in 37 states. Mr. Cahall is a Class B Member of the Fund.

*Joseph Donegan* is the Vice President of Leasing & Sales for Tyler-Donegan. Mr. Donegan has worked in the field of real estate, construction and development for the past 26 years. His construction experience includes both hands on field work on major commercial projects, as well as serving as Project Manager for one of the largest mechanical contracting firms in the Washington D.C. metropolitan area. Over the last 17 years, as Vice President of Tyler-Donegan, Mr. Donegan's focus has been on servicing property owners and investors in buying and selling commercial real estate. His strong construction background along with extensive experience in investment analysis and financing has advanced this focus. Mr. Donegan has extensive continuing education in the areas of Investment Analysis, Real Estate Law, Appraising and Marketing. He is a licensed real estate agent in Maryland, Virginia and the District of Columbia. Mr. Donegan is a 2002 graduate of the Leadership Maryland Program and is a member of the National Association of Industrial & Office Parks, serving on the membership committee. His combined experiences enable him to bring a diverse perspective to all the key elements involved in any real estate transaction. He has represented some of Tyler-Donegan's larger client's transaction needs throughout the country. Mr. Donegan received his Undergraduate Degree in Philosophy in 1981 from Moravian College in Bethlehem, Pennsylvania. Mr. Donegan is a Class B Member of the Fund.

*Brian Duncan* is the Director of Business Development & Marketing for Tyler-Donegan. Prior to joining Tyler-Donegan seven years ago, he worked in the field of economic development and sports marketing for eighteen years throughout Virginia and Maryland. He previously served as the Director of Economic Development for Frederick County, Maryland. In that capacity, his successful efforts were recognized quickly by his peers, whereby in only his second year, he was elected President of MIDAS (Maryland's Economic Development Association). Part of his responsibilities as Director included assisting businesses in their search for locations/sites for expansion and relocation within the county as well as helping these companies expedite their permitting and approval processes. Working with those professionals involved in company relocations/expansions, Mr. Duncan was instrumental in bringing to Frederick County many companies that represent many different industry types (i.e. biotechnology, communications, manufacturing, etc.). His experience has afforded him unique opportunities such as serving as Co-Chair of Fundraising for NCAA Division III as well as a stint as Vice-President of the Tour DuPont and being awarded a variety of marketing awards. Mr. Duncan continues to be active in volunteering his time with different economic development associations both at the state and county levels. He also is an executive board member of the Frederick County Chamber of Commerce. Mr. Duncan has Undergraduate degrees in Science and Public Administration. Mr. Duncan is a Class B Member of the Fund.

*Donna O'Bryan* is the Director of Property Management for Tyler-Donegan. Ms. O'Bryan has primary responsibility for the company's commercial property portfolio and over fifteen years experience in commercial property management. During her career, Ms. O'Bryan has also gained a broad exposure to land development, construction, sales and leasing throughout the Washington D.C. metropolitan area. Ms. O'Bryan maintains real estate licenses in Maryland, Virginia and West Virginia. Ms. O'Bryan received her Undergraduate Degree in Business Administration from the University of Maryland in 1991.

## 5. INVESTMENT RECORD

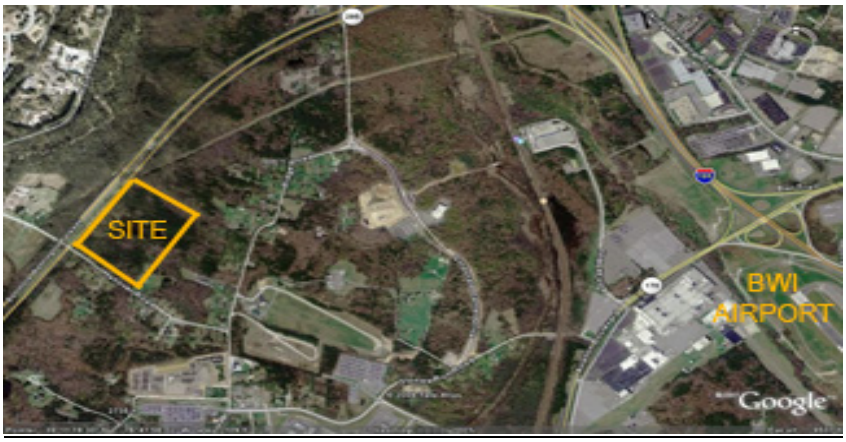
Tyler-Donegan has developed and invested over $385 million of debt and equity capital in more than 40 separate real estate transactions over the last fifteen (15) years. These transactions represent only those whereby the principals of Tyler-Donegan were parties to the transaction. Tyler-Donegan has also been involved in hundreds of other brokerage, management and investment advisory transactions with third parties valued at more than $1 billion. A summary of some of the Tyler-Donegan's past projects and associated returns is described in more detail below:

**Springpointe Executive Center**
Route 198, Burtonsville, Maryland

This building is a 67,000 square foot flex building that was acquired in 2002. It was approximately 70% leased. Tyler-Donegan in conjunction with Phillips Realty Capital repositioned the building through a combination of interior and exterior improvements, then leased it up to a 95% occupancy level and sold the project. The building was purchased for $6,100,000 and sold for $8,600,000. The overall return to the investors in this project over the holding period was a total of 165%, or 40% per annum.

**Hanover Road Industrial Site**
Cross roads of route 295 (BWI Parkway) and Hanover Road in Baltimore.

Tyler-Donegan in conjunction with investment partners purchased this 35 acre industrial site in 1997 for $175,000 out of a bankruptcy liquidation sale. The property is zoned W-1 and is within approximately 2.5 miles of the Baltimore Washington Airport. There are a number of airport supporting facilities within close proximity to this site. Tyler-Donegan purchased the site as a long-term development prospect as that area continues to mature. Despite the fact that Tyler-Donegan is not marketing the property for sale, Tyler-Donegan receives frequent unsolicited offers for the property, the most recent of which was for $14,000,000.



**Securities Building**
729 15th St LLC

This building is a 27,000 square foot office building located approximately ½ block from the White House. Tyler-Donegan spearheaded an investment group to buy the building in January 2004 for $5,250,000. Minor improvements were made to the building along with securing tenants for the limited vacancy within the building. The building was sold in March 2008 for $6,550,000 and generated a total return on Tyler-Donegan's invested capital of 44% or 11% on a per annum basis (internal rate of return).


**Knowledge Farms**
Urbana, Maryland

Knowledge Farms is a 35 acre office/flex park currently under development. Tyler-Donegan's first building of 35,000 square feet was completed in January 2007 and is 95% leased. Site plan approval was secured for two additional buildings and future development is also available on the balance of the site beyond the two site planned buildings. While Tyler-Donegan's intention was to fully build out the 35 acres, a contract was secured for Tyler-Donegan to sell 27 of the 35 acres for $8,500,000. Between the existing building and contract value on the excess land, the project is valued at $16,000,000 against Tyler-Donegan's investment of $8,000,000.

**Old BAMC One**
San Antonio, TX

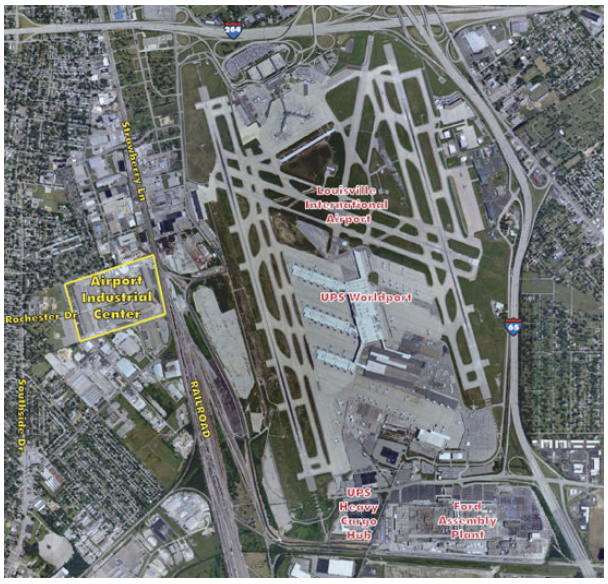
In 2001, Mr. Cahall negotiated the first of its kind Enhanced Use Leasing agreement with the U.S. Army providing for the privatization of approximately 470,000 square feet of historic property at Fort Sam Houston, San Antonio, TX. After forming a joint venture with a local San Antonio development company, in 2003 the new venture executed a 17 year, non-cancellable lease with three separate units of the U.S. Army and secured $50 million in permanent financing from a major U.S. life insurance company.

As of the end of 2007, the venture has realized a return on its original capital investment of more than 10 to 1 and receives approximately $1.9 million in free cash flow each year. After completion of the building currently under development, the venture is projected to realize additional unencumbered annual cash flow exceeding $600,000 per annum.

**Old BAMC Two**
San Antonio, TX

Building on the success of the Old BAMC One project, the same investment group is utilizing excess land leased from the Federal government to develop a new Class A office building on Fort Sam Houston.

This 158,000 square foot, five story office building will deliver in December 2008. The U.S. Army has pre-leased 78% of the building pursuant to a long-term lease. The investment is projected to realize a return of 35% per annum, before the remaining 22% of the building is leased.




**Airport Industrial Center**
Louisville, KY

In 2005, Mr. Cahall, on behalf of a joint venture with a New York based opportunity fund, acquired from the City of Louisville a 99 year leasehold interest in the Naval Ordnance Facility, a former Navy manufacturing complex developed during WWII, closed in 1995, and located immediately adjacent to the Louisville International Airport, home to UPS' primary domestic and China HUB.

The 144-acre complex includes approximately 2,000,000 square feet of existing warehouse, manufacturing, R&D, and office space and development capacity for an additional 500,000 square feet of industrial/flex space. Since then, the venture has executed long-term leases with two of the world's largest defense contractors, BAE Systems for 620,000 square feet and Raytheon for 330,000 square feet, and more than 800,000 square feet with several smaller companies. In late 2007, the venture secured a $21 million mortgage for approximately 1.4 million square feet of the space.

To date, the venture has provided more than a 7 to 1 return on invested capital. Additionally, the investment generates approximately $600,000 in free cash flow per annum and the venture anticipates placing an additional loan on the unsecured portion of the complex in early 2009 in an amount projected to be in excess of $6 million.

After distribution of the net proceeds of this additional debt, expected return on invested capital should exceed a 10 to 1 multiple. The partnership is about to complete a 60,000 square foot flex building and has secured leases for more than 50% of the building.

**I-12 Port**
Carteret, NJ

In 2004, a partnership led by Mr. Cahall secured rights to redevelop a closed, environmentally-impacted municipal land fill immediately at the interchange of Exit 12 on I-95, approximately 4 miles from Newark International Airport and Port Jersey.

The partnership invested $1.5 million and upon securing critical preliminary environmental approvals, negotiated an agreement with the State of New Jersey and county and municipal governments to issue nearly $40 million in Tax Increment Bonds to be used to "clean" the property. Subsequently, the partnership joint ventured the prospective development of 1.3 million square feet of high-bay distribution space on the property with Panatonni Development Company, one of the largest developers in the country. The partnership has retained a 40% interest in the new building development and recouped nearly all its original capital investment. A 1.1 million square foot building and a 200,000 square foot building are nearing completion and leases for nearly all the space are currently being negotiated.

Assuming lease-up at current market rates and a subsequent sale, the original partnership is projected to realize a return on the original $1.5 million in capital invested that will exceed a 6 to 1 multiple.

**IN CONSIDERING THE PRIOR PERFORMANCE INFORMATION CONTAINED HEREIN, PROSPECTIVE INVESTORS SHOULD BEAR IN MIND THAT PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

## 6. SUMMARY OF PRINCIPAL TERMS

*The following is a summary of the principal terms of the Offering of Class A Units. This summary is qualified in its entirety by information appearing elsewhere in this Memorandum and the Operating Agreement of the Fund ("Operating Agreement"), a copy of which is attached as Exhibit A to this Memorandum.*

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| **Fund** | Mid-Atlantic Capital Fund, LLC, a Maryland limited liability company, is being formed primarily to acquire and develop real estate projects. |
| **Manager** | Mid-Atlantic Capital Fund Management, LLC will be the Manager of the Fund. |
| **Fund Objective** | The Fund will acquire and develop real estate projects primarily in Maryland, Virginia, District of Columbia, West Virginia, Pennsylvania, Delaware, North Carolina, and South Carolina. |
| **Capital Commitment** | The Fund is seeking investments aggregating up to $20,000,000. The capital commitment of each investor to the Fund is referred to herein as a "Capital Commitment" and the aggregate of the Capital Commitments is referred to herein as the "Total Capital Commitments." |
| **Minimum Capital Commitment** | The minimum Capital Commitment of any investor will be $100,000, although individual Capital Commitments of lesser amounts may be accepted at the discretion of the Manager. |
| **Eligible Investors** | Each purchaser of Class A Units must be an "accredited investor" as defined under Rule 501 of Regulation D under the Securities Act of 1933 and as set forth in the "Investor Suitability Standards" below. |
| **Units** | The Fund is offering Two Thousand (2,000) Class A Units, with a price per Class A Unit in the amount of Ten Thousand Dollars ($10,000). The Fund shall also issue a total of One Hundred (100) Class B Units to Tyler Family, L.L.C., Jeff Cahall, Joe Donegan, and Brian Duncan. The Class A and Class B Units shall entitle the holders to rights and obligations described hereinafter in "Summary of Operating Agreement" and in the Operating Agreement of the Fund attached hereto as Exhibit A. |
| **Manager's Commitment** | The Manager and employees or affiliates of the Manager and their immediate families (collectively, the "Manager Related Investors") will purchase Class A Units representing 5% of the Total Capital Commitment. The Fund will waive the minimum commitment applicable to Manager-Related Investors. |
| **Initial/Final Closing** | In conjunction with the execution and delivery of a subscription agreement (the "Initial Closing"), an investor will be required to pay fifteen percent (15%) of his or her Capital Commitment (the "Initial Contribution"). The remaining amount of an investor's Capital Commitment will be due, after 15 days' advance written notice by the |

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| | Fund, on a date within 20 days after the date the Fund receives subscription agreements for no less than $5,000,000 ("Minimum Total Capital Commitment"). The Fund may continue to accept new subscriptions only during the period of 12 months following the Initial Closing. |
| **Escrow** | The Initial Contributions of investors will be deposited in a non-interest bearing account held with Branch Banking & Trust Company. If the Fund has not received subscriptions for the Minimum Total Capital Commitment on or before December 31, 2008, the Initial Contributions will be returned to the investors without interest, charge or deduction. |
| **Post Closing Matters** | At the discretion of the Manager, Class A Members may be admitted to the Fund after the Initial Closing or can increase their Capital Commitment after the Initial Closing. The Fund, however, may not accept new subscriptions after the one year anniversary of the Initial Closing. |
| **Term of Fund** | The term of the Fund will be seven (7) years from the date of the Initial Closing, but may be extended at the discretion of the Manager for up to three (3) consecutive one-year periods to permit orderly dissolution. |
| **Management Fees** | The Fund will pay the Manager an annual management fee equal to three percent (3%) of the Total Capital Commitments, payable quarterly in advance for the term of the Fund, beginning on the date of the Initial Closing and ending on the third anniversary of the Initial Closing. Thereafter, beginning on the third anniversary of the Initial Closing and until the termination of the Fund, the Fund will pay the Manager an annual management fee equal to seventy-five hundredths percent (.75%) of the book value of the assets of the Fund. In addition, the Manager will collect customary transaction fees from the Fund not to exceed two percent (2%) of the total cost (debt and equity) of any single transaction, payable upon the closing of the transaction. |
| **Organizational Expenses** | The Fund will reimburse the Manager for the Fund's reasonable organizational expenses, including legal, accounting, filing, capital raising, printing, travel and other organizational expenses in an aggregate amount up to $200,000. Organizational expenses in excess of this amount will be borne by the Manager. |
| **Manager Expenses** | The Manager will be responsible for the repayment of all ordinary administrative and overhead expenses incurred in originating, managing, and monitoring investments, including employee compensation, rent, utilities, travel, and other administrative expenses in respect of the Fund or an investment by the Fund. |
| **Fund Expenses** | The Fund and its subsidiaries will pay all expenses incurred in connection with the acquisition of our real estate related investments, |

