

**13% Preferred “Participating-in-Equity”  
Trust Deed Secured Series ‘A’ Certificates  
REO Profits Team5, a Delaware Limited Liability Company  
10,000 Series ‘A’ Membership Certificates offered at \$1,000.00 each**

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**AMENDMENT ONE – May 5, 2008**

THE FOLLOWING IS TO BE READ IN CONNECTION WITH THE FULL TEXT OF THIS OFFERING. THIS “AMENDMENT ONE” IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION, RISK FACTORS AND FINANCIAL STATEMENTS APPEARING ELSEWHERE HEREIN. (See “THE COMPANY” and “PLAN OF OPERATION” for a more detailed description of the business.)

**(1) PROVISION FOR NON-BINDING LETTER OF INTENT:** The Company adopted a resolution to allow interested potential investors to forward a non-binding “Letter of Intent” (LOI) prior to actually subscribing to an investment in the Company. When a sufficient number of investors have forwarded an LOI to the Company, it will then call for funds.

**(2) PREFERRED RETURN EARNINGS CALCULATIONS:** The Company adopted a resolution requiring the calculation for the Preferred Return on funds invested in the Series ‘A’ units to start from the date each such investment check clears Company bank accounts.

**(3) AMENDED BUSINESS PLAN:** The Company has amended its Plan of Operation (page 25) to show a primary focus on the acquisition and re-sale of real estate secured first notes and deeds of trust. It plans to acquire them in large bulk quantities for all cash and to then immediately re-sell them to ready investors in sub-groups, and one-at-a-time, for profit. This concept is included in the Company’s original business plan as a secondary option, but due to anticipated lower costs and potentially far faster “turn-around” times than might be expected when buying, repairing, holding and selling real property, Company managers believe it may be a significantly more profitable way for the Company to participate in markets it has identified for itself. One example involving a client a company officer is working with was the acquisition this year of nearly one hundred discounted first mortgages that were acquired at approximately 50% of face value for approximately \$16 million. All were re-sold within sixty days at approximately 70% of face value for a total, mostly cash sales price of about \$22.3 million. There can be no guarantees the Company can consistently duplicate those numbers, or buy and sell discounted first mortgage notes at a profit, and there are none. However Managing Member Gary Erickson was lead director of a major sub-prime lender; contacts and sources he gained through that association, and others developed since then, have identified several potential product sources.

In addition to the foregoing, the Company Plan of Operation continues to allow for participation in bulk-acquisition of very large pools of bank-owned, foreclosed houses for immediate re-sale in smaller geographic sub-groups, and for the acquisition, fix-up, holding and re-sale of foreclosed real properties, should the Company identify potentially profitable opportunities.

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**Exhibits**

*On electronic copies exhibits and enclosures will be in a separate file transmitted with Prospectus.*

Exhibit " A "	Example Promissory Note and Master Agreement for Trustee
Exhibit " B "	Delaware Certificate of Formation
Exhibit " C "	Legal Opinion
Exhibit " D "	Operating Agreement
Exhibit " E "	Feasible Investment” for IRA or other types of Retirement Accounts
Exhibit " F "	Specimen of Membership Certificate

**Enclosures**

Enclosure	Prospectus Receipt
Enclosure	Offering Questionnaire
Enclosure	Subscription Agreement

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REO Profits Team5 (“REPT5”, also “the Company”) plans to acquire deeply discounted estate secured first notes and deeds of trust and to then immediately re-sell them for profit, or work out refinancing arrangements with the underlying real property owners, again at a profit. It may also buy bank owned real properties (the properties) at deep discounts below current market value, with the intention of reselling them at a profit. If an exceptional opportunity presents itself, it may participate with other investors in very large pool liquidations of real properties acquired at exceptionally high discounts for resale. REPT5 may refinance and hold assets that do not sell quickly, in order to more quickly return investor capital. (See “PLAN OF OPERATION”.)

**Series ‘A’ Certificates** (‘A’ units): Investors will each be issued a promissory note (“the Notes”) that is to be secured by assets REPT5 plans to acquire. A third party trustee will hold the Notes, which carry 13% non-compounded interest and are due when the assets securing them are sold or refinanced. Investors in addition will participate with the offering sponsors in any net equitable gains realized as assets are liquidated. They are to receive the minimum stated 13% preferred return on their investment, or half of the profits of the venture, whichever is greater. There are no guarantees, however; they may receive less, or experience a loss, and there are certain risks. (See “THE COMPANY, ‘A’ Units - Potential for Additional Return” and “RISK FACTORS”.)

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH NOR APPROVED OR DISAPPROVED neither BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR BY THE CALIFORNIA OR DELAWARE COMMISSIONER OF CORPORATIONS, OR HAS ANY COMMISSION OR AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE OFFER AND SALE OF MEMBERSHIP CERTIFICATES IS RESTRICTED TO RESIDENTS OF THE STATE OF CALIFORNIA. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, NOR A SOLICITATION OF AN OFFER TO BUY, TO A RESIDENT OF ANY OTHER STATE.

**Price, Placement Fees and Proceeds Table**

	Price to Investors (1)	Placement Fees or Commissions (2)	Proceeds to Company (3)
<u>INVESTMENT AMOUNTS:</u>			
Membership Certificate	\$ 1,000.00	\$ 0.0	\$ 1,000.00
Minimum Investment (4)	\$ 25,000.00	\$ 0.0	\$ 25,000.00
Minimum Offering (5)	\$ 500,000.00	\$ 0.0	\$ 500,000.00
Maximum Offering (6)	\$10,000,000.00	\$ 0.0	\$10,000,000.00

- Parenthesized numbers in table above refer to the numbered paragraphs below.

- (1) There is no firm commitment to purchase or sell any of the units. Accordingly, payment of the proceeds to REPT5 from this offering will only be made with respect to units actually sold. The offering price has been determined by the Company and is not related to its assets, earnings or any other generally accepted criteria of value. All offering proceeds will be used for acquisition of the properties, for property acquisition costs including certain commissions and fees paid to Sponsor, working capital reserves, and to pay the offering expenses. The Company reserves the right to reject any subscription in whole or in part and to withdraw the offering at any time. (See "THE COMPANY", "RISK FACTORS" and "EXHIBIT D – Operating Agreement, Article XI".)
- (2) The units offered hereby are being offered and sold on a best efforts basis, only by the principals of REPT5, to persons who meet the qualifications necessary for an investment in the offering. No fees or commissions are being paid for the sale of the units; however a real estate referral fee (technically a "finder's fee") may be paid to licensed real estate brokers and others by the sponsors directly from real estate commissions earned when the properties are acquired. The offering will continue until all units offered hereby are sold, or until October 30, 2008, unless it is otherwise extended or terminated. The Company may terminate the offering at any time. (See "INVESTOR SUITABILITY REQUIREMENTS" and "OFFERING AND SALE OF THE UNITS".)
- (3) The principals will be reimbursed all costs and expenses to cover time, mileage, meeting rooms, copy fees, postage, legal, accounting and other actual and estimated expenses of the offering. The minimum amount of this expense will be \$15,900.00 and the maximum amount of this expense is estimated to be 1% of actual funds raised from sale of the offering in any amounts above \$3.1 million, whichever is greater. Amount shown is before reimbursement of those expenses.
- (4) The minimum investment is \$25,000.00. The Company has the right at its sole discretion to accept smaller investment amounts on a case-by-case basis.
- (5) All proceeds received from the sale of units will be held in a segregated account for REPT5 until the minimum offering amount is reached. If the minimum is not received within four months of receipt of funds, all funds will be returned to investors in full, without interest. There are not, and there can not be, any guarantees the minimum or maximum offering amount will be sufficient for the needs of REPT5, nor if additional capital is needed, that it will be available. (See "RISK FACTORS - Limited Capitalization of the Company".)
- (6) The Minimum and Maximum Offering amounts are five hundred thousand dollars (\$500,000.00) and ten million dollars (\$10,000,000.00) respectively.