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| | including legal and accounting fees and expenses, brokerage commissions payable to unaffiliated third parties, travel expenses, costs of appraisals (including independent third party appraisals), nonrefundable option payments on property not acquired, engineering, due diligence, title insurance and other expenses related to the selection and acquisition of real estate related investments by the Fund or any of its subsidiaries, whether or not acquired.<br><br>While most of the expenses are expected to be paid to third parties, a portion of the out-of-pocket expenses, such as travel or due diligence expenses, may be reimbursed to the Manager or its affiliates. The amount of such reimbursement is not determinable at this time.<br><br>In addition, the Fund and its subsidiaries will pay all of their other operating expenses, including legal and accounting fees and expenses, costs of independent appraisals, insurance premiums, taxes, travel expenses, interest and costs of preparation and distribution of reports to the limited partners. While most of the operating expenses are expected to be paid to third parties, a portion of the out-of-pocket operating expenses may be reimbursed to the Manager or its affiliates. The amount of such reimbursement is not determinable at this time. |
| **Reserves** | Prior to making any distributions, the Fund, in the sole discretion of the Manager, may establish such reserves as it deems necessary for actual or anticipated Fund expenses, liabilities or other obligations. |
| **Distributions** | The Manager will cause Cash Flow to be distributed in the following order of the priority:<br><br>i) First, the Manager will endeavor, but shall not be required, to distribute annually to each Member an amount sufficient to cover each Member's tax liability resulting from his/her ownership in the Fund.<br><br>ii) Second, to the Class A Members a preferred return of 8% per annum on the amount contributed by such Class A Member, which amount, if not paid annually, shall accumulate from year to year (the "Preferred Return").<br><br>iii) Third, to the Class A Members in proportion to the amounts they contributed until all amounts contributed have been paid back.<br><br>iv) Fourth, 65% to all Class A Members in proportion to their respective amounts contributed, and 35% to the Class B Members. |
| **Diversification** | The total investment by the Fund in any one project may not exceed 25% of the Total Capital Commitments. |
| **Board of Advisors** | The Fund may establish a Board of Advisors comprised of at least three (3) but not more than five (5) members selected by the Fund, which may include, at the Fund's discretion, Members and/or third parties. The Board of Advisors will provide such advice and counsel as may be |

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| | requested from time to time by the Manager. The Manager, however, will retain ultimate responsibility for all decisions relating to the operation and management of the Fund, including but not limited to, investment decisions. |
| **Limitation of Liability** | The Manager will not be liable to the Fund or to the Members for any act performed or omission made by it except for acts of gross negligence or willful misconduct, constituting reckless disregard for the best interests of the Fund, or that are criminal. The Fund will indemnify the Manager for any loss, damage or expense arising out of any act or failure to act by the Manager if such act or failure to act is in good faith and in a manner reasonably believed by the Manager to be within the Manager's scope of authority and is not attributable to willful misconduct, gross negligence, recklessness, or a criminal activity. Members will not be individually obligated with respect to such indemnification beyond their respective Capital Commitments. |
| **Reports** | The Fund will furnish to each Member (i) audited financial statements annually (for tax purposes only), (ii) tax information necessary for the completion of such Member's tax returns annually, (iii) unaudited financial statements, semi-annually, and (iv) descriptive information for each new investment and an update on any material information relating to previous investments on a quarterly basis. |
| **Operating Agreement** | The rights of the holders of membership interest in the Fund will be governed by the Operating Agreement of the Fund. In the event that the description or terms in this Memorandum are inconsistent with or contrary to the description in or terms of the Operating Agreement (a copy of which is attached hereto as Exhibit A), the terms of the Operating Agreement shall control. |
| **Auditor** | Reznick Group<br>Bethesda, Maryland<br>7700 Old Georgetown Road<br>Suite 400<br>Bethesda, MD 20814<br>Telephone: (301) 652-9100<br>Fax: (301) 652-1848 |
| **Counsel** | Miles & Stockbridge P.C.<br>30 West Patrick Street<br>Frederick, Maryland 21701-6903<br>Telephone Number: (301) 662-5155<br>Fax Number: (301) 662-3647 |

## 7. CONFLICTS OF INTEREST

Tyler-Donegan, the sole member of the Manager, is engaged for its own account, or for the account of others, in a number of real estate endeavors, some of which may be in competition with the Fund. Neither the Fund nor any Member shall be entitled to any interest in any of these other businesses in which Tyler-Donegan is involved. The officers and key employees of the Fund are also employees of Tyler-Donegan and the Manager. These employees believe that they have sufficient resources to discharge fully their responsibilities to the Fund and other business ventures to which they have or may become responsible. Tyler-Donegan will have conflicts of interest in allocating management time, services, and functions among the Fund and its other potential business endeavors. The Manager and those employees of Tyler-Donegan who are also employees of the Manager will devote only so much of its time to the business of the Fund as in its judgment is reasonably required. Additionally, Tyler-Donegan may participate in certain transactions with the Fund, in various capacities, on behalf of the Fund or otherwise, and may be entitled to receive certain customary fees in connection therewith.

The Fund will pay the Manager an annual management fee equal to three percent (3%) of the Total Capital Commitments, payable quarterly in advance for the term of the Fund, beginning on the date of the Initial Closing through the third anniversary of the Initial Closing. Beginning on the third anniversary of the Initial Closing and until the termination of the Fund, the Fund will pay an annual management fee equal to seventy-five hundredths percent (.75%) of the book value of the assets of the Fund. In addition, the Manager will collect customary transaction fees from the Fund not to exceed two percent (2%) of the total cost (debt and equity) of any single transaction, payable upon the closing of the transaction.

The Manager will be reimbursed for direct and indirect costs it has or will incur related to the Fund, including, but not limited to, travel or due diligence expenses, legal and accounting fees and expenses, costs of independent appraisals, insurance premiums, taxes, interest and costs of preparation and distribution of reports to the limited partners. Although the Manager believes that the foregoing arrangement is reasonable and competitive with similar services provided by their businesses, they were not determined as the result of arm's-length negotiations.

In addition, Tyler Family, L.L.C., Jeff Cahall, Joe Donegan, and Brian Duncan, the principals and/or key employees of Tyler-Donegan and the Manager, will each individually receive Class B Units in the Fund. The Fund might issue Class B Units to other investors in the sole discretion of the Manager. Holders of Class B Units will be entitled to 35% of the Fund's Cash Flow after the distribution of the Preferred Return and the Capital Commitments to the Class A Members. As a result, the Class B Members will receive a percentage of the Fund's profits without contributing any capital to the Fund. The Manager and affiliates of the Manager also will purchase Class A Units representing five percent (5%) of the Total Capital Commitment.

## 8. RISK FACTORS

An investment in the Fund involves a significant degree of risk generally, as well as to the structure and investment objectives of the Fund in particular. In addition to the information set forth below, investors should carefully consider the risks described in the "Conflicts of Interest" section above, the "Tax Matters" section below, and elsewhere throughout this Memorandum before making an investment in the Fund. The inclusion of risk factors in this Memorandum should not be construed to imply that they are described in complete detail or that there are not other risk factors that apply to an investment in the Fund.

**Newly Formed Fund**

The Fund is a newly formed entity. Although the Manager has experience that is relevant to the Fund's investment strategies, the Fund itself has no performance history. The Manager also does not have any prior experience managing a fund similar to the Fund.

**Long-term Investment**

An investment in the Fund requires a long-term commitment with no certainty of return. It is anticipated that there will be a significant period of time (up to four years) before the Fund has completed its investments in projects and each investment may not be liquidated for three to six years after the initial purchase. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Dispositions of such investments may require a lengthy time period. While it is the intention of the Manager to achieve target returns over such period, other factors such as overall economic conditions, the competitive environment and the availability of potential acquirers may shorten or lengthen the Fund's holding period. Therefore, it is unlikely that the Fund will realize substantial gains during its early years.

**Illiquidity of Fund's Portfolio Investments**

Most of the Fund's investments will be highly illiquid and there can be no assurance that the Fund will be able to realize any return on such investments in a timely manner, if at all. Generally, there will be no readily available market for a substantial number of the Fund's investments, rendering many of the Fund's investments difficult to value. Generally, Members will not able to sell their Class A Units. Moreover, pursuant to the Operating Agreement, Class A Units are not generally transferable without obtaining the Manager's prior written consent, and voluntary withdrawal of a Class A Member's Unit is not allowed and the Class A Units are not redeemable.

**No Assurance of Investment Return**

The Fund's investment portfolio will consist primarily of investments in real estate development projects and operating results in a specified period will be difficult to predict. There is no assurance that the Fund will be able to generate returns for its investors. Even if one or more of the projects are successful, there can be no guarantee that the Members will receive distributions from the Fund in an amount equal to their investment or at all. The returns generated by investors will also be affected by the amount of capital successfully raised by the Manager.

**Prior Investments No Indication of Future Performance**

The past investment performance of Tyler-Donegan and certain employees of the Manager discussed above cannot be relied upon as an indication of the Fund's future performance or success. That

information is solely intended to illustrate the experience of the Manager and its affiliates and the type of transactions the Manager intends to pursue on behalf of the Fund. Those transactions are not intended to be complete or representative of all the transactions in which the Manager and its affiliates have been involved.

**Risk of Limited Number of Investments**

Although the Fund intends to achieve diversification of investments, the Fund could deploy its capital in a relatively small number of investments. The Fund may also be less diversified should it raise less capital than anticipated. Accordingly, unfavorable performance by a small number of investments could have a substantial adverse impact on the returns realized by investors in the Fund.

**Potential Difficulty Consummating Attractive Investments**

The business of identifying and structuring projects of the nature contemplated by the Fund is highly competitive. The Fund will be competing for projects with other acquirers. There can be no assurance that the Fund will be able to invest its capital on terms favorable to the Fund or in comparison to its competitors. It is possible that the Fund will never be fully invested if insufficient quality projects are available or identified. Regardless of these factors, the Class A Members will be required to pay the Management Fees based on the Total Capital Commitments during the first three years of the Fund.

**Real Estate Investment-General Risks**

The investments of the Fund will be subject to the risks generally incident to ownership of real property, including, but not limited to uncertainty of cash flow to meet fixed and other obligations; adverse changes in local employment conditions, interest rates and real estate tax rates; changes in fiscal policies; and uninsured losses and other risks that are beyond the control of the Fund and the Manager. There can be no assurance of profitable operations because the cost of owning real estate assets may exceed the income produced, particularly since certain expenses related to real estate and its development and ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner.

**Investments in Real Estate Development Projects**

A decision to invest in land or buildings for development will be made based upon certain assumptions about the cost of development, time periods for completion of various phases of development, and the market value of the developed product. While there may be past development or operating history on which to base these assumptions, many factors may change resulting in such assumptions being untrue. Such conditions may contribute to reduced demand for the finished product due to competition, economic factors or default, or changes in the capital markets such as interest rates or the availability of capital. To the extent development costs are financed, an investment will be subject to real estate financing risks. Building construction or site development entails risk related to materials and labor cost increases, work stoppages or delays, regulatory delays, failure of performance or defective materials or workmanship by contractors and suppliers, unforeseen weather and unforeseen land conditions. Such risks can be mitigated to some extent by obtaining performance bonds, construction and development guaranties, letters of credit and/or liens on assets under construction. No assurance can be given, however, that any of the foregoing will be obtained or, if obtained, will be adequate to cover any loss resulting from any such risks.

**Investments in Industrial or Commercial Assets**

Investments in industrial or other commercial office properties involve certain risks in addition to those which exist for real estate properties generally (including certain environmental risks). The financial failure and resulting lease default of a tenant which occupies a material amount of space at a commercial property would cause a reduction in the cash flow to the Fund. Moreover, such reduction could have the effect of decreasing the value of the property. In the event of such a termination, there can be no assurance that the Fund would be able to find a replacement tenant to occupy the space on similar terms, and it is probable that the costs incurred to renovate and prepare the space to meet the needs of a replacement tenant would be significant. It is also possible that such reductions in cash flow could result in the Fund to default on the mortgage financing secured by the property. Industrial and commercial office properties are also subject to competition from providers of similar or alternative space. Competitors may be able to supply space of similar or superior value at prices equal to or lower than those charged by the Fund or the entity that owns the industrial or other commercial property. Such space is also subject to obsolescence as trends, styles, and technologies change, thereby requiring significant infusions of capital to remain competitive and viable in the marketplace.

**Financing of Real Estate Projects**

It is contemplated that the acquisition and development of assets will be financed in substantial part by utilizing debt, which increases the exposure to loss. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from the assets. Mortgages requiring "balloon" payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan since the ability to repay the outstanding principal amount of the "balloon" loan may be dependent upon the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the underlying assets in particular. There is no assurance that replacement financing will be available to make "balloon" payments or that, if available, any replacement financing will be on favorable terms. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more of the assets may be lost (and the investment therein rendered valueless) as a result of foreclosure by the mortgagee. A foreclosure may also have substantial adverse economic and tax consequences for the Fund's Members.

**Rising Interest Rates and Variable Rate Debt**

The Manager expects that some assets may be financed with variable rate mortgage debt, particularly in the case of development properties and those requiring extensive renovation which will be financed with construction/interim financing. Variable rate debt may be utilized in other situations as well. Increases in interest rates would increase the interest expense for those assets, which would adversely affect the cash flow of the properties and the ability to pay expected distributions to the investors. Not only may there not be adequate cash flow to make distributions, rising rates may result in an inability to satisfy financial obligations at the property level. In certain instances, the Fund may enter into interest rate protection agreements to limit this interest rate exposure, but no assurance can be given that such agreements will be entered into or what their cost will be.

**Risks on Disposition of Certain Investments**

In connection with the disposition of a project, the Fund may be required to make representations about the project typical of those made in connection with the sale of any business or real estate interest. The Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate, incorrect or misleading.

**Purchases by Individual Retirement Accounts**

Subject to the following discussion, the Fund might be a suitable investment for an individual retirement account ("IRA"). Before proceeding with such a purchase, the person with investment discretion on behalf of an IRA must determine (i) whether an investment in the Fund is permitted under the governing instruments of the IRA and the Code and (ii) whether an investment in the Fund is appropriate for the IRA in view of its overall investment goals and the composition and diversification of its portfolio. Among other factors, such a determination is likely to require consideration of (i) whether such investment may result in the creation of unrelated business taxable income, which is not exempt from taxation under the Code, and (ii) that there may be no market in which such person can sell or otherwise dispose of the investment.

Those considering an investment in the Fund on behalf of an IRA should be aware that such investment might give rise to a "prohibited transaction" under the Code. Section 4975 of the Code prohibits certain transactions by IRA's, including the transfer of IRA assets for the use or benefit of the owner of the IRA and certain persons related to the owner of the IRA. Also, the person with investment discretion on behalf of an IRA should consult his attorney or other tax advisor with regard to whether an investment in the Fund will give rise to "unrelated business taxable income." See "Summary of Certain Income Tax Consequences—Unrelated Business Taxable Income and Tax-Exempt Investors." After the considerations discussed above have been taken into account, the person considering investing in the Fund on behalf of an IRA may invest in the Fund.

**Reliance of the Manager**

The Fund will be dependent upon the abilities of the Manager and key employees of the Manager, particularly Mr. Tyler and Mr. Cahall, to identify and consummate suitable investments, execute project plans, and exit investments at a profit. Control over the operation of the Fund and the Fund's future profitability will depend largely upon the business and investment acumen of the Manager.

**General Economic and Market Conditions**

The Fund's investments will be affected by general economic conditions and local market conditions. Economic conditions could affect interest rates, the extent and timing of the Fund's investment activities and the availability of investments. Economic conditions could negatively impact the Fund's ability to carry out its business or cause it to incur losses.

**Securities Act of 1933**

The offer and sale of the Class A Units will not be registered under the Securities Act, or any other federal or state securities law, including state blue sky laws. The Class A Units will be offered without registration in reliance upon the exemption contained in Section 4(2) of the Securities Act and regulations of the Securities and Exchange Commission applicable to transactions not involving a public offering. Each subscriber will be required in the subscription agreement, pursuant to which it subscribes for an interest in the Fund, to make customary private placement representations and warranties. Specifically, investors will be required to make certain representations to the Fund, including that they are "accredited investors" as defined in Rule 501 of Regulation D promulgated under the Securities Act, that they are acquiring the Class A Units in the Fund for their own account for investment purposes only and not with a view to their distribution, that they have received or have had access to all information they deem relevant to evaluate the risks and merits of the prospective investment, and that they have the ability to bear the economic risk of an investment in the Fund.

**Investment Company Act of 1940**

The Fund intends not to become regulated as an investment company under the Investment Company Act of 1940 based upon one or more applicable exclusions from status as an investment company thereunder. Accordingly, the Fund does not expect to be subject to the restrictive provisions of the Investment Company Act of 1940, and the Class A Members will not be afforded the protections of the Investment Company Act.

**Conflicts of Interest; Fees to the Manager and Class B Units**

The Manager will receive the management fees and transaction fees described above. The Manager also will be reimbursed for its direct costs and for reasonable overhead and administrative expenses incurred by the Manager to carry out the business purpose of the Fund. Although the Manager believes that the foregoing arrangement is reasonable and competitive with similar services provided by other businesses, it was not the result of arm's-length negotiations.

Tyler Family, L.L.C., Jeff Cahall, Joe Donegan, and Brian Duncan, who are the principals and/or key employees of Tyler-Donegan and the Manager, and other investors chosen by the Manager, will receive Class B Units of the Fund that entitle those holders to received 35% of the Fund's profits after the distribution of the Class A Members' Preferred Return and Capital Commitment.

**Indemnification of Manager**

The Operating Agreement provides for broad indemnification of the Manager, subject to certain conditions.

**Minimum Sale Requirement**

In the event the Fund sells and accepts less than the minimum number of Units offered hereby and thereby fails to achieve the Minimum Total Capital Commitment within the time specified herein, the Offering will be terminated and subscription payments will be returned to investors without interest, charge or deduction.

**Arbitrary Offering Price**

The price at which Units are being offered to investors has been determined arbitrarily by the Manager and bears no relationship to any generally accepted criterion of value for investments.

**The foregoing list of Risk Factors is not a complete explanation of the risks involved in this offering and an investment in the Fund. Potential investors should read this entire Memorandum and consult their own legal, tax, and investment advisors before deciding whether or not to invest in the Fund.**

## 9. TAX MATTERS

The following is a summary of certain federal income tax consequences of an investment in the Fund. The summary is addressed only to U.S. investors. The summary does not address all aspects of taxation that maybe relevant to a particular investor in light of the investor's particular tax circumstances or to certain types of investors subject to special rules under the federal income tax laws, such as regulated investment companies, banks, insurance companies, personal holding companies, tax-exempt entities and dealers in securities. The summary is not addressed to nonresident alien individuals or foreign corporations. Each prospective investor should consult such person's own tax adviser as to the specific tax consequences of

an investment in the Fund, including the application and effect of estate, gift, foreign and state and local income and other tax laws.

A "U.S. Investor" means an investor who or that is, for federal income tax purposes, a citizen or resident of the United States, a corporation organized in or under the laws of the United States, any state or the District of Columbia, or any other person subject to federal income taxation on a net basis with respect to interests in the Fund.

The following summary is based on existing provisions of the Internal Revenue Code of 1986, as amended (the "Code") existing and proposed Treasury Regulations, and existing and administrative interpretations and court decisions. Future legislation, Treasury Regulations, administrative interpretations or court decision could significantly change the treatment of the items discussed. Any such change could have retroactive application and therefore could alter the tax consequences to an investor of his investment in the Fund.

The Code contains a number of ambiguities that will be resolved only by future legislative, administrative or court action. In addition, on certain questions there are no relevant Treasury Regulations, administrative interpretations, or controlling court decisions. Accordingly, no assurance can be given that the IRS will not challenge the tax treatment of certain matters discussed herein or, if it does, that it will not be successful. No rulings have been requested or received from the IRS as to any of the matters discussed herein.

**THIS SUMMARY IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL INDIVIDUAL TAX PLANNING. ACCORDINGLY, PERSONS CONTEMPLATING AN INVESTMENT WITH THE FUND SHOULD CONSULT THEIR TAX COUNSEL OR OTHER ADVISERS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS. NONE OF TYLER-DONEGAN, THE MANAGER, THE FUND OR ANY OF THEIR AFFILIATES, COUNSEL, OR CONSULTANTS ASSUMES ANY RESPONSIBILITY FOR THE TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND TO ANY INVESTOR.**

**Classification as a Partnership**

The Fund was formed as a limited liability company and will not "check the box" to be treated as an "association" for federal income tax purposes. Accordingly, the Fund will be treated, under the general entity classification rules of the Treasury Regulations, as a partnership for U.S. federal income tax purposes. It is expected, and the rest of this Memorandum assumes, that the Fund will be classified as a partnership for U.S. federal income tax purposes.

**Risk of "Phantom Income"**

As a partnership, the Fund itself will not be subject to federal income tax. Each investor must report separately on his federal income tax return its share of the Fund's income, gains, losses, deductions, and credits for each Fund taxable year ending with or within the investor's taxable year, whether or not the Fund makes any distributions to such investor. These items generally will have, in the hands of the investor, the same character they had in the hands of the Fund. Such taxable income or loss will be required to be taken into account in the taxable year of the investor in which the fiscal year of the Fund ends.

Because a investor may be required to include income or gain in gross income in advance of cash distributions from the Fund, a investor may be liable for federal income tax in respect of the investor's distributive share of Fund income or gain even though cash distributions received from the Fund are not

sufficient to pay the tax. There is no assurance that the amount of distributions to a investor will be sufficient to satisfy the investor's actual tax liability in respect of this distributive share of Fund income or gain.

The Fund's taxable year will be the calendar year or such other year that becomes required under the tax laws or is subsequently chosen by the Manager and available for tax purposes. For each taxable year, the Fund will provide each investor with a statement of the amounts and types of income, gain, loss, deduction, and credit allocated to the investor during the previous taxable year.

**Capital Accounts: Tax Basis in Interests in the Fund**

An investor's initial tax basis in his interests in the Fund will equal the capital contributed by such investor to the Fund, plus the investor's share of the Fund's nonrecourse liabilities (including the Fund's share of any nonrecourse liabilities of a partnership in which the Fund holds an interest), if any. A investor's tax basis in his interests in the Fund will be increased by (i) the investor's share of the Fund's taxable income, including capital gain, (ii) the investor's share of the Fund's income, if any, that is exempt from tax and (iii) any increase in the investor's share of the Fund's nonrecourse liabilities. An investor's tax basis in his interests in the Fund will be decreased (but not below zero) by (i) the amount of any cash and the adjusted basis of assets of the Fund that are distributed to the investor, (ii) the investor's share of the Fund's losses and deductions, (iii) any decrease in the investor's share of the Fund's nonrecourse liabilities, and (iv) the investor's share of the Fund's expenditures that are neither deductible nor properly chargeable to the Capital Account.

**Redemptions and Distributions**

***Distributions of Cash Not in Liquidation of the Fund.*** Distributions of cash to an investor, other than in liquidation of the investor's interest in the Fund, will not result in the recognition of gain or loss, except that gain will be recognized to the extent that cash distributed exceeds the investor's adjusted tax basis for its interest in the Fund. Any such gain recognized will generally be treated as capital gain.

***Distributions in Liquidation of the Fund.*** On the complete liquidation of an investor's interest in the Fund, an investor that receives only cash will recognize gain or loss equal to the difference between the amount of cash received and such Member's adjusted tax basis for its interest in the Fund. If an investor receives cash and other property, or only property, it will not recognize loss but will recognize gain to the extent that the amount of cash received exceeds the adjusted tax basis of its interest in the Fund. Any gain or loss recognized will generally be treated as capital gain or loss. If an investor receives property other than cash, the investor's tax basis in the distributed property would equal its tax basis in its interest in the Fund reduced by any cash received.

***Sale of Interests in the Fund.*** In the event any interests in the Fund are sold by an investor, he will be required to recognize gain or loss equal to the difference between the amount realized from the transaction and the adjusted tax basis for the interests in the Fund at the time of the sale. The amount realized will include the investor's share of the Fund's nonrecourse liabilities, if any, attributable to the interests, as well as any proceeds from the sale. The gain or loss will generally be taxable as capital gain or loss, except that the gain will be ordinary income to the extent attributable to an investor's allocable share of certain ordinary income assets of the Fund.

***Allocations of Income, Expenses, Gains and Losses.*** All allocation will be made among the investors in a manner to give effect to the allocations and distribution procedures discussed herein.

**Limitations on Deductions**

***Losses Generally.*** An investor may deduct its allocable share of Fund losses only to the extent of such investor's adjusted tax basis for its interest in the Fund. Losses in excess of an investor's basis in the Fund interests may be carried forward and used as the investor obtains additional basis in his interest in the Fund.

***Amounts at Risk.*** Individuals and certain closely-held corporations may not deduct Fund losses that exceed the amount that the investor has "at risk" in the Fund under the rules of Section 465 of the Code. The amount at risk of an investor is determined under Section 465(b) of the Code and generally will approximate the adjusted basis of the investor's interest in the Fund (unless the investor has financed his investment with certain types of nonrecourse borrowing, in which case the at-risk amount may be less than such partner's adjusted basis in the Fund interests). An investor may carry forward losses in excess of his amount at risk and use those losses upon increasing his amount "at risk."

***Passive Activity Income and Loss.*** The Fund's investments may constitute passive activities in which case any deductible amounts allocated to the investors with respect to such investments will constitute passive losses. In general, for an investor who is subject to the passive activity loss rules, any allocated losses from the Fund's investments which constitute passive activities could be used only to offset passive activity income of the Fund and could not be used to offset any portfolio income (i.e. dividend income, interest income, or gains on the sale of securities) whether derived from the Fund or otherwise, or any passive activity income from other sources until the investor disposes of such investor's entire interest in the Fund.

**Tax Elections, Returns and Audits**

The Manager decides how to report the tax items on the Fund's information returns, and all investors are required under the Code to treat the items consistently on their own returns, unless they file a statement with the IRS disclosing the inconsistency. The IRS may audit the income tax returns of the Fund. Such audit could result in adjustment to the tax positions taken by the Fund and may require each investor to file an amended tax return, and possibly may result in an audit of the investor's own return. Any audit of an investor's tax return could result in adjustments of Non-Fund, as well as, Fund items. The Class B Member, who is designated as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Members in the Fund. In addition, the Tax Matters Partner has the authority to bind certain Members' settlement agreements and the right on behalf of all Members to extend the statute of limitations relating to the Members' tax liabilities with respect to Fund items.

**State and Local Taxes**

Prospective investors should also consider the potential state and local tax consequences of an investment in the Fund. In addition to being taxed in its own state or locality of residence, an investor may be subject to tax return filing obligations and income, franchise and other taxes in jurisdictions in which the Fund and entities in which it invests that are taxable as partnerships operates. Prospective investors should consult their own tax advisers regarding the state and local tax consequences of an investment in the Fund.

**Unrelated Business Taxable Income and Tax-Exempt Investors**

To the extent that investment activities of the Fund result in "unrelated business taxable income" within the meaning of Section 512 of the Code, each investor that is an individual retirement account or that is

otherwise tax-exempt would, in computing its tax liability, take into account its share of the Fund's unrelated business taxable income and the deductions attributable to that income. Also, if a tax-exempt investor borrows any money to fund its capital commitment, some or all of its distributive share of income from the Fund could be unrelated business taxable income. The person with investment discretion on behalf of an individual retirement account or other tax-exempt investor should consult his attorney or other tax advisor as to whether the Fund will give rise to unrelated business taxable income.

## 10. SUMMARY OF OPERATING AGREEMENT

The following summary of the Operating Agreement is qualified in its entirety by, and should be read in conjunction with, the Operating Agreement attached as Exhibit A. All capitalized terms used in this Summary have the meanings provided in the Operating Agreement.

### Generally

The Fund's Articles of Organization, filed on May 22, 2008, as supplemented by the Fund's Operating Agreement, currently give the Fund authority to admit Class A and Class B Members. Prospective investors are urged to review carefully the terms and provisions of the Operating Agreement in its entirety.

### Class A Units

The Class A Units carry an annual eight percent (8%) cumulative, but non-compounded, preferred return, payable annually when and if declared by the Manager. The Class A Units possess no voting rights whatsoever except the right to approve the following:

- any amendment to the Operating Agreement that seeks to adversely affect the Class A Members, except amendments to Schedule A of the Operating Agreement;
- the exchange, reclassification or cancellation (whether by merger, consolidation or otherwise) of all or any part of the Class A Units; and
- the creation of any securities having rights, preferences or privileges that are senior to or on parity with the Class A Units.

Each Class A Member will have an "Adjusted Capital Balance," which shall be increased by such Class A Member's Capital Commitment actually paid in to the Fund, less any distributions to the Class A Member. In order to preserve the economic benefit to the existing Members of the increase in value of the assets of the Fund, upon the admission of any new Members to the Fund, the Manager will be permitted to restate the Capital Accounts of the Members to their then-current fair market value.

### Class B Units

The Class B Members will be Tyler Family, L.L.C., Jeff Cahall, Joe Donegan, and Brian Duncan, and any other investors chosen by the Manager. The Class B Units represent the Class B Members' carried interest in the Fund. The Operating Agreement provides that the Manager will manage the Fund in all respects. Accordingly, the Class B Units possess the sole voting rights with respect to all company actions (other than as set forth above) and the Manager is elected solely by the Class B Members.

### Allocations and Distributions

Losses will be allocated 65% to the Class A Members in proportion to their respective Class A Member Percentages, and 35% to the Class B Members in proportion to their respective Class B Member Percentages.

Profits will be allocated as follows: (i) to all Members in proportion to any losses previously allocated to the Members, (ii) to the Class A Members in proportion to their respective Preferred Returns, and (iii) 65% to the Class A Members in proportion to their respective Class A Member Percentages, and 35% to the Class B Members in proportion to their respective Class B Member Percentages.

Cash Flow may be distributed annually in the sole discretion of the Manager. If Cash Flow is distributed, they will be distributed as follows: (i) in an amount sufficient to cover a Member's tax liability resulting from allocations of profit, (ii) to the Class A Members in proportion to their respective Preferred Returns until paid in full, (iii) to the Class A Members in proportion to their respective Adjusted Capital Balances until reduced to zero, and (iv) 65% to the Class A Members in proportion to their respective Class A Member Percentages, and 35% to the Class B Members in proportion to their respective Class B Member Percentages.

For the purposes of the Operating Agreement, "Cash Flow" means the gross cash proceeds of the Fund, less the amount set aside by the Manager as reserves. **The Manager has the sole discretion and authority to establish and control the amount of reserves, and therefore Cash Flow.**

**Restrictions on Transfer**

The Operating Agreement generally prohibits the transfer of Units without the prior approval of the Manager. Notwithstanding the foregoing, Members may transfer Units to the following:

- the spouse or lineal descendant of a Member;
- a trust for the benefit of a spouse or lineal descendant of a Member; and
- any corporation, partnership, limited liability company, or other entity at least 51% of the voting interest of which is owned by a Member.

If the Manager consents to a sale of Units, the selling Member must first offer the Units to the Company and the other Class A Members before proceeding with the sale. If the Manager and the holders of 70% of the outstanding Class A and Class B Units approve the sale of 50% or more of the Fund's interest, those holders have the right to require the other Members to participate in that transaction.

The Articles of Organization and Operating Agreement of the Fund expressly disclaim any right that a Member of the Fund may have to dissenter's rights, appraisal rights or any other similar rights that may be granted to a Member under the Maryland Limited Liability Company Act or otherwise.

**Compensation of Manager**

The Fund will pay the Manager an annual management fee in the amount of three percent (3%) of the Total Capital Commitments (excluding the Capital Commitments from the Manager and its Affiliates) for the period beginning on the Initial Closing Date and ending on the third anniversary of the Initial Closing Date. For the period beginning on the third anniversary of the Initial Closing Date until the termination of the Fund, the Fund will pay the Manager an annual management fee in the amount of seventy-five hundredths percent (.75%) of the value of the total assets of the Fund. The Fund also will pay the Fund a transaction fee in the amount of two percent (2%) of the total consideration paid in connection with any acquisition, purchase, sale, or exchange of the Company's assets.

The Fund will reimburse the Manager and any Member for the reasonable ordinary and necessary expenses incurred on behalf of the fund, as determined pursuant to the Fund's budget or approved by the Manager. The Fund also will reimburse the Manager for all reasonable organizational expenses, including legal, accounting, filing, capital raising, printing, travel and other organizational expenses incurred in connection with the formation of the Fund and the completion of the Offering up to $200,000.

**Liquidation and Liquidating Distributions**

The Fund may be dissolved and terminated (i) by the Manager, (ii) on the seven year anniversary of the Initial Closing Date (subject to three one-year extensions that may be exercised by the Manager), or (iii) the Bankruptcy or insolvency of the Fund.

Upon dissolution, the Manager or Liquidating Trustee will liquidate the assets of the Fund and distribute the proceeds as follows: (i) to creditors, (ii) to payment of a reserve fund for contingent liabilities, (iii) to the Class A Members in an amount equal to, and in proportion to, their respective Preferred Returns, and (iv) to the Members in accordance with their respective Capital Accounts.

**Limitation of Liability and Indemnification**

Neither the Manager nor a Member will be liable for any monetary damages except in the case of (i) gross negligence or willful misconduct, (ii) reckless disregard for the interests of the Fund, or (iii) criminal acts. The Fund will indemnify the Manager for any liabilities suffered in its capacity as the Manager, except for liabilities resulting from acts of gross negligence, willful misconduct, or reckless or criminal activity.

**Reports to Members**

The Manager will prepare and deliver the following reports to the Members:

- Within 90 days after the expiration of each Fiscal Year, audited financial statements of the Fund and all other information necessary for a Member to prepare his federal income tax return;
- Within 30 days after the end of each semi-annual period, the unaudited financial statements of the Fund for such semi-annual period;
- All periodic reports, returns or statements required to be distributed to the Members by any governmental agency having jurisdiction over the Fund; and
- Within 30 days after the end of each calendar quarter, an executive summary of all transactions effected by the Fund during such quarter and any material information relating to prior investments.