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Delivery of Membership Certificates will be made after the completion of this offering.

REO Profits Team5 was formed April 8, 2008 as a Delaware Limited Liability Company by its Managing Members, Mr. G. Patrick Dague and Mr. Gary Erickson. Its additional sponsors, also Company officers, are Ms. Michelle Brown and Mr. Mike Abdelnour.

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**Mr. Dague** is an associate of the Broughton Group, a division of Fusion Mortgage Corporation. He sets up joint ventures designed to acquire and re-sell certain of the properties and deeply discounted mortgage notes compiled through the Broughton Group. Mr. Dague was trained in New York City on Wall Street in the early 1980's in real estate investment securities and was subsequently employed as the branch manager of a securities firm. He has in addition been a licensed and active real estate broker since 1977 and is currently licensed as such in Washington State and in California. His recent past experience includes a position as head of joint venture acquisitions for a well respected southern California commercial brokerage firm. During the course of his career, in addition to his commercial brokerage activity, he has acted as broker of record for over one thousand single family home purchase and sale transactions. He has also acquired numerous single-family rental properties for his own account and has significant experience fixing them and re-selling them at a profit, as well as holding and managing others as rentals for his own account.

**Mr. Erickson** is a retired Navy Captain, real estate attorney and broker, corporate president and CEO, and corporate director. He earned his Juris Doctor degree from the Lewis and Clark Law School in 1983 and a Masters of Laws degree in Taxation from the University of San Diego School of Law in 1992. He is an active member of the State Bars of California and Oregon and is a licensed real estate broker in California. Mr. Erickson practiced law for five years emphasizing real estate law and related litigation and taxation matters. He served as Lead Director for a publicly traded national mortgage bank for four years and was a key participant in the negotiation of the sale of the company for \$360 million. Mr. Erickson currently serves as corporate counsel and as a member of the Board of Directors of a fast growing intellectual property company. Mr. Erickson is President and CEO of Seacoast Real Estate & Development Co., Inc. a Southern California based real estate sales and development company. He and Mr. Dague formerly worked together in the same office.

**Ms. Brown** is a Real Estate Attorney and Real Estate Broker. She has practiced law for over 20 years with an emphasis in real estate development, commercial leasing, and business consulting. Ms. Brown served as in house counsel for SAIC and for MediaFLO USA, a subsidiary of Qualcomm, Inc. She is currently a partner in her own practice, Williamson & Brown. Ms. Brown graduated from the University of California, San Diego in 1982 with Bachelor of Arts degree in Economics. She earned her Juris Doctor degree from the University of the Pacific, McGeorge School of Law, Sacramento in 1986. Ms. Brown is an active member of the State Bar of California and is a licensed real estate broker in California. She is a member of the American Bar Association, and the San Diego County Bar Association.

**Mr. Abdelnour** is currently a licensed General Contractor in the State of California. He is the President of MGA Enterprises Inc., dba Hammer & Nails Construction Company, a residential and commercial restoration construction company. Mr. Abdelnour retired from public education after thirty-five years as a teacher and administrator. During and after his public education career he personally acquired, painted or otherwise repaired and fixed up as necessary over one hundred residential units, and resold them for his own account, including a number of properties acquired and /or sold with the help of Mr. Dague.

REPT5 itself is a new, start-up venture with no previous history of operations or sales and

no revenues. There are therefore no guarantees, and there can be none, that the objectives of REPT5 as stated above and elsewhere in this memorandum can or will be met. (See "MANAGEMENT" and "RISK FACTORS".)

Proceeds of the offering will be used to acquire residential real properties at deep discounts for resale at a profit, and may alternatively be used to acquire deeply discounted trust deed secured mortgage notes for resale at a profit. Expenses related thereto will also be drawn from offering proceeds, including acquisition costs, costs of the offering itself, repair and fix-up costs of real properties as may be necessary, and other and related costs of REPT5 as an operating business entity. The sponsors intend for all or a majority of the assets acquired to be re-sold quickly at substantial profits. The actual return on an investment in the offering will depend on the overall financial performance of the Company with respect to profits earned from such acquisitions and re-sales. In the case of residential properties acquired, if some of them do not sell within a reasonable period of time they may be refinanced to return investor capital and then held as rentals. The return to investors in the offering may be more or less than the stated 13% preferred return. Moreover it is possible some portion of the return on their investment could include the distribution, via a trustee acting on their behalf, of certain real property assets and/or secured notes. In addition it is possible they could experience a loss. If there are losses they will accrue 100% to the investors in the offering. The offering sponsors will earn certain fees regardless of overall gains or losses. (See "EXHIBIT "A" – Example Promissory Note and Master Agreement for Trustee", "REMUNERATION OF MANAGING MEMBERS" and "RISK FACTORS".)

As of the date of this memorandum REPT5 has not acquired the real properties and / or financial assets it anticipates it will purchase with the use, in whole or in part, of the proceeds of this offering. It has no revenues from operations or any present experience operating, repairing as needed, listing for sale and selling the properties. It therefore also has not to date shown either a profit or a loss from operations. (See "RISK FACTORS".)

The offering price for the units has been determined by REPT5 and is not related to its assets, earnings, or other generally accepted criteria of value. (See "RISK FACTORS".)

The units are not freely transferable and no public market for them exists. Accordingly, the units should be purchased only as a long-term investment. (See "RISK FACTORS - Lack of Liquidity, No Trading Market" and "RISK FACTORS - Present Compliance with State and Federal Securities Laws".)

This offering represents a speculative, non-liquid investment involving certain risk factors, potential dilution, and compensation to the Managing and Other sponsors of the Company in the form a share of the potential share of the profits of the Company, if any, as well as certain real estate commissions and other fees the Managing Members may earn. The "Minimum Proceeds" limit set in this offering to begin operations is five hundred thousand dollars (\$500,000.00). The maximum offering amount is ten million dollars (\$10,000,000.00).

The mailing address for the Company is in care of Mr. Gary Erickson, 3061 Clairemont Drive, San Diego, CA 92117. All Membership Certificates are being sold by REPT5. The offering price was determined by the offering sponsors and is not related to the assets, earnings, book value or other generally accepted criteria of value of the Company.

As of this date REPT5 has four Series '1' units (Membership Certificates) outstanding, one each of which is held by each of the four Company sponsors. No more of the Series '1' Membership Certificates may be issued. (See "MANAGEMENT", "RISK FACTORS", "USE OF PROCEEDS" and "REMUNERATION OF MANAGING MEMBERS".)

THESE MEMBERSHIP CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968 AND ARE OFFERED IN RELIANCE ON EXEMPTIONS PROVIDED BY SUCH LAWS, INCLUDING THE EXEMPTION PROVIDED BY SECTION 4(2) AND 3(a)11 OF THE 1933 ACT AND RULE 147 PROMULGATED THEREUNDER AND, AS APPLICABLE, SECTIONS 25102(f) OF THE CALIFORNIA CORPORATIONS CODE. THIS MEMORANDUM IS CONFIDENTIAL AND MAY NOT BE REPRODUCED. THE UNITS MUST BE ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE 1933 ACT AND UNDER APPLICABLE STATE ACTS OR AN EXEMPTION FROM SUCH REGISTRATION. IN ADDITION TO OTHER RESTRICTIONS ON TRANSFER, THE UNITS MAY NOT BE RESOLD OR TRANSFERRED TO ANY PERSON WHO IS NOT A CALIFORNIA RESIDENT FOR A PERIOD OF ONE YEAR FOLLOWING COMPLETION OF THIS OFFERING. ANY ACTION CONTRARY TO THESE RESTRICTIONS MAY PLACE THE PERSON TAKING SUCH ACTION AND THE ISSUER IN VIOLATION OF FEDERAL AND STATE SECURITIES LAWS. ACCORDINGLY, THE PURCHASE OF THESE UNITS SHOULD BE CONSIDERED ONLY FOR LONG-TERM INVESTMENT. (See "RISK FACTORS" and "SUITABILITY REQUIREMENTS".)