## 11. INVESTOR SUITABILITY STANDARDS

The Offering is limited to investors who are "accredited investors," as such term is defined by the Securities Act of 1933. Accordingly, each investor must meet the requirements of at least one of the following categories in order to make an investment in the Fund:

- any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase, exceeds $1,000,000;
- any natural person who had an individual income in excess of $200,000 in each of the most recent two years or joint income with that person's spouse 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;
- a trust with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Class A Units, whose purchase is directed by a sophisticated person;
- an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary which is 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 the plan is a self-directed plan, with investment decisions made solely by persons that are accredited investors;

- any bank, savings and loan association, building and loan association, cooperative bank, homestead association or similar institution which is supervised and examined by state or federal authority having supervision over any such institutions, acting in its individual or fiduciary capacity;
- a registered broker or dealer;
- a Small Business Investment Company licensed by the U. S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;
- any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended;
- any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000; or
- any entity in which all the equity owners qualify pursuant to the foregoing criteria.

## 11. HOW TO SUBSCRIBE

A prospective investor who meets the investor suitability standards and who desires to purchase one or more Class A Units must:

a. Complete, date, execute, and deliver to the Fund a copy of the Subscription Agreement delivered with this Memorandum to: Mid-Atlantic Capital Fund, LLC, c/o Mid-Atlantic Capital Fund Management, LLC, 3280 Urbana Pike, Suite 207, Ijamsville, Maryland 21754;
b. Date, execute, and deliver to the Fund at the address above a copy of the Joinder Agreement;
c. Complete, date, execute, and deliver to the Fund as the address above a copy of the Investor Questionnaire; and
d. Deliver to the Fund an amount equal to fifteen percent (15%) of the prospective investor's Capital Commitment, payable either (i) by check payable in United States dollars to "Mid-Atlantic Capital Fund, LLC" or (ii) by wire transfer of immediately available funds to the account of the Fund specified in the Subscription Agreement.

Upon acceptance of the subscription by the Fund, a copy of the Subscription Agreement (along with a copy of the Acceptance of Subscription) and a copy of the Joinder Agreement, each executed by the Fund, shall be returned to the subscriber for the subscriber's own records. The Manager reserves the right to refuse the subscription of any prospective investor prior to acceptance of a subscription for Class A Units. If the Manager, in its sole discretion, decides for any reason that the subscription of any person will not be accepted, or if the Fund has not received subscriptions for the Minimum Total Capital Commitment on or before December 31, 2008, all subscription payments submitted by the prospective investor will be promptly returned without interest, charge or deduction.

Subscriptions may not be terminated or withdrawn by a subscriber after acceptance by the Fund. If all conditions are timely satisfied or waived, each subscriber who has been accepted will become a Class A Member.

The remaining amount of an investor's Capital Commitment will be due, after fifteen (15) days' advance written notice by the Fund, on a date within twenty (20) days after the date the Fund receives subscription agreements for no less than the Minimum Total Capital Commitment.

Exhibit A
MAC Operating Agreement

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS, AND CONDITIONS WHICH ARE SET FORTH HEREIN.

# OPERATING AGREEMENT
# OF
# MID-ATLANTIC CAPITAL FUND, LLC

**THIS OPERATING AGREEMENT** (this "Agreement"), is made effective as of the 22nd day of May, 2008, by and among those persons identified as Class A Members and Class B Members on the books and records of the Company, who have entered into and executed this Agreement, and whose names appear on **Schedule A** attached hereto, which schedule shall be amended from time to time to include new Class A Members and/or Class B Members.

## ARTICLE I

## Definitions

All capitalized words, terms, and phrases in this Agreement shall have the meanings ascribed to them as set forth in **Exhibit A** attached hereto and made a part hereof.

## ARTICLE II

## Name, Place of Business, Resident Office and Resident Agent, Term, and Purposes

Section 2.1 Name. The Company was formed on May 22, 2008 under and pursuant to the MD LLC Act. The name of the Company shall be "Mid-Atlantic Capital Fund, LLC" or such other name as the Manager of the Company may determine from time to time.

Section 2.2 Principal Office and Resident Agent. The principal office of the Company in the State of Maryland is 3280 Urbana Pike, Suite 207, Ijamsville, Maryland 21754 or such other address as on record with State Department of Assessments and Taxation of the State of Maryland ("SDAT"). The Manager may hereafter change the address of the principal office or designate such other principal offices from time to time by giving written notice to the Members. The name and address of the resident agent of the Company are Joseph P. Ward c/o Miles & Stockbridge P.C., 10 Light Street, Baltimore, Maryland 21202 or such other resident agent as on record with SDAT from time to time.

Section 2.3 Term. The existence of the Company shall end, and the assets and affairs of the Company shall be liquidated and wound up, in accordance with **Section 9.1**, unless sooner terminated as herein provided or as provided by law.

Section 2.4 Articles of Organization. The Members have authorized the execution and filing of the Articles with SDAT on May 22, 2008, which Articles are hereby ratified, confirmed and approved. The Manager shall take all necessary action to maintain the Company in good standing as a limited liability company under the MD LLC Act, including (without limitation) the filing of any amendments to the Articles and such other articles, applications, registrations, qualifications, certificates, instruments, or other documents as may be necessary to protect the limited liability of the Members and to cause the Company to comply with the applicable laws of each state or jurisdiction in which the Company owns property or does business.

Section 2.5 Purposes. The purposes for which the Company has been formed are to: (a) purchase, acquire, own, hold, lease, develop, sell, and otherwise deal with real property located in Maryland, Virginia, District of Columbia, West Virginia, Pennsylvania, Delaware and such other states, commonwealths, territories, and locations as the Manager may determine from time to time; (b) conduct any other lawful business as may be approved by the Manager; and (c) do all things necessary, convenient or incidental to the foregoing.

## ARTICLE III

## Members, Capital Contributions, and Rights Relating to Units

Section 3.1 Members. The Members of the Company are all of those Class A and Class B Members as may be identified on **Schedule A**, as amended or supplemented from time to time.

Section 3.2 Admission of Members and Capital Contributions of Class A Members.

A. *Class A Units.*

(i) *Issuance of Class A Units.* The Manager is authorized to accept subscriptions for the purchase of up to Two Thousand (2,000) Class A Units (the "Offering"), with a purchase price of Ten Thousand Dollars ($10,000) (the "Unit Price") per Class A Unit and a total Offering price of up to Twenty Million Dollars ($20,000,000) in the aggregate (the "Maximum Offering Amount"). Each Class A Member shall contribute cash as his, her or its Capital Contribution with respect to his, her or its Class A Units in an amount equal to the number of Class A Units purchased, multiplied by the Unit Price for each Class A Unit (the "Capital Commitment"). Payment of each Class A Member's Capital Commitment shall be due as provided in the Subscription Documents.

(ii) *Subscriptions for Class A Units.* The Manager is authorized to admit the subscribers for Class A Units as Class A Members pursuant to the terms of this **Section 3.2A** and the terms and conditions set forth in the Subscription Documents. The Manager may, in the exercise of its sole and absolute discretion, accept or reject any subscriptions. The name, address, number of Class A Units, and Class A Member Percentages of each Class A Member shall be set

forth on **Schedule A**, as amended or supplemented from time to time. The Company shall not accept subscriptions for Class A Units after the date that is twelve (12) months following the Initial Closing Date (the "Outside Commitment Date").

(iii) *Commitment of the Manager-Related Investors*. On or before the Outside Commitment Date, the Manager and/or its Affiliates (the "Manager-Related Investors") will purchase from the Company, and the Company will issue to the Manager-Related Investors, that number of Class A Units that would result in a Capital Commitment equal to five percent (5%) of the aggregate Capital Commitments of all of the other Class A Members as of the Outside Commitment Date (the "Manager-Related Investors Commitment"); provided that the Manager-Related Investors Commitment and the Capital Commitments of all of the other Class A Members shall not exceed the Maximum Offering Amount.

B. *Issuance of Class B Units*. Upon the execution of this Agreement, the Company is authorized to issue One Hundred (100) Class B Units to the Class B Members set forth on **Schedule A**. The name, address, number of Class B Units, and Class B Member Percentage held by each Class B Member, shall be set forth on **Schedule A**.

C. *Admission of Additional Members*. Subject to **Sections 3.2, 7.5,** and **7.6**, the Manager is authorized to admit, at any time or from time to time, one or more Persons as additional Class A or Class B Members on such terms as the Manager shall determine in its sole discretion. Upon the admission of such additional Class A and Class B Members, **Schedule A** to this Agreement shall be amended to reflect the admission of the new Members and the adjusted Member Percentages of all the Members of the Company.

Section 3.3 Capital Accounts.

A. *Maintenance of Capital Account*. An individual Capital Account shall be maintained on the books and records of the Company for each Interest Holder in accordance with the provisions of this Agreement. Each Interest Holder shall initially be credited with an amount equal to the Capital Contribution of such Interest Holder set forth above in **Section 3.2.** Each Interest Holder's Capital Account shall be further maintained and adjusted as may be necessary in order for the Interest Holder's Capital Account to be determined and maintained in accordance with applicable Treasury Regulations to Section 704(b) and (c) of the Code relating to the allocation of profits and losses among partners, including those provisions applicable to contributions and distributions of property to the extent applicable.

B. *No Interest.* No interest shall be paid on any present or future Capital Account.

C. *Return of Capital*. Neither a Member nor the Manager shall be liable for the return of the Capital Contributions of any Members, or any portion thereof, and it is expressly understood that any such return of contributions shall be made solely from the assets of the Company. No Member shall be entitled to withdraw any part of such Member's Capital Account or to receive any distribution from the Company except as provided in **Article IV or Article IX**. No Member shall have any right to demand or receive property (other than cash) in

return of his/her/its Capital Contributions except as may be specifically provided by and in accordance with the MD LLC Act to the extent not inconsistent with this Agreement.

D. *No Right to Partition*. No Interest Holder shall have the right to require partition of any property of the Company or to compel any sale or appraisal of the Company's assets or any sale of a deceased Interest Holder's interest in the Company's assets.

## ARTICLE IV

## Distributions and Allocations

Section 4.1 Allocation of Profits. Except as provided in **Sections 4.7** and **Section 4.8**, profits of the Company for each Fiscal Year shall be allocated among the Members as follows:

A. First, to the extent of and in proportion to any losses allocated to the Members, less any prior allocations under this **Section 4.1A.**

B. Second, to the Class A Members in an amount equal to the amount of and in proportion to their respective Preferred Returns on a cumulative basis, less any prior allocations under this **Section 4.1B**.

C. Third, sixty-five percent (65%) to the Class A Members in proportion to their respective Class A Member Percentages and thirty-five percent (35%) to the Class B Members in proportion to their respective Class B Member Percentages.

Section 4.2 Allocation of Losses. Except as provided in **Section 4.7** and **Section 4.8**, the losses of the Company for each Fiscal Year shall be allocated among the Members in proportion to their respective positive Capital Account balances until all Capital Account balances have been reduced to zero. Any additional losses shall be allocated sixty-five percent (65%) to the Class A Members in proportion to their respective Class A Member Percentages and thirty-five percent (35%) to the Class B Members in proportion to their respective Class B Member Percentages.

Section 4.3 Determination of Profits and Losses. The net profits or net losses of the Company shall be determined in accordance with the accounting methods followed for federal income tax purposes and otherwise in accordance with sound accounting principles and procedures applied in a consistent manner. An accounting shall be made for each Fiscal Year by the Company as soon as possible after the close of each such Fiscal Year to determine the Members' respective shares of net profits or net losses of the Company, which shall be credited or debited, as the case may be, to the Members' respective Capital Accounts. For tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to and among the Members in the same proportion in which they share profits and losses.

Section 4.4 Distributions of Cash Flow. Prior to termination and dissolution of the Company, the amount of Cash Flow that the Manager determines, in its sole discretion, to distribute for each calendar year shall be applied or distributed to the Members as follows:

A. First, within ninety (90) days of the end of each Fiscal Year, the Manager shall endeavor, but shall not be required, to distribute annually to each Member an amount equal to the excess of (i) the maximum effective combined federal, state, and local income tax rates applicable to such Member, multiplied by the excess of (x) cumulative profits allocated to such Member for all prior Fiscal Years over (y) cumulative losses allocated to such Member for all prior Fiscal Years, over (ii) the amounts distributed to such Member (pursuant to this **Section 4.4A**) during all prior Fiscal Years.

B. Second, to the Class A Members in an amount equal to their respective Preferred Returns (less distributions under **Section 4.4A** attributable to allocations of profit under **Section 4.1B**), in proportion to their respective Preferred Returns, until all Preferred Returns have been paid in full for that calendar year.

C. Third, to the Class A Members in proportion to their respective Adjusted Capital Balances until all Adjusted Capital Balances have been reduced to zero.

D. Fourth, sixty-five percent (65%) to the Class A Members in proportion to their respective Class A Member Percentages, and thirty-five percent (35%) to the Class B Members in proportion to their respective Class B Member Percentages.

Section 4.5 Amounts Withheld. All amounts withheld pursuant to the Code or any provision of any state, local or foreign tax law with respect to any payment, distribution or allocation to the Company or the Members shall be treated as amounts paid or distributed, as the case may be, to the Members with respect to which such amount was withheld pursuant to this **Section 4.5** for all purposes under this Agreement. The Company is authorized to withhold from payments and distributions, or with respect to allocations to the Members, and to pay over to any federal, state, and local government or any foreign government, any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state or local law or any foreign law, and shall allocate any such amounts to the Members with respect to which such amount was withheld.

Section 4.6 Right to Distributions. No Member shall have the right to receive distributions of property in kind from the Company. No Member shall have the right to receive, and the Company shall not have the power to make, distributions to a Member other than distributions of Cash Flow authorized by the Manager in accordance with **Section 4.4**, and Company property available for distribution on dissolution of the Company, if any, in accordance with **Sections 3.3C** and **9.3**.

Section 4.7 Special Allocations Regarding Excess Deficits and Minimum Gain. Notwithstanding anything to the contrary contained in this **Article IV**, the allocations of income or gain described in Treas. Reg. Sections 1.704-1(b)(2)(ii)(d) (last paragraph) and 1.704-2(f) shall be made in the circumstances described in such sections of such Treasury Regulations or any successor provisions thereto. This **Section 4.7** is intended to constitute a qualified income offset provision and minimum gain chargeback provision under such sections of such Treasury Regulations and shall be so interpreted for all purposes.

Section 4.8 Minimum Allocations Required Under Section 704(c)(1)(A) of the Code. Notwithstanding any other provision of this Agreement to the contrary, to the extent a Member is required to take into account an item of profit or loss under Section 704(c)(1)(A) of the Code (or any provisions contained in the Treasury Regulations under Section 704(b) of the Code providing for substantially equivalent treatment), such allocation shall override all other allocations contained herein but shall not affect a Member's Capital Account to the extent the economic value of such profit or loss has already been reflected in such Member's Capital Account.

## ARTICLE V

## Meetings of Members

Section 5.1 Meetings of Members; Member Action.

A. *Meetings.* All meetings of the Members, of any class, shall be held at the principal office of the Company; *provided that* meetings may be held at such other place as may be designated by the Manager and set forth in the notice of the meeting. The Members may conduct any meeting by telephone conference or other similar communications equipment if all Persons participating in the meeting can hear and speak to each other at the same time. Participation in a meeting by such means shall constitute presence in person at such meeting.

B. *Notice of Meetings.* A meeting of the Members, of any class, may be called by the Manager, or any Member holding at least twenty-five percent (25%) of the Member Percentages of the class, in writing addressed to the Manager of the Company. If a meeting is so called, the Manager shall provide all Members of such class with notice of the meeting. The notice shall be in writing, shall state the place, date, time, and purpose(s) of the meeting, and shall indicate that it is being issued by or at the direction of the Person(s) calling the meeting. The notice shall be given, either personally, by first class mail, electronic email or facsimile not less than ten (10) or more than sixty (60) days before the date of the meeting, to each Member entitled to notice of such meeting at the mailing address, email account or facsimile number of such Member on record with the Company. If a meeting is adjourned to another time or place, and if any announcement of the adjournment of time or place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. Notices will be deemed given by the Company as of the date the Company transmits any electronic of facsimile notice or upon placing the notices into the U.S. Postal Service.

C. *Quorum.* The presence in person or by proxy of the holders of more than sixty-five percent (65%) of the outstanding Member Percentages of the class entitled to vote on the matter shall constitute a quorum at all meetings of the Members of such class; *provided, however*, that if there is no quorum present, holders of a majority of the Member Percentages of the class, present or represented, may adjourn the meeting from time to time without further notice until a quorum is obtained.

D. *Proxies.* Each Member may authorize any Person or Persons to act for him/her/it by proxy in all matters in which a Member is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be

signed by the Member or his/her/its attorney-in-fact. Every proxy shall be revocable at the pleasure of the Member executing it. Unless a proxy provides otherwise, it is not valid more than 11 months after its date.

E. *Member Action; Unanimous Written Consent.* Except as otherwise provided in this Agreement or by statute, all actions taken by the Members, of any class, shall require at least sixty-five percent (65%) of the outstanding Member Percentage of such class entitled to vote on the matter. The Class A Members shall not have the right to vote on any matter that may come before the Company except as specifically set forth in this Agreement. Any action required or permitted to be taken at a meeting of the Members, of any class, may be taken without a meeting if there is filed with the records of the Company a written consent which sets forth the action and is signed, in one or more counterparts, by those Members holding the outstanding Member Percentage that would be necessary to approve the matter at a meeting at which all Members entitled to vote thereon were present and voted.

## ARTICLE VI

## Powers, Management, and Control

Section 6.1 Management of the Company. The conduct and control of the business and affairs of the Company shall be vested fully and exclusively in the Manager, who shall have the powers necessary and incidental to such conduct and control, subject only to the limitations set forth in **Section 6.4.** No other Person, including, but not limited to a Member, shall have the authority to bind the Company unless such authority is specifically delegated to a Person by the Manager or required by law. The Manager need not be a Member. When acting on behalf of the Company, the Manager may use any designation the Manager determines appropriate from time to time.

Section 6.2 Election and Removal of Manager. The Manager shall be elected by the Class B Members. By execution of this Agreement, the Class B Members hereby designate Mid-Atlantic Capital Fund Management, LLC, a Maryland limited liability company, as the Manager of the Company. The Manager shall hold office until removed by the Class B Members and until its successor is duly elected and qualified. The Manager may be removed, with or without cause, by the Class B Members. The Class B Members may elect a successor to fill any vacancy of the Manager which results for any reason, including removal, resignation or dissolution of a Manager.

Section 6.3 Powers of Manager. In addition to the powers granted by the terms and provisions of this Agreement, the Manager is hereby authorized to:

A. invest Company funds in any one or more real estate businesses or parcels of real property; provided that the amount of any single investment shall not constitute greater than twenty-five percent (25%) of the Capital Commitments of all Class A Members;

B. incur, at the expense of the Company, such charges, costs, and fees as are necessary in connection with the operation of the Company;

C. borrow money for and on behalf of the Company which may be necessary in connection with the Company's business upon such terms and conditions as the Manager may deem advisable and proper and to pledge the credit of the Company for such purpose;

D. obtain and enter into contracts of insurance, including but not limited to, fire and extended coverage and public liability which the Manager deems necessary or appropriate for the protection of the Company, the Members, and the Manager and for the conservation of Company assets;

E. employ Persons in the operation and management of the business of the Company, including Affiliates of any Member or the Manager, on such terms and for such compensation as the Manager shall determine;

F. fund and maintain working capital, contingency, and other reserves in such amounts as the Manager determines to be necessary for the prudent operation of the Company, and to release from such reserves, from time to time, such amounts as the Manager determines to be in excess of the amounts then required by the Company;

G. establish one or more checking, savings, and investment accounts in the name of the Company, and to have exclusive control over the disbursement of the Company's funds on deposit or invested therein;

H. determine, in its sole discretion, the amount of Cash Flow that is to be distributed to the Members from time to time prior to the liquidation of the Company;

I. confess a judgment against the Company and to assign the property of the Company or assets of the Company in trust for creditors on the basis of an assignee's promise or undertaking to pay the debts or obligations of the Company;

J. terminate and dissolve the Company; and

K. take any other actions that the Manager, in its reasonable discretion, determines to be in the best interest and consistent with the purposes of the Company.

Section 6.4 Limitations on Powers of the Manager. Notwithstanding any provision of this Agreement to the contrary, the Manager shall have no authority to perform any act in violation of the MD LLC Act or any other applicable laws or regulations thereunder, nor shall the Manager have any authority, except with the Consent of the Class A Members, to:

A. amend, alter, repeal or add any provision to the Articles or this Agreement in a manner that adversely affects the Class A Members, except amendments to **Schedule A** as otherwise permitted in this Agreement;

B. exchange, reclassify or cancel (whether by merger, consolidation or otherwise) all or any part of the Class A Units; or

C. create or authorize the creation of (by reclassification or otherwise) any additional securities having rights, preferences or privileges that are senior to or on parity with the Class A Units.

Section 6.5 Board of Advisors. The Manager may, in its sole discretion, constitute, and appoint Persons to serve as members of, a Board of Advisors to the Company. The Board of Advisors, if constituted by the Manager, shall be comprised of at least three (3) but not more than five (5) members. The members of the Board of Advisors may, but need not be, Members or Affiliates of the Company. The Board of Advisors will provide advice with respect to the Company from time to time as requested by the Manager, but shall have no right to vote on, approve or consent to matters before the Company, and shall not have any authority, express or implied, to act for or on behalf of the Company in any capacity simply by virtue of being a member of the Board of Advisors.

## ARTICLE VII

## Transferability of Member's LLC Interests and Rights Upon Transfer or Issuance

Section 7.1 Restrictions on Transfer.

A. *Restriction on Transfer*. Except as expressly provided in this **Article VII**, no Member may Transfer all or any portion of his, her or its LLC Interest without the approval of the Manager. Any such attempted Transfer in contravention of any of the provisions of this Agreement shall be void *ab initio* and shall not bind or be recognized by the Company. Even if the approval of the Manager is obtained with respect to a Transfer by a Member, such Transfer shall remain subject to the right of first refusal set forth in **Section 7.2**.

B. *Permitted Transferees*. There shall be no restriction hereunder against any transfer of Units by any Member to or for the benefit of any Permitted Transferee; *provided*, however, that any Units transferred by any Member to or for the benefit of any Permitted Transferee shall continue to be subject to all of the terms and conditions of this Agreement and, as a condition to the effectiveness of the transfer of such Units, any Permitted Transferee to whom any Units are transferred shall execute a supplement to this Agreement to the effect that any such Units and such Permitted Transferee shall thereafter be subject to all of the terms and conditions of this Agreement; *provided further*, that such Permitted Transferee shall be deemed only a successor-in-interest (in accordance with **Section 7.5**) of the Member who transferred the Units, and shall only be admitted as a Member of the Company upon compliance with the requirements of **Section 7.6**.

C. *Withdrawals*. No Member may voluntarily withdraw from the Company without the consent of the Manager.

Section 7.2 Right of First Refusal. Notwithstanding any provision in this Agreement to the contrary, in the event that a Member (the "Selling Member") desires to sell, transfer, assign, or convey some or all of its Units pursuant to a Bona Fide Offer acceptable to it, the Selling Member shall, not less than fifty (50) days prior to the closing date of the proposed sale, give notice thereof (the "Notice of Sale") to the Company and to the Class A Members (excluding the Selling Member) (the "Optionees"), subject, however, to the following terms and provisions:

A. *Option to Purchase.* The Notice of Sale shall state that a Bona Fide Offer has been received by the Selling Member and shall be accompanied by a copy of the Bona Fide Offer and copies of all supporting documents. The Notice of Sale shall further contain an affirmative offer by the Selling Member to sell its Units identified in the Bona Fide Offer to the Optionees for the same consideration and upon the same terms and conditions set forth in the Bona Fide Offer (the "Option").

B. *Option Period.* The Company shall have the option, for a period of thirty (30) days after receipt of the Notice of Sale from the Selling Member (the "Option Period"), to commit to purchase the Units offered by the Selling Member, in whole or in part, on the same terms and conditions set forth in the Bona Fide Offer. Such commitment to purchase must be in writing and received by the Selling Member within the Option Period. Any failure by the Company to respond to the Notice of Sale during the Option Period shall be deemed to constitute a waiver of such Option.

C. *Second Option Period.* In the event the Company does not exercise its right to purchase all of the Units offered by the Selling Member, the remaining Class A Members shall have the right (the "Second Option"), for a period of ten (10) days after the end of the Option Period (the "Second Option Period"), to commit to purchase the Units offered by the Selling Member and to which the Company has not exercised its right to purchase on the same terms and conditions set forth in the Bona Fide Offer. Each Class A Member shall have the right to purchase that number of Units of the Selling Member determined by multiplying the total number of Units being sold by the Selling Member by a fraction, the numerator of which is the number of the Class A Member's Class A Units, and the denominator of which is the total number of Class A Units held by all Class A Members electing to purchase the Selling Members Units; *provided* that in the event less than all of the Class A Members elect to purchase the Selling Member's Units, those Class A Members exercising their purchase right shall be permitted to purchase any unpurchased portion in an amount determined in accordance with the formula set forth above. Any failure by the Class A Members to respond to the Notice of Sale during such Second Option Period shall be deemed to constitute a waiver of this Second Option.

D. *Closing.* The closing of the purchase of the Units being offered for sale shall take place on the date designated as the closing date in the Bona Fide Offer, but in no event sooner than fifteen (15) days after the expiration of the Option Period or the Second Option Period, as the case may be (provided, however, that if such day shall be a Saturday, Sunday, or legal holiday, the closing shall take place on the next succeeding regular business day), in the office of the Company, or at such other time and place as may be mutually agreed upon in writing by the Selling Member and the purchaser of his/her/its Units.

E. *Sale to Bona Fide Purchaser.* In the event (i) the Optionees fail to exercise either the Option or the Second Option, as the case may be, to purchase the Units of the Selling Member, the Option or Second Option is not exercised in full, or, if after exercising such Option or Second Option, the Optionee fails to close the purchase hereunder (unless such failure to close is attributable to the action or inaction of the Selling Member), and (ii) the Selling Member has received the approval of the Manager pursuant to **Section 7.1A**, the Selling Member shall have the right to sell its Units identified in the Notice of Sale to the purchaser designated in the Notice of Sale (the "Bona Fide Purchaser"), in accordance with the terms thereof. Such Bona

Fide Purchaser shall not become a substituted Member in the Company, however, unless the Bona Fide Purchaser complies with the requirements of **Section 7.6**. In the event such sale or transfer to the Bona Fide Purchaser is not consummated upon the terms and conditions set forth in the Bona Fide Offer and within sixty (60) days of the date thereof, a new Notice of Sale shall be required in the manner provided for above and the Optionees will again have the Option and Second Option to purchase such Units as provided herein.

Section 7.3 Drag-Along Rights. Notwithstanding the provisions of **Section 7.2**, if the Manager and the holders of seventy percent (70%) or more of the outstanding Class A Member Percentage and the Class B Member Percentage, determined as a separate class, have voted, consented or proposed to effectuate a Sale Event with a third party pursuant to a definitive purchase and sale or merger agreement (the "Definitive Agreement"), such Class A Members and Class B Members shall, upon fifteen (15) calendar days prior written notice to the other Members (the "Remaining Members"), have the right to require the Remaining Members to participate in the Sale Event; *provided* that the consideration received by the Class A Members and the Class B Members in the Sale Event is distributed in the same manner required by Section 9.3 as if the Company were liquidated and the proceeds available for distribution upon liquidation equivalent to the aggregate consideration received by the Class A and Class B Members in the Sale Event. A copy of the Definitive Agreement shall be provided to each Remaining Member along with the notice described above. Each Remaining Member hereby agrees that he/she/it (i) will cooperate in good faith to effectuate the Sale Event pursuant to the Definitive Agreement; (ii) will consent to, raise no objections against, and take all actions necessary in order to consummate the Definitive Agreement (including the making of all customary representations, warranties, covenants, indemnities, and agreements); and (iii) hereby waives any and all dissenter's rights, appraisal rights or other similar rights in connection with the Sale Event.

Section 7.4 No Participation Rights. Subject to the terms and conditions set forth in this **Section 7.4**, and applicable securities laws, in the event the Company proposes to offer or sell any Class A Units to Persons other than existing Class A Members, the Manager may, but shall not be required to, offer such Class A Units for subscription to the Class A Members. Nothing in this **Section 7.4** shall grant any Class A Member the right to participate in any offering of Class A Units.

Section 7.5 Rights of Successor in Interest of a Member Ceasing to be a Member. The successor-in-interest to the LLC Interest of the a Member who has ceased to be a Member of the Company for any reason (i) shall have no right to be admitted as a substitute Member of the Company unless the Manager approves the Transfer; (ii) shall have only the rights of an assignee of the LLC Interest of such Member to receive the profits, losses, and distributions which would otherwise have been made to such Member unless admitted as a substitute Member of the Company in accordance with the preceding clause (i), and (iii) shall have no rights to receive any payments or distributions in redemption or liquidation of such Member's LLC Interest unless admitted as a substitute Member of the Company in accordance with the preceding clause (i).

Section 7.6 Requirements for Substitution. In addition to the limitations on transferability set forth in **Sections 7.1** and **7.2**, an assignee or transferee of a Member's LLC

Interest shall have no right to become a substitute Member with respect to the transferred LLC Interest unless all of the following conditions are satisfied:

A. an executed or authenticated copy of the written instrument of assignment or transfer is delivered to the Manager;

B. the transferee agrees to be bound by all of the terms of this Agreement by executing a counterpart signature page to this Agreement;

C. the transferee has made payment to the Company of all costs and expenses incurred as a result of his or its admission to the Company; and

D. the Manager consents to the admission and substitution of the transferee, which consent may be withheld by the Manager in its sole discretion.

## ARTICLE VIII

## Affiliated Transactions & Other Business Agreements

Section 8.1 Contracts with Members and the Manager. The Company may acquire property from or lease or sell property to, borrow money from or loan to, and enter into any agreement or contract for the provision of goods or services with any Member, Manager, or Affiliate thereof.

Section 8.2 Competitive Activities. Any Member, Manager or Affiliate thereof, may engage in or possess an interest in other business ventures of any nature or description independently or with others, including, but not limited to, the ownership, financing, operation, management, and development of business similar to the Company, and neither the Company nor any Member shall have any rights in or to such independent ventures or the income or profits derived therefrom.

Section 8.3 Compensation of Manager. The Manager shall receive (i) for the period beginning on the Initial Closing Date and ending on the day immediately preceding the date of the third (3rd) anniversary of the Initial Closing Date (the "Third Anniversary Date"), an annual management fee (a "Management Fee") in the amount of three percent (3%) of the Class A Members' aggregate Capital Commitments (excluding the Manager-Related Investors Commitment), paid in advance in quarterly installments on the Initial Closing Date and on the first day of each calendar quarter thereafter; (ii) for the period beginning on the Third Anniversary Date and ending on the Termination Date (as defined in **Section 9.1B**), an annual Management Fee in the amount of seven and one-half tenths of one percent (.75%) of the value of the total assets of the Company as recorded on the books and records of the Company, paid in advance in quarterly installments on the Third Anniversary Date and on the first day of each calendar quarter thereafter; and (iii) a transaction fee (a "Transaction Fee") in the amount of two percent (2%) of the total consideration (debt and equity) paid in connection with any acquisition, purchase, disposition, sale or exchange of the assets of the Company, paid upon the closing of the subject transaction.

Section 8.4 Reimbursements. Each Member and the Manager shall be entitled to reimbursement for reasonable ordinary and necessary expenses incurred by it in such capacity on behalf of the Company, as determined pursuant to the Company's budget or approved by the Manager. The Manager shall be reimbursed for all expenses incurred by the Manager in connection with the formation of the Company and the completion of the Offering up to Two Hundred Thousand Dollars ($200,000).

Section 8.5 Third-Party Fees and Expenses. The Company shall pay all third-party expenses (which expenses shall be billed directly to the Company insofar as practicable) of the Company incurred in connection with the Company's business and affairs, including, but not limited to:

A. All Management Fees, Transaction Fees, and extraordinary expenses of the Company.

B. Legal, audit, accounting (including all fees incurred pursuant to the provisions of Article XI), insurance, brokerage, appraisal, leasing, property management, and consulting fees, travel expenses, and all other fees, costs or expenses related to the operation of the Company.

C. Expenses of organizing, revising, amending, converting, modifying or terminating the Company.

D. Expenses in connection with distributions made by the Company to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Members.

E. The cost of preparation and dissemination of all Company tax returns, reports and filings as required hereunder or as required by law.

## ARTICLE IX

## Continuation of the Company; Dissolution of the Company

Section 9.1 Dissolution and Termination. The Company shall be dissolved upon the happening of any of the following events:

A. The determination of the Manager;

B. The occurrence of the date that is seven (7) years after the Initial Closing Date (the "Termination Date"); *provided*, that the Manager may elect, in its sole discretion, to extend the Termination Date for successive one (1) year periods in order to permit an orderly liquidation of the assets of the Company, but in all events the final and absolute Termination Date shall be no later than the date that is ten (10) years after the Initial Closing Date; or

C. The Bankruptcy or insolvency of the Company.

Section 9.2 Accounting. In the case of the dissolution and termination of the Company, a proper accounting shall be made of the Capital Account of each Member and the profits or losses of the Company from the close of the preceding Fiscal Year shall be determined and allocated among the Members in accordance with the provisions of **Sections 4.1** and **4.2**. Financial statements presenting such an accounting shall be delivered to all Members, at Company expense, within ninety (90) days after dissolution and termination of the Company.