THESE SECURITIES ARE SPECULATIVE AND INVOLVE CERTAIN RISKS. THE PURCHASE THEREOF SHOULD BE CONSIDERED ONLY BY THOSE PERSONS WHO CAN AFFORD THE RISKS ASSOCIATED WITH THE INVESTMENT. (SEE "RISK FACTORS".)

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING IN ADDITION TO THE RISK FACTORS AND OTHER DISCLOSURES CONTAINED IN THE BODY OF THE MEMORANDUM:

THE SECURITIES OFFERED HEREBY MAY BE OFFERED AND SOLD ONLY TO INVESTORS WHO MEET INVESTOR SUITABILITY REQUIREMENTS SET FORTH IN THIS PRIVATE PLACEMENT MEMORANDUM UNDER "INVESTOR SUITABILITY REQUIREMENTS".

THE SECURITIES ARE OFFERED ONLY TO INVESTORS WHO ARE CAPABLE OF BEARING THE ECONOMIC RISK OF THIS INVESTMENT, AND WHO PERSONALLY, AND/OR BECAUSE OF INDEPENDENT ADVISORS, HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT THEY ARE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THESE SECURITIES.

THE INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM IS

FURNISHED ON A CONFIDENTIAL BASIS. IT IS ONLY FOR USE BY THE INVESTOR TO WHOM IT WAS DELIVERED OR MADE AVAILABLE, AND BY HIS REPRESENTATIVES. BY ACCEPTANCE OF THIS PRIVATE PLACEMENT MEMORANDUM EACH INVESTOR AND HIS REPRESENTATIVES AGREE NOT TO TRANSMIT, REPRODUCE, OR MAKE THIS MEMORANDUM AVAILABLE TO ANOTHER PERSON.

REPT5 UNDERTAKES (1) TO MAKE AVAILABLE TO EVERY OFFEREE AND ITS REPRESENTATIVES, DURING THE COURSE OF THIS TRANSACTION AND PRIOR TO SALE, ANY REASONABLY AVAILABLE INFORMATION REQUESTED BY THEM REGARDING REPT5 AND THE PROPERTY, (2) TO GIVE EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, REPT5 OR ANY PERSON ACTING ON ITS BEHALF CONCERNING ALL TERMS AND CONDITIONS OF THIS OFFERING AND (3) TO OBTAIN ANY ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF INFORMATION MADE AVAILABLE.

PRIOR TO MAKING AN INVESTMENT DECISION RESPECTING THE SECURITIES OFFERED HEREBY, A PROSPECTIVE INVESTOR SHOULD CAREFULLY REVIEW AND CONSIDER THE CONTENTS OF THE ENTIRE PRIVATE PLACEMENT MEMORANDUM. PROSPECTIVE INVESTORS ARE URGED TO MAKE ARRANGEMENTS WITH REPT5 TO INSPECT ANY DOCUMENT REFERRED TO IN THIS PRIVATE PLACEMENT MEMORANDUM AND OTHER DATA RELATING TO THIS OFFERING. THE MANAGING MEMBER(S) OF REPT5 ARE AVAILABLE TO DISCUSS WITH PROSPECTIVE INVESTORS ANY MATTER SET FORTH IN THIS PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER MATTER RELATING TO THE SECURITIES OFFERED HEREBY IN ORDER THAT PROSPECTIVE INVESTORS AND THEIR REPRESENTATIVES MAY HAVE ALL REASONABLY AVAILABLE INFORMATION, FINANCIAL AND OTHERWISE, RELATING TO THIS INVESTMENT.

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM, EXCEPT AS IS MADE AVAILABLE BY REPT5 PURSUANT TO THE ABOVE UNDERTAKINGS. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF REPT5 SINCE THE DATE HEREOF.

ANY PREDICTIONS AND REPRESENTATIONS, WRITTEN OR ORAL, WHICH DO NOT CONFORM TO THOSE CONTAINED IN THE PRIVATE PLACEMENT MEMORANDUM, SHOULD BE DISREGARDED. THEIR USE IS A VIOLATION OF LAW. THESE SECURITIES ARE OFFERED SUBJECT TO PRIOR SALE, WITHDRAWAL, OR

MODIFICATION OF THE OFFER AT ANY TIME, WITH OR WITHOUT NOTICE.

Forward-Looking Statements

This statement is being included in connection with the safe harbor provision of the Private Securities Litigation Reform Act. This Memorandum contains forward-looking statements. Such statements are based upon management's current expectations, beliefs, and assumptions about future events, and are other than statements of historical fact and involve a number of risks and uncertainties. The use in this Memorandum of words such as "believes," "anticipates," "expects," "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. In addition to those factors discussed herein, important factors that could cause actual results to differ materially from those in forward-looking statements are, among others, market acceptance of the Company's services and products, competition and the availability of financing.

Nomenclature

The words "Membership Certificates", "certificates" and "units" are used interchangeably throughout the body of this memorandum and each such use refers to the Series 'A' Membership Certificates offered hereby unless expressly stated in context to refer to the Series '1' Membership Certificates.

Contact Information

REO Profits Team1 * c/o Mr. Gary Erickson, Attorney at Law 3061 Clairemont Drive, San Diego, CA 92117. (619) 275-3866, extension 209.
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## SUMMARY OF THE OFFERING

THE FOLLOWING IS A SUMMARY OF ONLY CERTAIN TERMS OF THIS OFFERING AND IS TO BE READ IN CONNECTION WITH THE FULL TEXT OF THIS OFFERING. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION, RISK FACTORS AND FINANCIAL STATEMENTS APPEARING ELSEWHERE HEREIN. THE UNITS OFFERED HEREBY WILL BE OFFERED AND SOLD ONLY TO PERSONS WHO MEET THE SUITABILITY REQUIREMENTS OF THE OFFERING. (See "THE COMPANY" and "PLAN OF OPERATION" for a more detailed description of the business.)

The Company	REO Profits Team5 ("REPT5", alternatively "the Company") was formed as a Limited Liability Company under the laws of the state of Delaware on April 8, 2008. The main offices of the Company are in San Diego, California. (See "THE COMPANY".)
Plan of Operation	The Company intends to acquire deeply discounted estate secured first notes and deeds of trust and to then immediately re-sell them for profit, or work out refinancing arrangements with the underlying real property owners, again at a profit. It may also buy bank owned real properties (the properties) at deep discounts below <u>current</u> market value, with the intention of reselling them at a profit. If an exceptional opportunity presents itself, it may participate with other investors in very large pool liquidations of real properties acquired at exceptionally high discounts for resale. REPT5 may refinance and hold assets that do not sell quickly, in order to more quickly return investor capital. (See "PLAN OF OPERATION".)
Holding Times	The Company intends for the assets it acquires to be held for a short period pending re-sale or work-out financing with underlying property owners. Actual holding time for each such acquired asset will depend on performance of the individual properties and on overall market conditions at planned time of sale. (See "PLAN OF OPERATION".)
Preferred 13% Return	The "preferred return" referenced in this memorandum refers to a minimum 13% annualized non-compounded preferred return to investors in the offering <u>before</u> the offering sponsors may participate in any net gains whatsoever on any partial or final future sale of the assets it acquires. The "preferred return" is a structured sharing arrangement between offering sponsors and investors in the offering which favors investors with up to 100% of all net gains received on any future sales of the properties being payable to them, if necessary, to reach the minimum targeted 13% per annum non-compounded preferred stated herein for them, with the sponsor portion adjusting downward as necessary, to and including zero, in order to meet the preferred return to investors. (See "THE COMPANY – Preferred Return and Sponsor Participation" and "RISK FACTORS".)