Section 9.3 Liquidation and Distribution. Upon dissolution of the Company, the Manager (or if applicable, the Liquidating Trustee appointed under the provisions of **Section 9.4**) shall cause the cancellation of the Company's Articles, shall take full account of the Company's liabilities and assets, shall liquidate the assets of the Company, and shall distribute the assets of the Company as follows:

A. First, to creditors (including Members and the Manager, to the extent otherwise permitted by law) in satisfaction of all of the Company's debts and other liabilities;

B. Second, to payment of a reserve fund for contingent liabilities to the extent deemed reasonable by the Manager or the Liquidating Trustee;

C. Third, to the Class A Members in an amount equal to their respective Preferred Returns (less distributions under **Section 4.4** attributable to allocations of profit under **Section 4.1.B**), in proportion to their respective Preferred Returns, until all Preferred Returns have been paid in full; and

D. Fourth, to the Members in accordance with the positive balance in their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

Each Member shall look solely to the assets of the Company for all distributions with respect to the Company and his or its Capital Contribution thereto and share of profits, gains, and losses thereof and shall have no recourse therefor (upon dissolution or otherwise) against the Manager or any other Member. No Member shall have any right to demand or receive property other than cash upon dissolution and liquidation of the Company.

Section 9.4 Liquidating Trustee. In the event that the Company is dissolved and no Manager remains to wind up the Company, the remaining Class B Members, acting by the Consent of the Class B Members, shall appoint one of the Class B Members or any other Person of their choice to act as "Liquidating Trustee" in the liquidation of the Company, which Liquidating Trustee shall have the rights, duties and obligations granted under the provisions of **Section 9.3**.

## ARTICLE X

## Indemnification & Limitation of Liability

Section 10.1 Company Liabilities. Except as provided under the MD LLC Act or otherwise by operation of law, the debts, obligations, and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations, and liabilities of the

Company, and neither the Members nor the Manager, shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member of or acting as the Manager.

Section 10.2 No Personal Liability. To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, neither the Manager nor a Member shall be personally liable to the Company or any of its Members for money damages or otherwise except for acts (i) of gross negligence or willful misconduct; (ii) constituting reckless disregard for the best interests of the Company; or (iii) that are criminal. No amendment to or modification of this Agreement shall limit or eliminate the benefits provided to the Manager and Members under this **Section 10.2** with respect to any act or omission which occurred prior to such amendment or modification. Notwithstanding anything to the contrary contained herein, it is expressly acknowledged and agreed that this limitation of liability shall not grant Members or the Manager indemnification for legal and other expenses that such Member or the Manager may incur with respect to any dispute not directly related to such Member's or Manager's actions in his or her capacity as the "Manager" or a "Member" of the Company.

Section 10.3 Indemnification of Manager. The Company (but not any Member) shall, to the fullest extent permitted by Maryland law, indemnify and hold harmless the Manager, and its officers, employees, and Affiliates, for any threatened, pending or completed action, suit, proceeding, loss, damage, liability, cost or expense (including reasonable attorneys fees), arising out of any act or failure to act by such Person if such act or failure to act is in good faith and in a manner reasonably believed by such Person to be within the scope of the authority granted to the Manager under this Agreement and is not attributable to willful misconduct, gross negligence, recklessness or a criminal activity. Any indemnity shall include the additional amount of any federal and state taxes for which such Person is liable as a result of receiving the indemnification amount. Any indemnity under this **Section 10.3** shall be paid from, and only to the extent of, assets of the Company and no Member shall have any personal liability on account thereof.

Section 10.4 Insurance. The Company may obtain and maintain insurance as deemed necessary and required by the Manager. Such insurance, if obtained, shall be reviewed annually and shall be increased as appropriate. To the extent possible, the Company may obtain appropriate insurance to cover the actions of the Manager, and if such insurance is not available, may seek to obtain a fidelity bond or similar bonds for such individuals to protect the Company from any wrongdoing or misconduct by the Manager as is reasonable and appropriate.

## ARTICLE XI

## Accounting

Section 11.1 Books and Records. At all times during the existence of the Company, the Manager shall keep or cause to be kept true and full books and records showing all receipts and expenditures, assets and liabilities, income and losses and all other records necessary for recording the Company's allocations and distributions provided for in **Article IV** and all other records required by the MD LLC Act. The Manager shall maintain such books and records at all times at the principal office of the Company in Maryland, where they shall be available during

regular business hours and upon reasonable prior notice for inspection, examination, and copying by all Members or by their duly authorized representatives.

Section 11.2 Reports. The Manager shall cause to be prepared and delivered to each Class A Member, and shall further cause the Company to file as and when required, the following:

A. Within ninety (90) days after the expiration of each Fiscal Year of the Company, audited financial statements showing the taxable income and expenses of the Company, the balance sheet thereof, related statements of income and Members' capital and cash distributions, a statement of each Member's share of the Company's taxable income or loss, and all other information necessary for the preparation by each Member of his or its federal income tax return as to the Company's income, gain, losses, deductions and credits and the allocations thereof to each Member, including Form K-1.

B. Within thirty (30) days after the end of each semi-annual period, the unaudited financial statements of the Company, including a balance sheet as of the end of the quarter and statements of income and cash flows for such semi-annual period.

C. All periodic reports, returns or statements required to be distributed to the Members by any federal, state, or local governmental agency having jurisdiction over the Company.

D. Within thirty (30) days after the end of each calendar quarter, an executive summary of all transactions effected by the Company during such quarter and any material information relating to prior investments.

Section 11.3 Bank Accounts. All funds of the Company shall be deposited in such high-quality, federally insured, checking or savings accounts or time certificates as shall be designated from time to time by the Manager.

Section 11.4 Accounting Decisions and Tax Elections. All decisions as to accounting principles and tax elections required or permitted to be made by the Company under the Code or otherwise shall be made by the Manager in its sole and absolute discretion.

Section 11.5 Tax Matters.

A. Tax Elections. The Manager shall, without any further consent of the Members being required (except as specifically required herein), make any and all elections for federal, state, local, and foreign tax purposes including, without limitation, any election, if permitted by applicable law and is specifically authorized to act as the "Tax Matters Member" under the Code and in any similar capacity under state or local law; ***provided, however***, that in no event shall the Manager make an election for the Company to be treated as an association taxable as a corporation for federal income tax purposes without the unanimous written consent of the Members.

B. Tax Information. Necessary tax information shall be delivered to each Member as soon as practicable after the end of each Fiscal Year of the Company but not later than five (5) months after the end of each Fiscal Year.

## ARTICLE XII

## Miscellaneous Provisions

Section 12.1 Notices. All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as properly given or made if mailed by first class mail, postage prepaid, or transmitted via email to the Manager on behalf of the Company at the street or email address of the Company and to the street or email address of each Member as set forth in the records of the Company. Any such notice shall be deemed received by the Member three (3) days after the notice is postmarked if sent by first class mail, or upon transmission if sent by email. Any Member may change his or its street or email address by giving notice, in writing, stating his or its new street or email address to the Secretary of the Company, and the Manager may change their street or email address by giving such notice to all Members.

Section 12.2 Amendment.

A. This Agreement may be amended by the Manager without the consent or approval of the Members:

(i) To preserve the legal status of the Company as a limited liability company under the MD LLC Act or other applicable state or federal laws, if such amendment does not adversely affect the interests of the Members and is necessary or appropriate in the opinion of counsel;

(ii) To satisfy the requirements of the Code and regulations thereunder with respect to limited liability companies and/or of any federal or state securities laws or regulations, if such amendment does not adversely affect the interests of the Members and is necessary or appropriate in the opinion of counsel, and any such amendment under this clause (ii) to be effective as of the date of this Agreement;

(iii) To provide for the admission of additional Members and the respective rights, benefits, and obligations of such Members in the Company consistent with the provisions of this Agreement;

(iv) To reflect any Transfer of a Member's LLC Interest, on the terms provided herein; and

(v) Upon advice of the Accountants and counsel for the Company, to amend **Article IV** and to restate the Capital Accounts of the Members to comply with the Treasury Regulations promulgated under the Code relating to the allocations of profits and losses among partners and the administrative and judicial interpretations thereof, provided, however, that no amendment shall be made pursuant to this subsection which would cause a material

adverse change in the economic benefits to the Members without the Consent of the Class A Members.

B. This Agreement may not be amended by the Manager without Consent of the Class A Members to:

(i) make any change prohibited by **Section 6.4**; or

(ii) amend this **Section 12.2B**.

C. Except as expressly provided herein, this Agreement may only be amended or modified with the Consent of the Class B Members.

Section 12.3 Successors and Assigns. All of the terms and conditions of this Agreement shall be binding upon the successors and assigns of the Members, but shall not inure to the benefit of the successors or assigns of the Members except as otherwise expressly provided in this Agreement.

Section 12.4 Waiver of Certain Rights. Each Member, on behalf of himself or itself and his or its successors, representatives, heirs, and assigns hereby waives and releases each and all of the following rights that he or it have or may have, if any, by virtue of holding a LLC Interest in the Company: (i) any right of partition or any right to take any other action which otherwise might be available to such Person for the purpose of severing his or its relationship with the Company or such Person's interest in the assets held by the Company from the interest of the other Members; (ii) any right to valuation and payment of the LLC Interest of any Member (including any appraisal rights such Member may entitled under the MD LLC Act or otherwise); and (iii) any right to petition a court for judicial dissolution of the Company.

Section 12.5 Securities Laws Restrictions. The LLC Interests described in this Agreement have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or under the securities laws of the States in which the LLC Interests have been offered and sold or any other jurisdiction (the "State Acts"). Consequently, these LLC Interests may not be sold, transferred, assigned, pledged, hypothecated or otherwise disposed of, except in accordance with the provisions of the 1933 Act, the State Acts, and this Agreement.

Section 12.6 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

Section 12.7 Captions. Captions to and headings of the articles, sections and subsections, paragraphs or subparagraphs of this Agreement are inserted solely for the convenience of the parties, are not a part of this Agreement, and in no way define, limit, extend or describe the scope or the intent of any of the provisions.

Section 12.8 Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof. There are no representations, agreements, or understandings, oral or written, express or implied, between the parties relating to the subject matter of this Agreement which are not expressed herein, nor does any party, agent or

employee have any authority to make any representations or agreements to vary, alter, amend, or modify the terms.

Section 12.9 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, without giving effect to conflicts of laws.

Section 12.10 Separability. The provisions of this Agreement are separate and divisible. In the event that any provisions of this Agreement shall be held invalid, the remaining provisions shall be construed and shall be valid as if the invalid provisions were not a part.

Section 12.11 Application of Subchapter K. No election shall be made by the Company, or the Members for the Company to be excluded from the application of the provisions of Subchapter K of the Code, or from any similar provisions of State and foreign tax laws, which relate to the taxation of partnerships.

Section 12.12 Waiver of Partition. Each Member (and its, his or her representatives, successors and assigns) hereby irrevocably waives any and all right to maintain any actions for partition or to compel any sale with respect to any assets or properties of the Company.

Section 12.13 Arbitration. Every dispute arising among the parties hereunder shall be solely and finally settled by an arbitration conducted in any location within the State of Maryland, depending on the location of the party filing the dispute, in accordance with the commercial arbitration rules of the American Arbitration Association (the "AAA") then in force (the "Rules"). The party or parties requesting arbitration (the "Petitioner(s)") shall serve upon the other party or parties (the "Respondent(s)") a written demand for arbitration stating what the Petitioner(s) contends is the substance of the controversy, dispute or claim, the contention of the Petitioner(s) requesting arbitration. The parties shall cooperate in good faith to appoint an arbitrator mutually agreeable to the parties. In the event that the parties are unable to agree to a mutually acceptable arbitrator within thirty (30) business days, the Petitioner shall apply to the AAA for appointment of an arbitrator in accordance with the provisions of the Rules. The decision or award agreed to by the arbitrator shall be final and binding upon the parties. The parties shall abide by all awards and decisions rendered in the arbitration proceedings, and all such awards and decisions may be enforced and executed upon in any court having jurisdiction over the parties against whom enforcement of such award is sought. After the conduct of any arbitration pursuant to the provisions hereof, the arbitrators shall determine what amount of the administrative charges, arbitrator's fees, and related expenses of such arbitration each of the parties shall pay. If the arbitrators fail so to determine, the Petitioner(s) and Respondent(s) shall each pay half of such charges, fees and expenses. In all cases, each party shall pay its own legal fees incurred in connection with any such arbitration. The parties can mutually agree to waive this **Section 12.13** in the event that they are able to agree in good faith upon an acceptable alternative mediation or arbitration forum.

***[Signatures appear on next page]***

**SIGNATURE PAGE TO**
**MID-ATLANTIC CAPITAL FUND, LLC**
**OPERATING AGREEMENT**

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the day and year first above written.

**CLASS B MEMBERS**

Tyler Family, L.L.C.

By: _____
Chad Tyler, Manager

_____
Jeff Cahall

_____
Joe Donegan

_____
Bryan Duncan

## SCHEDULE A

CLASS A MEMBERS:

| **Name of Member** | **Number of Class A Units** | **Percentage of Class A** | **Total Capital Contribution** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| Total: | | 100% | |

CLASS B MEMBERS:

| **Name of Member** | **Number of Class B Units** | **Percentage of Class B** | **Total Capital Contribution** |
|---|---|---|---|
| Tyler Family, L.L.C. | 39 | 39% | $0 |
| Jeff Cahall | 35 | 35% | $0 |
| Joe Donegan | 13 | 13% | $0 |
| Bryan Duncan | 13 | 13% | $0 |
| Total: | 100 | 100% | $0 |

# EXHIBIT A

## GENERAL DEFINITIONS

The following terms used in this Agreement shall, unless otherwise noted or unless the context otherwise requires, have the following meanings:

1933 Act: shall have the meaning provided in **Section 12.5**.

AAA: shall have the meaning provided in **Section 12.13**.

Accountants: such firm of independent certified public accountants as may be selected and engaged by the Manager from time to time.

Adjusted Capital Balance: with respect to any Class A Member as of any day, the portion of such Class A Member's Capital Contribution then actually paid into the Company in cash with respect to such Class A Member's Class A Units, less any amount distributed to such Class A Member pursuant to **Sections 4.4.C** and **9.3**. If any Class A Member transfers all or any portion of his/her/its Class A Units in accordance with the terms of this Agreement, his/her/its transferee shall succeed to the Adjusted Capital Balance of the transferor, in proportion to the interest transferred.

Affiliate(s): with respect to any Member or Manager, a Person who directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with that Member or Manager. The term "control" as used herein (including the terms "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to: (a) vote ten percent (10%) or more of the outstanding voting securities of a Member or a Manager or such Person; or (b) otherwise direct the management policies of a Member or a Manager or such Person by contract or otherwise.

Agreement: this Operating Agreement, as amended from time to time. Words such as "herein," "hereof," "hereby," and "hereunder," when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

Articles: the Articles of Organization of the Company as filed with the State Department of Assessments and Taxation of the State of Maryland on May 22, 2008, as such articles may be amended from time to time.

Bankruptcy: With respect to any Member:

(i) the commencement of a proceeding in bankruptcy or for reorganization or for the adoption of an arrangement under the Bankruptcy Code (as now or in the future amended) or an admission seeking the relief therein provided;

(ii) an assignment for the benefit of creditors;

(iii) consenting to the appointment of a receiver for all or a substantial part of its property;

(iv) being adjudicated bankrupt or insolvent;

(v) the entry of a court order appointing a receiver or trustee for all or a substantial part of its property without its consent; or

(vi) the assumption of custody or sequestration by a court of competent jurisdiction of all or substantially all of its property.

Bona Fide Offer: means an offer which is (a) in writing, (b) from a person who is neither an Interest Holder nor an Affiliate of an Interest Holder, and (c) from a person or entity that has the financial wherewithal to consummate the purchase.

Bona Fide Purchaser: shall have the meaning provided in **Section 7.2E**.

Capital Account: shall mean with respect to any Member (i) the amount of money contributed by it to the Company, (ii) the fair market value of property contributed by it to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code) and (iii) allocations to it of Company income and gain (or items thereof), and decreased by (iv) the amount of money distributed to it by the Company, (v) the fair market value of property distributed to it by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code), (vi) all allocations to it of expenditures of the Company described in Section 705(a)(2)(B) of the Code, and (vii) allocations of Company loss and deduction (or item thereof), subject to such other adjustments required by Treas. Reg. Section 1.704-1(b)(4) (or any corresponding successor provisions). The Capital Accounts of the Members, as of the date of this Agreement, as agreed by the members, are set forth on **Schedule A**. Upon the determination by the Manager, the Capital Accounts of the Members may be restated to their fair market values in connection with the admission of an Additional Member. In all events, such Capital Account shall be maintained in accordance with the Treasury Regulations promulgated under Section 704(b) of the Code.

Capital Commitment: shall have the meaning provided in **Section 3.2A**.

Capital Contribution: shall mean the amount of cash and the fair market value of assets (as of the date of contribution), net of any liabilities, contributed to the Company by each Member. Any reference in this Agreement to the Capital Contribution of a then Member, Permitted Transferee or successor-in-interest to an LLC Interest shall include a Capital Contribution previously made by any prior Member with respect to the LLC Interest of such then Member.