Series 'A' Units	For investors in the 'A' units the Company will execute "participating in-equity" notes in the exact amount of their investment to each investor. Those notes will generally to be secured by the assets of the Company and will have a stated face interest of 13% per annum, non-compounded. (See "THE COMPANY - Series 'A' Membership Certificates", "EXHIBIT 'A' – Example Promissory Note and Master Agreement for Trustees" and "RISK FACTORS".)
IRA / Retirement Account Funds	The Company has established a reasonable basis to meet the legal requirements as an investment held within IRA and other retirement accounts. (See "EXHIBIT 'E' - Feasible Investment for IRA and other types of Retirement Accounts".)
Management	As of the date of this Memorandum the Company has two Managing Members, Mr. G. Patrick Dague and Mr. Gary Erickson. (See "MANAGEMENT".)
Credit Line	The Company may obtain a credit line in order to maintain availability of funds to help achieve the investment objectives of the Company.
No Public Market	The Membership Certificates offered hereby will not have a ready public or private market. They will not be registered or readily transferable. (See "RISK FACTORS" and "EXHIBIT D – Operating Agreement".)
Minimum Funding	The Company must raise a minimum of five hundred thousand dollars (\$500,000.00) to begin operations. The minimum investment is twenty five thousand dollars (\$25,000.00) in the units, unless waived by the Company.
Investing in the Units	Persons interested in investing in the offering will be required to complete certain documents including a Prospectus Receipt, an Offeree Questionnaire and a Subscription Agreement. They will also be required to approve and sign the Operating Agreement of the Company. (See "HOW TO SUBSCRIBE" and "EXHIBIT 'D' – Operating Agreement".)
Risk Factors	Well selected real estate and financial instruments related thereto have proven over the years to be excellent investment vehicles. Nonetheless, an investment in the Membership Certificates offered hereby involves certain risks that should be carefully considered before making an investment in the units. (See "RISK FACTORS")
Certificates Authorized	The Company, under its Operating Agreement, has authorized a total of ten thousand (10,000) of the Series 'A' Membership Certificates" to be offered and sold at \$1,000.00 each. (See "EXHIBIT 'D' – Operating Agreement, Article IV, Membership Certificates Authorized".)
Certificates Outstanding	Four Membership Certificates are outstanding as of the date of this memorandum. They are Series '1' Membership Certificates held by the two Managing Members and the two other sponsors of the Company,

which allow them to participate in profits of the Company under certain conditions. (See “THE COMPANY - Series ‘1’ Membership Certificates” and “REMUNERATION OF MANAGING MEMEBRS”.)

The Offering           The offering is for ten thousand of the Series ‘A’ units. The Company has created this offering Memorandum to offer and sell its Membership Certificates to potential investors who meet certain requirements. (See “INVESTOR SUITABILITY REQUIREMENTS” and “OFFERING AND SALE OF THE UNITS”.)

Offering Total           The minimum and maximum total of the Certificates offered are:

	MINIMUM	MAXIMUM
<u>Certificates Offered by Company:</u>		
‘A’ Membership Certificates	500	10,000
<u>Certificates Out after Offering:</u>		
‘A’ Membership Certificates	500	10,000
<u>Certificates Currently Outstanding:</u>		
Series “1” (Management Participation Certificates)	4	4

Minimum and Maximum Offering amounts are for total subscription of the Series ‘A’ units. No Series ‘1’ Certificates are offered and none may be sold.

Voting Rights           Investors in the offering have certain voting rights. (See “THE COMPANY - Voting Rights and Control of the Company” and “EXHIBIT ‘D’ – Operating Agreement, Article VI, Voting Rights”.)

Qualification of Investors           The offering will be extended to up to thirty-five (35) “non-accredited” investors plus an unlimited number of accredited “excluded purchasers”. (See “INVESTOR SUITABILITY REQUIREMENTS”)

Use of Proceeds           All net proceeds will be used for property acquisition costs, working capital and working capital reserves. (See “THE COMPANY – expenses of the offering”, “USE OF PROCEEDS” and “RISK FACTORS - Limited Capitalization of Company.”)

Sponsors Share in Profits/Cash Flow           Sponsors of the offering may, subject to certain conditions, share in net profits realized on sale of Company owned assets. (See “THE COMPANY- Preferred Return and Sponsor Participation”).

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Financial Data

The following is selected financial data for the Company as of April 8, 2008

	<u>Assets</u>	<u>Certificated Members Liabilities + Equity</u>
Cash	\$ 100	* Note Payable: \$31,900
Organizational Expenses	\$ 1,900	Members Equity: \$ 0
Pre-paid legal & Business Fees	<u>\$29,900</u>	
<b>TOTAL ASSETS</b>	<u>\$31,900</u>	<b>LIABILITIES + Members Equity</b> <u>\$31,900.00</u>

- A note payable to certain sponsors of the offering in the amount of \$31,900.00 for legal fees, time and effort in setting up the offering and certain other pre-formation and formation expenses will be paid out of offering proceeds, \$15,900.00 of which shall be paid when the Company reaches a minimum of \$500,000 in Series 'A' units sold. The remaining \$16,000.00 balance shall be paid on a pro-rated basis as the next \$500,000.00 of the Series 'A' units are sold. Total fees and other costs for the offering, which may include review by Company legal counsel of investor subscription agreements, are unknown as of the date of this Memorandum, as are certain marketing and other expenses, but in any event are not expected to exceed the greater of \$31,900.00 or 1% of the total proceeds of the offering.

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## MARKET BASIS FOR OPPORTUNITY

The Wall Street Journal reports that of the approximately \$2.5 trillion in sub-prime loans made during the last few years, \$1.5 trillion of them were made between 2004 and 2006. About one-third (1/3) of those outstanding loans reset with higher interest rates in 2007, and nearly two-thirds (2/3) are scheduled to reset in 2008. As these mortgages reset to significantly higher interest rates homeowners, both owner-occupants and investors, have had to struggle to make the higher payments, and often have been unable to do so. There are, as a result, a historically high and increasing number of non-performing trust deed secured mortgage notes. This has led directly to a record number of foreclosed single-family homes and an exceptionally high number of **foreclosed commercial properties** owned by financial institutions in their “Real Estate Owned” (hereafter “REO”) portfolios. (See Wall Street Journal Article, front page, October 11, 2007.)

### Mortgages Held in Large Pools

Most real estate mortgages are held in “pools” typically ranging from several hundred million dollars to well over one billion dollars in size. Even in today’s credit market most all of the mortgages held in those large mortgage pools continue to perform well, with the borrowers making regular monthly payments. Nonetheless those that are not performing are estimated, as of the date of this memorandum, to be at least one out of every thirty one mortgage notes, with that number expected to increase throughout 2008 and into the early months of 2009. When a mortgage pool contains a large number of REO properties it greatly reduces the marketability of that particular pool, reducing its overall value substantially. Moreover, significant additional cash reserves must be held against all REO properties by a financial institution that owns and controls a mortgage pool with REO assets in it. For these reasons banks and other financial institutions with non-performing notes and REO portfolios often liquidate them through a variety of avenues.