Cash Flow: shall mean the gross cash proceeds of the Company (other than Capital Contributions or proceeds from the winding up of the Company) less the portion thereof used to pay or establish reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Manager of the Company in its sole discretion. "Cash Flow" shall not be reduced by depreciation, amortization, cost recovery

deductions, or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the first sentence of this definition.

Class A Member: those Persons holding Class A Units as set forth on **Schedule A** attached hereto.

Class A Member Percentage: the percentage indicated for a Class A Member on **Schedule A** attached hereto, as amended from time to time, which percentage is determined with respect to a Class A Member by dividing such Class A Member's Class A Units by the total number of issued and outstanding Class A Units.

Class A Units: those Units of the Company which entitle the holder thereof to a Preferred Return, special liquidation and distribution rights, the right to approve certain transactions, and any other rights set forth in this Agreement, except to the extent specifically provided otherwise in this Agreement. The Class A Units shall not entitle the holders thereof to right to vote on any matter before the Members of the Company.

Class B Member: those Persons holding Class B Units as set forth on **Schedule A** attached hereto.

Class B Member Percentage: the percentage indicated for a Class B Member on **Schedule A** attached hereto, as amended from time to time, which percentage is determined with respect to a Class B Member by dividing such Class B Member's Class B Units by the total number of issued and outstanding Class B Units.

Class B Units: those Units of the Company which entitle the holder thereof to the right to vote on any matter before the Members of the Company, except to the extent specifically provided otherwise in this Agreement, and any other rights set forth in this Agreement.

Code: the Internal Revenue Code of 1986, as amended. Any references in this Agreement to sections of the Code are intended to include such sections as they may be amended from time to time and any corresponding provision or provisions of succeeding law.

Company: means Mid-Atlantic Capital Fund, LLC, a Maryland limited liability company, which was formed pursuant to the Articles for the purposes stated herein.

Consent of the Class A Members: means the affirmative vote of those Members holding greater than sixty-five percent (65%) of the issued and outstanding Class A Units of the Company.

Consent of the Class B Members: means the affirmative vote of those Members holding greater than sixty-five percent (65%) of the issued and outstanding Class B Units of the Company.

Definitive Agreement: shall have the meaning provided in **Section 7.3**.

Fiscal Year: means (i) the period commencing on the Effective Date and ending on December 31, 2008 (ii) any subsequent twelve-month period commencing on January 1 and

ending on December 31, or (iii) any portion of the period described in clauses (i) or (ii) for which the Company is required to allocate profits, losses and other items of Company income, gain, loss or deduction pursuant to this Agreement.

Initial Closing Date: the date the Company initially accepts subscriptions for Class A Units and initially receives a Capital Contribution from a Class A Member.

Interest Holder: the holder of an LLC Interest.

Liquidating Trustee: shall have the meaning provided in **Section 9.4**.

LLC Interest: the ownership interest (in Units) of a Class A Member or Class B Member or his, her or its successor in the Company at any particular time, including the Member's share of the profits and losses of the Company, the right to receive distributions from the Company, the right to vote on and approve actions and decisions granted under this Agreement, and the right to any and all other benefits to which such Class A or Class B Member may be entitled as provided in this Agreement and in the MD LLC Act, together with the obligations of such Class A and Class B Member to comply with all of the terms and provisions of this Agreement and of the MD LLC Act.

Management Fee: shall have the meaning provided in **Section 8.3**.

Manager: means Mid-Atlantic Capital Fund Management, LLC or another Person elected as the Manager in accordance with **Section 6.2**.

Manager-Related Investors: shall have the meaning provided in **Section 3.2A**.

Manager-Related Investors Commitment: shall have the meaning provided in **Section 3.2A**

Maximum Offering Amount: shall have the meaning provided in **Section 3.2A**.

MD LLC Act: the Maryland Limited Liability Company Act, §4A-101 et seq. of the MD. CODE ANN. CORPS. & ASSN'S Article, or any corresponding provision or provisions of succeeding law, as it or they may be amended from time to time.

Member: a Class A Member or Class B Member.

Members: collectively, the Class A Members and the Class B Member.

Member Percentage: the percentage indicated for a Member (of any class) on **Schedule A** attached hereto, as amended from time to time, which percentage is determined with respect to a Member by dividing such Member's Class A or Class B Units, as the case may be, by the total number of issued and outstanding Class A or Class B Units, as the case may be.

Notice of Sale: shall have the meaning provided in **Section 7.2**.

Offering: shall have the meaning provided in **Section 32.A**.

Option: shall have the meaning provided in **Section 7.2A**.

Option Period: shall have the meaning provided in **Section 7.2B**.

Optionees: shall have the meaning provided in **Section 7.2**.

Outside Commitment Date: shall have the meaning provided in **Section 3.2A**.

Permitted Transferee: means (1) any spouse or lineal descendant of a Member, provided that at the time of transfer, such lineal descendant is of the age of majority, (2) a trust for the benefit of a spouse or lineal descendent of a Member, and (3) any corporation, partnership, limited liability company, or other entity at least 51% of the voting interest of which is owned by a Member; *provided*, however, that any such person (or entity) shall not be considered a Permitted Transferee unless that person (or entity) shall execute a supplement to this Agreement to the effect that such person (or entity) and any Units transferred to that person (or entity) shall thereafter be subject to all of the terms and conditions of this Agreement.

Person: any individual, general partnership, limited partnership, corporation, joint venture, trust, business trust, limited liability company, cooperative or association, and the successors and assigns of any of the foregoing where the context so requires or permits; and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter and vice versa.

Petitioner(s): shall have the meaning provided in **Section 12.13**.

Preferred Return: an amount equal to an eight percent (8%) simple annual return on a Class A Member's weighted average Adjusted Capital Balance and computed from the date the Class A Member makes a Capital Contribution (pro rated for any partial year based on a three hundred sixty-five (365) day year). The Preferred Return shall be cumulative, shall accrue whether or not earned or declared, and is payable only out of Cash Flow at such time or times as are determined by the Manager, in its sole discretion. The Manager shall have no personal liability for the payment of the Preferred Return.

Remaining Members: shall have the meaning provided in **Sections 7.2C** and **Section 7.3**, respectively.

Respondent(s): shall have the meaning provided in **Section 12.13**.

Rules: shall have the meaning provided in **Section 12.13**.

Sale Event: (i) the sale of greater than fifty percent (50%) of the total Units held by the Members in one or a series of related transactions; (ii) the merger or consolidation of the Company with or into any other entity; or (iii) the sale of all or substantially all of the assets of the Company.

SDAT: shall have the meaning provided in **Section 2.2**.

Second Option: shall have the meaning provided in **Section 7.2C**.

Second Option Period: shall have the meaning provided in **Section 7.2C**.

Selling Member: shall have the meaning provided in **Section 7.2**.

State Acts: shall have the meaning provided in **Section 12.5**.

Subscription Documents: the documents and agreements by which the Class A Members subscribed for the purchase of the Class A Units.

Tax Matters Member: shall have the meaning provided in **Section 11.5A**.

Termination Date: shall have the meaning provided in **Section 9.1A**.

Third Anniversary Date: shall have the meaning provided in **Section 8.3**.

Transaction Fee: shall have the meaning provided in **Section 8.3**.

Transfer: as a noun, any voluntary or involuntary sale, assignment, transfer, pledge, hypothecation, exchange or other disposition of an LLC Interest by any means whatsoever, directly or indirectly, whether by operation of law or otherwise; and as a verb, any action or actions taken by or on behalf of a Member which result in such sale, assignment, transfer, pledge, hypothecation, exchange or other disposition of an LLC Interest.

Treasury Regulations: the income tax regulations promulgated under the Code. Any references in this Agreement to Treasury Regulations are intended to refer to such regulations and to such regulations as they may be amended and to any corresponding provision or provisions of succeeding law.

Unit Price: shall have the meaning provided in **Section 3.2A**.

Units: that number of units representing an LLC Interest set forth after a Member's name on **Schedule A** hereto, as amended from time to time, which shall not be affected by any increases or decreases in such Member's Capital Account, and which shall be subject to the rights and obligations set forth in this Agreement. By the execution of this Agreement, the Members hereby authorize the issuance of Two Thousand (2,000) Class A Units, and One Hundred (100) Class B Units.

Exhibit B
MAC Subscription Booklet

Confidential

# MID-ATLANTIC CAPITAL FUND, LLC

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# SUBSCRIPTION BOOKLET

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**This Subscription Booklet is utilized for the offering of Class A Units in Mid-Atlantic Capital Fund, LLC. Class A Units of Mid-Atlantic Capital Fund, LLC (i) are available only to persons who qualify as "accredited investors" within the meaning given to such term in Regulation D under the Securities Act of 1933, as amended, and (ii) may not be beneficially owned by more than 100 persons for purposes of Section 3(c)(1) of the Investment Company Act of 1940, as amended.**

**Mid-Atlantic Capital Fund, LLC**
**(the "Fund")**

DIRECTIONS FOR THE COMPLETION
OF THE SUBSCRIPTION DOCUMENTS

Prospective investors must complete all of the subscription documents contained in this booklet in the manner described below. For purposes of these subscription documents, the "Investor" is the person for whose account the Class A Units are being purchased. Another person with investment authority may execute the subscription documents on behalf of the Investor, but should indicate the capacity in which it is doing so and the name of the Investor.

1. *Subscription Agreement*:

   (a) Fill in the amount of the Capital Commitment and Future Fund Distribution Instructions on page 7.

   (b) Provide the information requested and date, print the name of the Investor, and sign (and print name, capacity and title, if applicable) on page 7.

2. *Joinder Agreement*.

Each Investor must sign and return the Joinder Agreement attached hereto, pursuant to which the Investor agrees to be bound by the terms and conditions of the Fund's Operating Agreement.

3. *Investor Questionnaire*:

Each Investor must complete the Investor Questionnaire attached hereto.

3. *Delivery of Subscription Documents*:

Please return all completed and signed documents to Mid-Atlantic Capital Fund, LLC at the following address:

Mid-Atlantic Capital Fund, LLC
c/o Mid-Atlantic Capital Fund Management, LLC
3280 Urbana Pike, Suite 207
Ijamsville, Maryland 21754
Attention: Chad Tyler
Telephone: 301-831-8575
Facsimile: 301-831-8599

4. *Payment of Initial Capital Contribution*:

The Investor shall pay the amount of the Investor's initial capital contribution for its subscription by certified check or wire transfer of immediately available funds pursuant to instructions to be provided by the Manager. The Investor will receive a capital call for the remaining amount of his/her/its Capital Commitment from the Manager upon the Fund's receipt of subscriptions for the Minimum Offering Amount.

**Mid-Atlantic Capital Fund, LLC**

SUBSCRIPTION AGREEMENT

Mid-Atlantic Capital Fund, LLC
c/o Mid-Atlantic Capital Fund Management, LLC
3280 Urbana Pike, Suite 207
Ijamsville, Maryland 21754
Attention: Chad Tyler

Ladies and Gentlemen:

Reference is made to the Confidential Private Placement Memorandum dated May __, 2008, with respect to the offering of Class A Units in Mid-Atlantic Capital Fund, LLC, a Maryland limited liability company (the "Company" or the "Fund"), in the number set forth on the signature page hereto (the "Units") (such Confidential Private Placement Memorandum, together with any amendments or supplements thereto delivered to the undersigned, being herein called the "Memorandum"). Capitalized terms used but not defined herein shall have the respective meanings given them in the Memorandum.

Subject to the terms and conditions hereof, and in reliance upon the representations and warranties of the respective parties contained in this subscription agreement, dated as of the date set forth on page 7 (this "Agreement"), the undersigned subscribing investor (the "Investor") hereby agrees as follows:

1. Subscription for the Interests.

(a) The Investor agrees to subscribe for that number of Units as set forth on page 7 hereof. The Investor's total capital commitment to the Fund (the "Capital Commitment") shall be the amount determined by multiplying the number of Units so purchased by the purchase price of $10,000 per Unit. Fifteen percent (15%) of the Investor's Capital Commitment (the "Subscription Payment") shall be paid by certified check or wire transfer of immediately available funds on the date of this Agreement to the address or account, as the case may be, set forth below:

| ADDRESS: | WIRE TRANSFER INSTRUCTIONS |
|---|---|
| Mid-Atlantic Capital Fund, LLC<br>c/o Mid-Atlantic Capital Fund Management, LLC<br>3280 Urbana Pike, Suite 207<br>Ijamsville, Maryland 21754<br>Attention: Chad Tyler | Branch Banking & Trust Company<br>ABA No.: _____<br>Account No.: _____ |

(b) The Subscription Payment shall be held by the Company in a non-interest bearing account of the Company held with Branch Banking & Trust Company. The Subscription Payment shall be released to the Company and applied toward the Investor's Capital Commitment upon the Company's receipt of total Capital Commitments from all investors in the amount of at least $5,000,000 (the "Minimum Offering Amount"). If the Minimum Offering Amount is not received by the Company on or before December 31, 2008, the Subscription Payment shall promptly be returned to the Investor without interest, charge or deduction.

(c) The Investor acknowledges and agrees that the Investor is not entitled to cancel, terminate or revoke this subscription or any agreements of the Investor hereunder, except as otherwise set forth in the Memorandum or under applicable law, and such subscription and agreements and power of attorney set forth in Paragraph 1(d) shall survive (i) changes in the transaction, documents, and instruments described in the Memorandum that in the aggregate are not material or which are

contemplated by the Memorandum, and (ii) the death, disability, bankruptcy, insolvency or dissolution of the Investor.

(d) The Investor hereby irrevocably constitutes and appoints the Manager (and any substitute or successor acting in such capacity) its true and lawful attorney in its name, place and stead, to execute, complete or correct, on behalf of the Investor, all documents to be executed by the Investor pursuant to the subscription documents, including, without limitation, filling in or amending dates; provided, however, the power of attorney does not include amending the subscription documents or filling in or amending amounts to the extent that the amounts have not been agreed to by the Investors. This power of attorney shall be deemed coupled with an interest, shall be irrevocable, and shall survive the issuance of the Investor's Units.

2. Investor Representations, Warranties and Covenants.

The Investor hereby acknowledges, represents, and warrants to, and covenants and agrees with, the Company as follows:

(a) If the Investor is a corporation, partnership, limited liability company, trust, estate or other entity, it is empowered, authorized and qualified to subscribe hereunder, to commit capital to the Company hereunder and to pay its Capital Commitment to the Company. The person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so. If the Investor is an individual, the Investor is of legal age to execute this Agreement and is legally competent to do so.

(b) The Investor is acquiring the Units for the Investor's own account as principal for investment and not with a view to the distribution or sale thereof.

(c) The Investor has such knowledge and experience in financial and business matters that the Investor is and will be capable of evaluating the merits and risks of the prospective investment.

(d) The Investor has the ability to bear the economic risk of this investment, has the ability to retain its Units for the full term of the Company, and at the present time and in the foreseeable future can afford a complete loss of this investment. The Investor's investment in the Units does not exceed ten percent (10%) of the Investor's net worth.

(e) The Investor understands that the offering and sale of the Units are intended to be exempt from registration under the Securities Act of 1933, as amended (the "1933 Act") and applicable U.S. state securities laws by virtue of the private placement exemption from registration provided in Regulation D under the 1933 Act and exemptions under applicable U.S. state securities laws, and agrees that any Units acquired by the Investor may not be sold, offered for sale, transferred, pledged, hypothecated or otherwise disposed of in any manner that would require the Company to register the Units under the 1933 Act. The Investor has submitted to the Company a complete and executed Investor Questionnaire. The Investor understands that the Company requires each investor in the Company to be an "Accredited Investor" as defined in Rule 501(a) of Regulation D and the Investor represents and warrants that it is an Accredited Investor.

(f) The Investor understands that the Company has not been registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), in reliance upon an exclusion from the definition of an investment company or an exemption from registration provided thereunder, and it agrees that any Units acquired by the Investor may not be sold, offered for sale, transferred, pledged, hypothecated or otherwise disposed of in any manner that would require the Company to register as an investment company under the 1940 Act if it were not entitled to an exception from the definition of an investment company. The Investor covenants that it will not transfer, pledge, hypothecate or otherwise dispose of its Units (or any portion thereof) to any person other than in

accordance with the limitations and restrictions set forth in the Operating Agreement of the Company dated May 22, 2008 (the "Operating Agreement").

(g) If the Investor is a corporation, partnership, limited liability company, trust or other entity, it was not formed or recapitalized for the specific purpose of acquiring Units.

(h) The Investor agrees to deliver to the Company such other information as to certain matters under the 1933 Act and the 1940 Act as the Company may reasonably request (including, but not limited to, the information requested on the Investor Questionnaire) in order to ensure compliance with such Acts and the availability of any exemption thereunder.

(i) The Investor acknowledges and agrees that, pursuant to the Operating Agreement, the Manager has the power and discretion to make investment decisions on behalf of the Company. The Investor acknowledges that neither the Manager nor any affiliate thereof has rendered or will render any investment advice or securities valuation advice to the Investor, and that the Investor is neither subscribing for nor acquiring any Units in reliance upon, or with the expectation of, any such advice.