### Bank Efforts to List and Sell Foreclosed Properties with Brokers

In normal markets banks and financial institutions managing large mortgage pools will most often list properties acquired because of foreclosure with local real estate brokers. Those financial institutions usually establish an office called a “work-out department” staffed by mid-level bank officers who are instructed to work within a rigid set of parameters while attempting to negotiate and close the sale of those properties, one-by-one, to individual buyers. Their mandate is to obtain the highest possible price they can for each REO property file that crosses their desk. That is in fact what any particular REO represents to most mid-level bank officers in an REO work-out department; it is another file to be handled. Such bank officers are typically limited by written bank policy to giving a maximum discount of between 5% and 10% of the then-current value of the property to facilitate the sale of any particular property. Moreover they are (a) never authorized to carry any financing on behalf of the bank, (b) are limited by written bank policy as to the amount of closing costs they can credit to an otherwise qualified buyer and (c) are typically required to pay below industry standard commissions to real estate brokers assisting them with the sales. In addition, where an individual property owner will usually respond to a purchase offer immediately and then work diligently with the buyer and his real estate agent to close the sale, bank officers in work-out departments are notorious in the industry for the slow speed at which even very good transactions progress. Not surprisingly, in slow markets in which there are numerous other motivated sellers, the liquidation of REOs via bank

work-out departments slows dramatically. When that happens, coupled with large and increasing numbers of foreclosures as is the case now, bank REO inventories climb dramatically and the board of directors of those banks take extraordinary steps to liquidate that inventory, including both the pre-foreclosure sale of non-performing mortgage notes as well as selling REOs in bulk.

### Board Level Decisions for Bulk Liquidations

When REO decisions about liquidating non-performing mortgages and REOs move from mid-level bank managers making “one-at-a-time” decisions to the board of directors of the financial institution holding those assets the parameters change substantially, becoming far more favorable to buyers. This is because liquidating non-performing assets significantly increases the market value of the remaining mortgages in any given mortgage pool. Regarding REOs, liquidating in bulk quantities substantially reduces the amount of cash reserves a bank is required to hold against them, and allows the bank to put the money received back to work in their normal business model. With both non-performing mortgage notes and REOs, the loss experienced by taking these steps, as a percentage of the portfolio value, is relatively small. Moreover the losses at that point have already been written off. By selling non-performing assets those already recognized losses are promptly mitigated by a cash infusion.

The board of directors of any bank is never interested in selling such non-performing assets “one-at-a-time”, however. When such decisions are made at that level they typically want to sell them quickly, in large quantities for cash, in amounts of tens of millions of dollars at a time.

### Cash Requirements, Discounts and Usual Buyers

When decisions are made at the board level of a financial institution to REOs in bulk, such properties will often be liquidated at discounts of 30% to 50% below current market value, or more. Non-performing mortgage notes are often liquidated at even *greater* discounts. The buyers are normally other large financial institutions and very sophisticated wealthy investors. Smaller investors are not typically able to participate in these large bulk sale liquidations. However REPT4 intends to participate in this market with its investors. The Company also has the potential, although there are no guarantees and there can be none, to participate as well in the market described in the paragraph below.

### Extreme Discounts for Securitized and Government Backed Loan REOs

From time to time either a securitized or a government backed loan portfolio of non-performing notes or REOs may be liquidated at extremely high discounts, hypothetically as much as 70% (or more) below current market values, as happened during the late 1980's when the Resolution Trust Corporation was actively liquidating the properties of failed savings and loan companies. These are usually extremely large pools, with market values as much as a billion dollars or more and the buyers are usually other large financial institutions. The profit potential in them is extraordinarily high because these large pools are immediately broken up and re-sold to smaller investment groups for cash at discounts more ordinarily available in the market, i.e. 30% to 50% below current value, with the potential for short term financing from a major financial institution to help leverage those already significant profits. (See “PLAN OF OPERATION”.)

## THE COMPANY

REO Profits Team5, LLC was formed April 8, 2008 as a Delaware Limited Liability Company by its Managing Members, Mr. G. Patrick Dague and Mr. Gary Erickson. Its other sponsors, also Company officers, are Ms. Michelle Brown and Mr. Mike Abdelnour. The objectives of the Company are profit and growth. REPT5 plans to accomplish these objectives through the purchase of deeply discounted estate secured first notes and deeds of trust, and to then immediately re-sell them for profit, or work out refinancing arrangements with the underlying real property owners, again at a profit. It may also buy bank owned real properties (the properties) at deep discounts below current market value, with the intention of reselling them at a profit. If an exceptional opportunity presents itself, it may participate with other investors in very large pool liquidations of real properties acquired at exceptionally high discounts for resale. REPT5 may refinance and hold assets that do not sell quickly, in order to more quickly return investor capital. (See "PLAN OF OPERATION".)

### Series '1' Membership Certificates

As of the date hereof the Company has four (4) Series '1' Membership Certificates outstanding. The Series "1" units (Management Participation Certificates) are solely held by Mr. G. Patrick Dague, Company co-founder, Mr. Gary Erickson, and Company sponsors Ms. Michelle Brown and Mr. Mike Abdelnour. They were issued in consideration of their pre-formation efforts and payment of certain expenses; these membership certificates give the Managing Members the potential right, subject to a minimum stated preferred return to investors in the offering, to participate in certain gains, if any, on final sale of the Company's interest in the property. Those Membership Certificates remain with sponsors even if they were to be replaced for any reason as officers of the Company. (See "THE COMPANY - Preferred Return and Sponsor Participation", "REMUNERATION OF MANAGING MEMBERS", "EXHIBIT 'D' - Operating Agreement, Article IV" and "RISK FACTORS".)

### Series 'A' Membership Certificates – Notes Issued in Care of Trustee with Pledged Security

As of the date hereof there are no Series 'A' Membership Certificates outstanding. When subscribed, 'A' unit investors will each, in addition to their Membership Certificate, be issued a promissory note ("Notes") by the Company, payable in care of the Note Trustee, in the exact amount of their investment, each with a face interest rate of thirteen percent (13%) per annum, non-compounded. As beneficiaries of the Notes each 'A' unit investor shall have a security interest in any real property and financial assets (trust deed secured mortgage notes) the Company may acquire in an amount equal to the outstanding balance of the Note each one holds, including all accrued and unpaid interest thereon. In the case of real property held, owned and controlled by the Company that is acquired for all cash, which the Company reasonably expects it may hold for a period of ninety (90) days or longer before selling it, the Company shall cause a First Deed of Trust to be recorded against that property in favor of Note Trustee, for him to hold as security for benefit of the 'A' unit beneficiaries of the Notes. The interest of 'A' unit beneficiaries in the assets used as security for the Notes shall otherwise be junior to any financing used when such assets are acquired by the Company, if any financing is used, and junior to any refinancing of those assets, if such assets are refinanced. (See "Exhibit 'A' – Example Promissory Note and Master Agreement for Trustee", "RISK FACTORS - Deed of Trust Security Follows After Acquisition of Real Properties" and "PLAN OF OPERATION".)

## 'A' Unit Note Yields Depend on Performance of Company

All intended yields and anticipated distributions to 'A' unit investors will be dependent on the performance of the discounted real properties and discounted financial assets the Company intends to acquire and resell or refinance. It may also depend, in the case of any real properties the Company may acquire that do not sell quickly, on their performance in the rental market. Offering sponsors believe the Company will perform well, however, there are no guarantees and there can be none. The sponsors will earn certain fees regardless of overall gains or losses. (See "EXHIBIT 'A' – Example Promissory Note and Master Agreement for Trustee" and "RISK FACTORS".)

## Series 'A' Membership Certificates – Third Party Note Trustee Acts for 'A' Unit Investors

A third party trustee (the "Note Trustee") will act for benefit of the Series 'A' unit investors. He is responsible, within the parameters of the "Master Agreement for Note Trustee" Note Agreement, to protect their interests. All investors in the 'A' units of the offering will share equally, on a prorated basis determined by the number of 'A' units they hold, in the collective security interest pledged or delivered to the Note Trustee by the Company as security for the individual Notes he holds on behalf of each such 'A' unit Member. Assets pledged as security for the Notes shall be delivered to the Note Trustee within thirty (30) days of being acquired by REPT5, except in the case of such assets it reasonably expects to sell within ninety days.

When a property or financial asset is sold or refinanced the Company will use the proceeds, after all costs and expenses excepting a reasonable reserve for Company operations, to pay off in cash as much as the remaining outstanding total balance of the Notes as possible, first to Principal and then to Interest. The Note Trustee shall distribute such payments, on a pro-rated basis, to each 'A' unit beneficiary holding a Note. In that fashion the Company plans to return to 'A' unit investors as quickly as reasonably possible all of their invested funds, plus the stated 13% non-compounded preferred return they are to earn on the Notes. Until that is accomplished sponsors of the offering may not participate in the profits of the venture. After that is accomplished sponsors may participate with 'A' unit investors in the profits of the venture. (See "PLAN OF OPERATION - Preferred Return Defined and Sponsor Participation.")

## Managing Members have Discretion and Authority Concerning Pledged Assets

The Managing Members have sole discretion, with full power and authority under the terms of both the Operating Agreement of the Company and the "Master Agreement for Note Trustee" note agreement, to act as they think may be in the best interest of the Company with respect to the sale, refinance or other disposition of Company assets. Thus it is possible, among other things, that the Managing Members could require the Note Trustee to release any given asset pledged as security for the Notes, without making payment on the Notes with respect to that particular asset. It is also possible profits from Company operations will not be sufficient to return all funds invested by 'A' unit investors, plus a non-compounded yield of 13% per annum on the Notes, or they may experience a loss. (See "Risk Factors".)

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### Series 'A' Membership Certificates – Names of Third Party Note Trustees

The third party note trustee responsible to the Series 'A' unit investors to oversee and review accounting and payments to them is Mr. Barry W. Ferich. Mr. Ferich is a retired U.S. Marine Corp officer with a master's degree in education. His wife, Mrs. Rachael Ferich, acts as back-up co-trustee with him and has signature authority to act on behalf of 'A' unit investors if he should die, become disabled or otherwise not be available to facilitate business for the investors in the offering. She also has a master's degree in education, and both have excellent credit and an excellent reputation in their community.

Mr. Ferich will hold or control on behalf of the 'A' unit investors all Notes and the security instruments pledged on their behalf by the Company, which will in all cases be deeds of trust recorded against real property. The Note Trustee will not, however, take actual possession of funds to be distributed to 'A' unit Members as the Notes are paid. He will instead approve the accounting for all such payments, including the physical distribution of checks when they are prepared by the accounting professional handling those payments under his direction. He will specifically verify that all Principal and interest have been paid on each Note before marking it as "PAID" and releasing it back to the Company. The Note Trustee shall be paid \$100.00 for each Note he holds, manages and releases on behalf of the 'A' unit investors. In addition he shall earn a fee of \$200.00 per hour for his time in reviewing and handling matters related to any escrow documents or other documents he may handle on behalf of the 'A' unit investors, limited however to a maximum of five hours per month. If his time spent on these matters reasonably and consistently exceeds five hours per month he shall inform the Company and REPT5 may enter negotiations with him concerning that provision in his contract.

### Series 'A' Membership Certificates – Exceptionally Discounted Properties or Notes

The Operating Agreement of the Company recognizes the possibility that from time to time the Company may have an opportunity to participate in the acquisition of very large, exceptionally discounted pools of bank-owned properties or exceptionally discounted trust deed secured mortgage notes, such as happened in the late 1980s when the Resolution Trust Company was liquidating failed savings and loan companies. Discounts of 70% and more were not uncommon. If so, the Company may elect to re-sell immediately the separate interest it acquires in such a pool for cash, broken into smaller units and at a significant profit, to other investors or investment groups. If such an opportunity does arise, and it may not, the Operating Agreement of the Company authorizes the Managing Members, at their discretion, to participate in those acquisitions and immediate re-sales either for all cash, or by use of any debt instrument they believe is reasonable and prudent under the circumstances. If the Company does buy and immediately re-sell such assets or others like it, the holding time will likely be less than thirty (30) days. In that case the Company is not required to deliver a pledged security instrument to the Note Trustee but the REPT5 shall nonetheless make payments on the Notes from profits earned thereby, in care of the Note Trustee, until the Notes are paid in full. (See "Exhibit 'D' – Operating Agreement, Article IV, Membership Certificates Authorized - Sections 4.6 and 4.7", and Article IX, Profits and Losses".)

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## Series 'A' Membership Certificates – Calculated Preferred Return

The participating-in-equity Notes will have an 13% non-compounded, annualized preferred return as their stated face interest rate, with the balance accruing, non-compounded, until they are paid or otherwise settled, or until winding up of operations of the Company and final distributions. All cash distributions to investors in the offering shall be credited first to principal, then to interest

### 'A' Units - Potential for Additional Return

Investors in the 'A' units will, in addition to the above stated preferred return, participate with the offering sponsors in net gains available, if any, on the sale of the financial assets and properties acquired and sold by the Company. After *all* invested funds are first returned to the 'A' unit investors *and* after the minimum targeted 13% preferred return is paid to them, 'A' unit investors in the offering have the potential to share in any "equity" gains and profits that may result from Company business operations. Return of their initial investment to 'A' unit investors, and the herein stated preferred return thereon, does not cancel their investment. Therefore, although there are no guarantees and there can be none, the actual return to investors in the offering may exceed 13%, depending on the overall profits of the venture. (See "THE COMPANY - Preferred Return Defined and Sponsor Participation".)

### Preferred Return Defined and Sponsor Participation

The "preferred return" referenced in this memorandum is based on a structured sharing arrangement between offering sponsors and investors in the offering. This sharing arrangement is set up to favor 'A' unit investors with up to all (100%) of net Company profits being paid to them, with the sponsor portion proportionately decreased down to and including zero (0%) if necessary, to meet the 13% preferred return for 'A' unit investors. The right of the offering sponsors to share in potential net profits which may result from Company operations is vested with the Series '1' Membership Certificates issued to them by the Company at the time of it's formation.

The entire 13% annualized non-compounded preferred return the Company intends for the 'A' unit investors must be paid to them, plus return of their invested capital, before the sponsors receive their first dollar of any net profits that may be earned by the Company. Subject to payment of that return to 'A' unit investors, the offering sponsors are entitled, in addition to any fees they may have earned, to one half (50%) of any net profits earned by REPT5. Thus if sufficient net profits are realized to return the 'A' unit investors their entire investment, plus an 13% annualized non-compounded preferred return thereon, from one half of the net profits of the Company, the offering sponsor shall be entitled to the other half. Net profits above that amount, if any, are to be split 50/50 between sponsors and investors. Therefore, a potential exists for investors to achieve a return on their investment that exceeds 13% per annum.

The potential sponsor portion (50%) of the net profits of the Company will be decreased as necessary to achieve the targeted preferred return of 13% per annum, non-compounded, to 'A' unit investors in the offering. The targeted 13% non-compounded preferred return to investors is, however, not guaranteed. There are no guarantees and there can be none. Investors in the

offering may receive a return of more or less than the intended 13% non-compounded preferred return or they may experience a loss; the return they will experience is unknown. It will depend on the overall financial performance of the properties. (See “REMUNERATION OF MANAGING MEMBERS” and “Exhibit ‘D’ – Operating Agreement”.)