(j) The Investor has reviewed the Memorandum including all exhibits thereto (and specifically the Operating Agreement) and has read and understands the risks of, and other considerations relating to, a purchase of Units and the Company's investment objectives, policies, and strategies.

(k) The Investor has been given the opportunity to ask questions of, and receive answers from, the Company and the Manager relating to the Company, concerning the terms and conditions of this sale of Units, risks, conflicts of interest, and any other matters pertaining to this investment, and has had access to such financial and other information concerning the Company as it has considered necessary to make a decision to invest in the Company and has availed itself of this opportunity to the full extent desired. No oral or written information has been provided to the Investor in connection with the Offering of the Units that is in any way inconsistent with the information contained in the Memorandum.

(l) No representations or warranties have been made to the Investor with respect to this investment or the Company other than the representations of the Company set forth herein, and the Investor has not relied upon any representation or warranty not provided herein in making this subscription.

(m) This Agreement has been duly executed and delivered by the Investor and, upon due authorization, execution and delivery by the Company, will constitute the valid and legally binding agreement of the Investor enforceable in accordance with its terms against the Investor, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights and remedies, as from time to time in effect, (ii) application of equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) with respect to indemnification, considerations of public policy.

(n) On the date hereof, none of the information concerning the Investor nor any statement, representation or warranty made by the Investor in this Agreement or in any document required to be provided under this Agreement (including, without limitation, the information provided and statements set forth in the Investor Questionnaire) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading.

(o) The Investor covenants and agrees with and for the benefit of the Company that it will not pledge, hypothecate, grant a security or other interest or claim in, or otherwise encumber in any way, any or all of its rights under this Agreement, as security for an obligation to any person, whether the

interest is based on common law, statute or contract (including the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment or security purposes), in each case, without the prior written consent of the Company.

3. Investor Awareness. The Investor acknowledges that:

(a) No governmental authority has passed upon the Units or made any finding or determination as to the fairness of this investment. The Memorandum has not been filed with the U.S. Securities and Exchange Commission or any securities administrator under any securities or consumer protection laws.

(b) There are substantial risks incident to the purchase of Units, including, but not limited to, those summarized in the Memorandum.

(c) There are certain restrictions on the transferability of Units under the Operating Agreement and under applicable law including, but not limited to, the fact that (i) there is no established market for the Units and no public market for the Units will develop; (ii) the Units will not be, and Investors have no rights to require that the Units or any transaction therein be, registered under the 1933 Act or any other securities laws of any jurisdiction and therefore cannot be resold, pledged, assigned or otherwise disposed of unless subsequently registered or unless an exemption from such registration is available; and (iii) the Investors may have to hold the Units herein subscribed for and bear the economic risk of this investment indefinitely and it may not be possible for the Investor to liquidate its investment in the Company. The Investor agrees that all evidences of the Units will contain a legend reflecting the transfer restrictions.

(d) The Company will not be registered as an investment company under the 1940 Act.

4. Company Representations, Warranties and Covenants.

The Company hereby acknowledges, represents and warrants to, and agrees with, the Investor as follows:

(a) The Company is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Maryland, and is duly qualified, licensed or admitted to do business and in good standing in those jurisdictions in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the failure to be so qualified, licensed or admitted would not have a material adverse effect on the financial or other condition, assets, liabilities, or business of the Company.

(b) The Company has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

5. Closings. The Investor agrees to subscribe for the amount shown on the signature page hereto. Upon the delivery of this Agreement to the Company, the Investor shall pay to the Company fifteen percent (15%) of the Investor's Capital Commitment (the "Initial Closing," and the date of such Initial Closing, the "Initial Closing Date"). A final closing (the "Final Closing," and the date of such Final Closing, the "Final Closing Date") will take place as soon as practicable after subscriptions for the Minimum Offering Amount, including the Capital Commitment of the Manager, have been accepted by the Company, at which time the Company shall provide written notice to the Investor of the date (within 15 days after the date of the notice) upon which the Investor shall be require to pay to the Company the Investor's remaining unpaid Capital Commitment. The Company may accept subscriptions from potential investors during a period of twelve (12) months from the Initial Closing Date. The

Investor agrees to provide any information reasonably requested by the Company in connection with this subscription in order to verify the truth and accuracy of the representations contained herein to the Company including, but not limited to, the statements set forth on the Investor Questionnaire forming a part of this Subscription Booklet. This subscription is irrevocable by the Investor, but may be accepted or rejected by the Company, in its discretion. Promptly after the Final Closing Date, the Company will deliver to the Investor or its representative, any documents and instruments to be delivered pursuant to this Agreement. If at the Final Closing any condition specified in this Paragraph 5 shall not have been satisfied or waived, the Investor shall, at the Investor's election, be relieved of all further obligations under this Agreement.

6. Indemnification.

The Investor recognizes that the offer of the Units to the Investor was made in reliance upon its representations and warranties set forth in Paragraph 2 above and the acknowledgments and agreements set forth in Paragraph 3 above. The Investor agrees to provide, if requested, any additional information that may reasonably be required to determine the eligibility of the Investor to purchase the Units. The Investor hereby agrees to indemnify the Company and the Manager and their respective officers, directors, employees, affiliates and agents and to hold each of them harmless from and against any loss, damage or liability due to or arising out of a breach of any representation, warranty or agreement of the Investor contained in this Agreement or in any other document provided by the Investor to the Company in connection with the Investor's investment in the Units. To the maximum extent permitted by applicable law, the Investor hereby agrees to indemnify the Company and the Manager and their respective officers, directors, employees, affiliates and agents, and to hold them harmless against all liabilities, costs or expenses (including reasonable attorneys' fees) arising as a result of the sale or distribution of the Units by the Investor in violation of the 1933 Act or other applicable law or any misrepresentation or breach by the Investor with respect to the matters set forth herein. In addition, the Investor agrees to indemnify the Company and the Manager and their respective officers, directors, employees, affiliates and agents and to hold them harmless from and against, any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, to which they may be put or which they may incur or sustain by reason of or in connection with any misrepresentation made by the Investor with respect to the matters about which representations and warranties are required by the terms of this Agreement, or any breach of any such warranties or any failure to fulfill any covenants or agreements set forth herein. Notwithstanding any provision of this Agreement, the Investor does not waive any rights granted to it under applicable securities laws.

7. Acceptance or Rejection. (a) At any time prior to the Final Closing Date, the Company shall have the right to accept or reject this subscription for any reason whatsoever. If this subscription is not accepted by the Company on the Final Closing Date, this subscription shall be deemed to be rejected.

(b) If this subscription is accepted, the Company shall notify the Investor of such acceptance. The Company will execute a copy of this Agreement and return a copy to the undersigned.

(c) In the event of rejection of this subscription, the Company shall return to the Investor the copies of this Agreement and any other documents submitted herewith, and this Agreement shall have no further force or effect thereafter.

8. Modification. Neither this Agreement nor any provisions hereof shall be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

9. Notices. All notices, consents, requests, demands, offers, reports, and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered properly given and received when personally delivered to the party entitled thereto, or when sent by facsimile or by overnight courier, or seven (7) business days after being sent by certified

United States mail, return receipt requested, in a sealed envelope, with postage prepaid, addressed, if to the Company, to Mid-Atlantic Capital Fund, LLC, c/o Mid-Atlantic Capital Fund Management, LLC, 3280 Urbana Pike, Suite 207, Ijamsville, Maryland 21754, and, if to the Investor, to the address set forth in the Investor Questionnaire; provided, that any notice sent by facsimile shall be promptly followed by a copy of such notice sent by mail or overnight courier in the manner described herein. The Company or the Investor may change its address by giving notice to the other in the manner described herein.

10. Counterparts. This Agreement may be executed in multiple counterpart copies, each of which shall be considered an original and all of which constitute one and the same instrument binding on all the parties, notwithstanding that all parties are not signatories to the same counterpart.

11. Successors. Except as otherwise provided herein, this Agreement and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, trustees and legal representatives. If the Investor is more than one person, the obligation of the Investor shall be joint and several and the agreements, representations, warranties, and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and such person's heirs, executors, administrators, successors, trustees and legal representatives.

12. Assignability. This Agreement (and any and all rights or obligations hereunder) is not transferable or assignable by the Investor without the Company's prior written consent. Any purported assignment of this Agreement (and any and all rights or obligations hereunder) without the Company's prior written consent shall be null and void. The foregoing prohibition on transfers and assignments shall apply to this Agreement and all Investors rights and obligations hereunder, but shall not prohibit the transfer or assignment of Units that have been previously issued and remain outstanding. A transfer of such outstanding Units shall be governed by the limitations set forth in the Operating Agreement. The Company may assign its rights under this Agreement as collateral security for a loan.

13. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes any prior agreement or understanding among them with respect to such subject matter.

14. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

15. Jurisdiction; Venue. (a) Any action or proceeding relating in any way to this Agreement may be brought and enforced exclusively in the courts of the State of Maryland or (to the extent subject matter jurisdiction exists therefor) of the United States for the District of Maryland, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(b) The parties irrevocably waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in the courts of the State of Maryland or of the United States for the District of Maryland, and any claim that any such action or proceeding brought in any such court has been brought in any inconvenient forum.

16. Survival. The representations, warranties and covenants of this Agreement shall survive the acceptance of this Agreement and the issuance of the Units to the Investor.

[REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK.]

**IN WITNESS WHEREOF**, the undersigned Investor has executed this Subscription Agreement.

_____

Subscriber Name (Please print)

_____

Residence or Office Address

_____

City, State, Zip Code

Fill in Mailing Address only if different from Residence or Office Address:

_____

Mailing Address

_____

City, State, Zip Code

Business Telephone: _____

Facsimile: _____

E-mail address: _____

Please indicate preferred mode of receipt of notices and information relating to the Company: □ facsimile or □ e-mail

Please indicate the number of Units and Capital Commitment to the Company. _____ / $_____
Units Capital Commitment

Future Fund Distribution Instructions: Please wire any future distributions or returns of capital to:

Bank Name: _____

ABA #: _____

A/c #: _____

Account for: _____

Re: Mid-Atlantic Capital Fund, LLC Distribution

Date of execution by Investor: _____

Social Security or Taxpayer I.D. No: _____

State in which Subscription Agreement Signed: _____

By: _____
Signature of Investor or Authorized Representative (if not an individual)

_____
(print name, capacity and title above, if applicable)

Date: _____

ACCEPTANCE OF SUBSCRIPTION
**(to be signed only by Manager)**

The Manager hereby accepts the above subscription for Class A Units and the Capital Commitment on behalf of the Company:

MID-ATLANTIC CAPITAL FUND MANAGEMENT, LLC,
as Manager of Mid-Atlantic Capital Fund, LLC

By: _____
Name: _____
Title: _____

Date: _____

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement") is made effective this _____ day of _____, 2008, by and among _____ (the "Investor") and Mid-Atlantic Capital Fund, LLC, a Maryland limited liability company (the "Company").

WHEREAS, the Company was organized on May 22, 2008 and is governed by that certain Operating Agreement dated May 22, 2008 (the "Operating Agreement"), which sets forth the terms and conditions of the relationship among the Members of the Company (all terms not otherwise defined in this Agreement shall have the meanings ascribed in the Operating Agreement);

WHEREAS, the Investor has purchased certain Class A Units of membership interests (the "Units") from the Company in the amount set forth on **Schedule A** to the Operating Agreement pursuant to a Subscription Agreement by and between the Company and the Investor; and

WHEREAS, the parties hereto intend that the Investor shall be subject to and bound by all of the terms and conditions of the Operating Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter provided, the parties agree as follows:

1. Agreement to be Bound. The Investor agrees to be subject to the terms and conditions of the Operating Agreement, as if he were a "Class A Member" and an "Interest Holder" thereunder. The Units purchased by the Investor, of any and all classes, shall be subject to all of the terms and provisions of the Operating Agreement, including terms relating to the voting rights, transfer, purchase, and sale of such Units of such class or classes.

2. Consent of Managers. By executing this Agreement, the Manager consents to the admission of the Investor as a Class A Member of the Company.

3. Effect of Agreement. This Agreement and the Operating Agreement contain the entire understanding of the parties with respect to the subject matter hereof, and supersede all prior oral or written communications, agreements or understandings between the parties with respect to the subject matter hereof. This Agreement is intended to modify the provisions of the Operating Agreement; in the event that there is a conflict between the terms of this Agreement and the Operating Agreement, the parties intend that the provisions of this Agreement should govern their respective rights and obligations.

4. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which together will be deemed to constitute one and the same agreement. This Agreement may be executed by facsimile.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**Investor**:

_____
Name: _____

**Mid-Atlantic Capital Fund, LLC**:

By: Mid-Atlantic Capital Fund Management, LLC,
as Manager

By: _____
Chad Tyler, Manager

INVESTOR QUESTIONNAIRE

***Please complete Parts I and II of this Questionnaire***

## I. Verification of Status as "Accredited Investor" under Regulation D

*The Investor represents and warrants that he/she/it is an "accredited investor" within the meaning of Regulation D under the Securities Act and has initialed the applicable statements below pursuant to which the Investor so qualifies. An Investor's investments in the Units cannot exceed ten percent (10%) of the Investor's net worth.*

*PLEASE INITIAL APPLICABLE STATEMENTS BELOW*

1. ___ The Investor has total assets in excess of $5,000,000, AND was not formed for the specific purpose of acquiring the securities offered, AND is any of the following:
   - a corporation;
   - a partnership;
   - a Massachusetts or similar business trust; OR
   - an organization described in Section 501(c)(3) of the Internal Revenue Code.

2. ___ The Investor is any of the following:
   - a bank, or any savings and loan association or other institution acting in its individual or fiduciary capacity;
   - a broker or dealer;
   - an insurance company;
   - an investment company or a business development company under the Investment Company Act of 1940, as amended;
   - a private business development company under the Investment Advisers Act of 1940;
   - a Small Business Investment Company licensed by the U.S. Small Business Administration; OR
   - an employee benefit plan whose investment decision is being made by a plan fiduciary, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan whose total assets are in excess of $5,000,000 or a self-directed employee benefit plan whose investment decisions are made solely by persons that are accredited investors.

3. ___ The Investor is a trust, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000 and whose purchase is directed by a sophisticated person.

4. ___ The Investor is an entity as to which all the equity owners (or, in the case of a trust, all the income beneficiaries) are accredited investors.

5. ___ You are a natural person (individual) whose own net worth, taken together with the net worth of your spouse, exceeds $1,000,000. Net worth for this purpose means total assets (including residence, personal property and other assets) in excess of total liabilities.

6. ___ You are a natural person (individual) who had an individual income in excess of $200,000 in each of the two previous years, or joint income with your spouse in excess of $300,000 in each of those years, and who reasonably expects to reach the same income level in the current year.

7. ___ You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of investing in the Units.

Disclosure of Foreign Citizenship

1.___ You are a citizen, or are organized under the laws, of a country other than the United States.

2.___ If the answer to the preceding question is true, specify the country of which you are a citizen:
_____

**II. Supplemental Data**

Please furnish the following supplemental data:

1. Legal form of entity (corporation, partnership, trust, etc.): _____
   Jurisdiction of organization: _____

2. Is the Investor either a tax-exempt foundation or endowment or a pension, profit-sharing, annuity or employee benefit plan which is both involuntary and non-contributory?

   ____ Yes ____ No

3. If other than December 31, the fiscal year-end of the Investor is _____.
   (Month/Day)

4. Are shareholders, partners or other holders of equity or beneficial interests in the Investor able to decide individually whether to participate, or the extent of their participation, in the Investor's investment in the Fund (i.e., can shareholders in the Investor determine whether their capital will form part of the capital invested by the Investor in the Fund)?

   ____ Yes ____ No

5. Is the Investor a private investment company which is not registered under the 1940 Act in reliance on Section 3(c)(1) thereof?

   ____ Yes ____ No

   If the question above was answered "Yes," does the amount of the Investor's subscription for Units in the Company exceed 40% of the total assets (on a consolidated basis with its subsidiaries) of the Investor?

   ____ Yes ____ No

   If both questions above are answered "Yes," please contact the Manager for additional information that will be required.

6. To the best of the Investor's knowledge, does the Investor control, or is the Investor controlled by or under common control with, any other investor in the Company?

   ____ Yes ____ No

   Will any other person or persons have a beneficial interest in the Units to be acquired hereunder (other than as a shareholder, partner or other beneficial owner of equity interests in the Investor)?

   ____ Yes ____ No

   If either question above was answered "Yes," please contact the Manager for additional information that will be required.

7. Is the Investor an organization described in Section 401(a) of the code?

____ Yes ____ No

8. Does any person or entity hold a direct or indirect equity interest in the Investor of 10% or more, as measured by value?

____ Yes ____ No

If "Yes", identify such persons or entities, and indicate their approximate percentage interest in the Investor.