#### Potential for Interim Distributions with Sponsor Participation in Profits

After the Notes are paid in full, plus all accrued interest, to the ‘A’ unit investors, the Managing Members at their sole discretion may make a determination prior to final winding-up of operations of the Company and final distributions as to the approximate amount of profits earned to date by the Company. They may then make one or more interim distributions of those profits to all Members, including the Series ‘1’ Members, as appropriate under the guidelines of the Operating Agreement and the disclosures contained herein. They may do this for example if one or more real properties are held by the Company as a rental property for a period of time, or for any other reason they deem in their sole discretion is reasonable and appropriate. In such event accounting for the share of profits of the Company distributable at that point in time to both the Series ‘A’ and Series ‘1’ unit Members will be completed, and the Managing Members will then distribute as much of those profits to Members as they believe is appropriate. The Series ‘1’ Members (sponsors) share of an interim distribution of profits, if any, would be final in such case and not subject to reimbursement for any reason whatsoever. At time of final winding-up of operations and final distributions of all cash and assets of the Company, the accounting basis for those final distributions shall be figured from the date of the last interim distribution of cash and assets. (See “OPERATING AGREEMENT-Article IX, Section 9.5 and Article X, Section 10.3”.)

#### Potential for Distributions that Include an Interest in Notes or Real Property

Should the Managing Members determine it to be in the best interest of the Company and its Members, they potentially could elect, when a Company owned real property is sold, to carry financing secured by a deed of trust for a for the buyer for part of the proceeds of that sale. They may also acquire trust deed secured mortgage notes, with the intent of reselling them, as financial assets of the Company. While REPT5 intends on selling all assets it acquires for cash at a reasonable profit to the Company, it is possible they may hold some of them for an undetermined time period. The Company Operating Agreement allows, as one form of potential distributions to Members made in care of a trustee, a percentage share of the interest, on a prorated basis, in any note secured by a deed of trust against real property, valued at face amount for the purpose of calculating payment of both Principal and Interest on the Notes. Likewise, should the Managing Members determine at any time that it is in the best interest of the Company to hold any particular real property for a period of one year or more as a rental they could potentially elect to distribute to investors, in care of a trustee, a percentage share of the interest in each such real property at its then-current appraised value, or at a value as determined by a then-current comparative market analysis reviewed and approved by the Managing Members, for the purpose of calculating the principal amount plus the 13% preferred return due to investors at that time. In such event the Operating Agreement of the Company also allows, but does not require, one or more of the Managing Members to act as trustee. (See “Exhibit ‘D’ – Operating Agreement, Article IX, Profits and Losses”.)

### Rental Management Fees

The Company does not intend to buy and hold real properties for long-term investment. Nonetheless, the Managing Member(s) could elect to hold and lease one or more of the real properties it acquires if they determine that to be in the best interest of the Company and its Members after first attempting to market and sell it. In such cases they may refinance the property to recover as much of the Company's money as is reasonably feasible in their discretion and will hire professional property managers, at normal and customary rates, to manage the property. They will also charge the Company a fee for oversight of each such property of 45.00 per month. (See "PLAN OF OPERATION".)

### Company Management Fees

The sponsors will charge the Company a management fee of \$200.00 per month for on-going operation and management of the Company, in addition to any other fees they may earn. (See "REMUNERATION OF MANAGING MEMBERS" and "Exhibit 'D' – Operating Agreement, Article VIII, Management".)

### Other Operating Expenses

The Company intends to operate as much as reasonably possible without many of the fixed expenses normally associated with operating a business, such as separate telephone and fax line costs, company stationary, business cards and other such ancillary business expenses and costs. There will be certain expenses, however, such as property management fees, tax preparation, bank fees, the cost of mailing reports to investors, and other such expenses the company will incur. REPT5 will make every reasonable effort to keep the amount of these expenses low and reasonable; the actual dollar amount of those fees is unknown as of the date of this memorandum.

### Expenditure of Company Funds

The written consent of both Managing Members is required to permit the Company to incur an indebtedness or obligation greater than twenty-five thousand dollars (\$25,000.00). All checks, drafts, or other instruments requiring the Company to make payment of an amount less than ten thousand dollars (\$10,000.00) may be signed by any Manager, acting alone. Any check, draft, or other instrument requiring the Company to make payment in the amount of ten thousand dollars (\$10,000.00) or more shall require the signatures of both Managing Members, or one Managing Member and one Principal Member, acting together. Any Manager or Principal Member, acting alone, may endorse checks, drafts, or other evidence of indebtedness to the Company, but only for deposit into one of the Company's accounts.

### Accounting

The Company intends at least annually, or more often at the discretion of the Managing Members, to generate accounting reports which outline among other things gross income received, administrative and properties expenses, depreciation for tax reporting purposes if applicable, current bank balances and other normal and customary financial report information

ordinarily included in properties financial reports.

### Potential to Cooperate with Other Entities

The Company may cooperate with other, third party entities in order to show proof of minimum funds required to bid on a pool of properties or trust deed secured deeply discounted mortgage notes. That may include cooperation with legal entities that include other companies, private trusts, third party individuals, other companies in which the sponsors may have an interest, and the existing clients of the offering sponsors and their associates. REPT5 may also buy a set of such assets without the need or requirement to cooperate with a third party entity. How it proceeds will depend solely and entirely on market opportunities that become available which the Managing Members wish to act on and the then currently available financial assets of the Company. There is no requirement that REPT5 must band together with any individual person, any other limited liability company, or other legal entity of any kind or type whatsoever. In addition the Company will hold, own and control all of its own assets separately and apart from any and all other companies, persons or legal entities, will have its own entirely separate set of books and will file its own separate tax returns. The profits or losses that result from Company business activities will therefore depend entirely on how well REPT5 can take advantage of available market opportunities, as a separate stand-alone business entity, as those opportunities arise.

### Cash Distributions

The term “Cash Distributions” shall be as described in ARTICLE X of the Company Operating Agreement, and could possibly include certain interests in notes or real property via a trustee acting on behalf of the ‘A’ unit investors. There are no guarantees as to timing and amounts of cash distributions under the offering. All such distributions, if any are made, will be based on funds or other assets available for distributions from Company operations. (See ‘OPERATING AGREEMENT – Article X’.)

### Total of All Membership Certificates

Upon completion of this offering, if fully subscribed, there will be ten thousand and four (10,005) Membership Certificates outstanding. Four of those units will be the Series ‘1’ certificates held by the sponsors; the balance of units will be “Series ‘A’ Membership certificates.

### Voting Rights and Control of the Company

Investors in the ‘A’ units offered hereby have certain voting rights. Those voting rights primarily concern replacement of Managing Member(s) and certain limited rights concerning termination of the Company. Each of the Series ‘1’ units that were individually issued to the offering sponsors also have one vote each on all matters that may come up for a vote.

The Managing Members who sponsored formation of the Company, Mr. G. Patrick Dague and Mr. Gary Erickson, may be replaced at any time by a 75% in interest vote of the investors in the ‘A’ units. This high percentage in interest vote required to remove a Managing Member is

designed to protect all Members from the potential for a costly and/or potentially disruptive future take-over attempt of the Company, given that all Members have agreed on having Mr. Dague and Mr. Erickson serve as the Managing Members at the outset. If either them should resign as a Managing Member, or be unable to continue for any of the several reasons spelled out in the Operating Agreement, including death or disability, the remaining Managing Member will take over sole control of the Company. There is no provision or requirement in the Operating Agreement for another co-Managing Member to be elected. If both Managing Members resign or are unable to continue for any of the several reasons spelled out in the Operating Agreement, a simple majority in interest of the Members may then vote in new Managing Member(s); the 75% in interest rule to elect new Managing Member(s) will no longer apply. (See “EXHIBIT ‘D’ – OPERATING AGREEMENT – Voting Rights” and “RISK FACTORS”.)

### Voting Rights and Sale of Company Assets

Concerning voting rights as they pertain to any partial or final future sale of the properties, the timing of any such future sale is at the discretion of the Managing Members. The Managing Members may sell the properties or any partial interest in them at any time they deem such action to be in the best interests of the Company without first obtaining a vote of approval from investors in the offering. However, 75% in interest of the investors in the ‘A’ units may vote at any time to sell any or all of the properties held and owned by the Company, and to then wind-up operations and make final distributions. In that event all properties must then be marketed at the highest market price reasonably obtainable and sold within a reasonable time frame, considering market conditions, followed by the final winding-up of operations, which shall then be completed as soon as reasonably feasible thereafter. (See “EXHIBIT ‘D’ – OPERATING AGREEMENT – Voting Rights” and “RISK FACTORS”.)

### No Options Outstanding

The Company has issued no options to purchase Certificates and has no plans to create and issue any such options. In addition the Company Operating Agreement prohibits the offering or sale of any more of the Series ‘1’ Membership Certificates. (See “EXHIBIT ‘D’ – Operating Agreement, Article IV” and “DESCRIPTION OF MEMBERSHIP CERTIFICATES”.)

### Other Employees

The Company has no other managers or employees as of the date of this Memorandum; one or more employees may be added in the future at the discretion of the Managing Member(s).

### Expenses of the Offering

As of the date of this Memorandum, Managing Members Mr. Gary Erickson and Mr. G. Patrick Dague have personally advanced all expenses of the offering to the Company. They holds a note payable to them by REPT5 for \$31,900.00, which includes costs for certain legal and accounting fees, and reimbursements for miscellaneous other costs, expenses and time and effort in setting up the Company. Additional fees for printing, mailing costs, marketing, travel and other expenses associated with selling the offering may be charged to the Company after the closing. The minimum amount of the expense of the offering will be \$31,900.00; the maximum

amount is estimated to be 1% of actual funds raised from sale of the offering in any amounts above \$3.1 million, whichever is greater. (See “USE OF PROCEEDS” and “SUMMARY OF THE OFFERING-Financial Data”.)

#### No Pension and Profit Sharing Plans

As of the date of this offering the Company has adopted no pension or profit sharing plan and will not adopt any such plan in the future.

#### Copyrights, Trademarks and Service Marks

No copyrights, trademarks or service marks are associated with activities of the Company

#### Real Properties Used for Office Space

The Company has no ownership or leasehold of real properties as of the date of this Memorandum. As of the date of the offering it relies on using space at the office of Managing Member Gary Erickson in San Diego, California. It is possible the Company could require other office space in the future and thus incur a greater space rental cost of an unknown amount. (See “PLAN OF OPERATION – Operating Expenses”.)

#### Operating Agreement

Every investor in the offering will be required to approve and sign the Company Operating Agreement, or a signature page thereof. It may be signed in counterpart. (See “EXHIBIT ‘D’ – OPERATING AGREEMENT”.)

#### Potential to Combine Funds

The Managing Members have started several identical companies with identical offering documents, including an identical Business Plan and identical Risk Factor disclosures. If REPT5 fails to fund itself to a minimum \$500,000.00 Company Managing Members may at their discretion move funds invested in the ‘A’ units of REPT5 into an identical parallel company in order to maximize profit potential for investors.

#### Conflict Resolution, Mediation, Arbitration

The Company and each Member, in order to discourage and avoid lawsuits and other legal action that may be harmful to the Company and all of its Members, are required to expressly agree, in the event a dispute should arise between one or more Members and the Company, or between Members concerning matters related to the Company and the Company itself, to resolve all such disputes, conflicts, legal actions or /or legal issues first by an informal notice and written offer for resolution of the issue(s), with written counter-proposals if needed, then by formal mediation proceedings followed, if necessary, by binding arbitration.

There is to be no award for costs of discovery, damages, punitive damages, and no award of attorney’s fees from one party to the other under any circumstances in arbitration, or in any legal

action when an action is brought by a Member against the Company or by a Member against another Member for any issues related in any way whatsoever to the Company

With respect to Members holding Series 'A' Membership Certificates and any arbitration award or judgment that any such Member may ever be awarded, the maximum award or judgment shall not ever, in any case or circumstance whatsoever, exceed the greater of either (a) the total sum of that Member's investment in the Membership Certificates owned, plus an amount not to exceed a dollar figure equal to a maximum of an 13% non-compounded annual return on his investment in units, calculated from the date of their investment in and purchase of those Series 'A' units, or (b) as an alternative, return of funds initially invested by that Member in the units, plus an amount determined by the arbitrator or other adjudicating authority to be the percentage in interest of profits or losses allocable to the Member bringing the action, by operation of this agreement.

The Operating Agreement also places certain affirmative obligations on all Members concerning notices and final attempts at conflict resolution before a matter may be brought to binding arbitration. These are affirmative obligations that may not be required in other arbitration agreements and which are generally not required in legal actions brought via the courts. (See "EXHIBIT 'D' – Operating Agreement, Article XV, Conflict Resolution" and "RISK FACTORS".)

#### Company Contact Information

The sales office of the Company is located at the office of Mr. Gary Erickson, 3061 Clairemont Drive, San Diego, CA 92117. The contact telephone number is (619) 275-3866, extension 209.

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### **PLAN OF OPERATION**

Managing Member G. Patrick Dague is associated with an REO liquidations Company with offices in California and New York that has direct contacts with certain banks, financial institutions, list compilers and brokers involved in liquidating performing and non-performing trust deed secured mortgage assets that are sold in bulk quantities, as well as REO portfolios. ("REO" stands for "Real Estate Owned")

Mr. Dague has the ability to order a "pool" or "list" of such assets (hereafter "ordering a tape", the term used in the industry) at discounts that, as of the date of this memorandum, are typically at 30% to 50% below current "BPO" market values for REOs, and which may be substantially greater for certain trust deed backed mortgage assets and certain government-backed mortgage pools holding REOs. The term "BPO" as used herein means "Broker Price Opinion". It refers to the price for which an experienced real estate broker familiar with an area reasonably believes a given property in that area should sell for within three to six months, under then-current market conditions. A BPO will typically take into account the market in general, the condition of the property and all competitive properties listed for sale as well as those recently sold in the same neighborhood or in a similar neighborhood in close proximity.

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## Ordering a Tape

Mr. Dague, when he orders a tape, can specify the basic parameters of mortgage loans on the tape, for example first mortgages secured by properties in certain geographic areas, at specified discounts. If the tape is for real property (REOs) he can specify the basic condition of properties he wants, i.e. “light or no rehabilitation” (fix-up) required, their general geographic location, types of properties and the approximate minimum and maximum discount below current market value he desires. In most cases, but not always, there is a minimum proof of funds (POF) amount required to order a tape or to participate otherwise in the acquisition of such a pool of deeply discounted assets. If so, the Company may cooperate with third party entities to reach the required minimum POF if it does not have that amount on hand in liquid funds. In addition to the existing contacts the offering sponsors have available to them, numerous individuals as well as the representatives of many and various companies contact Mr. Dague’s affiliated company in Irvine, California on a daily basis. Many of them may be willing to cooperate with the Company to reach minimum POF for any particular tape. There are no obligations or pre-existing requirements concerning this, however. Each such decision will be subject to the market situation and the best interests of the Company at that time.

## Selecting Assets from Combined Funds Acquisitions

Should the REPT5 acquire deeply discounted trust deed secured mortgage assets or properties in conjunction with others who participate in the acquisition of the same pool of assets with it, it will then acquire a sub-group of them as its own separate assets. Typically, this will be done in the form of a “draft” where, by a random method acceptable to all parties, a determination is made as to which entity in the consortium shall have first choice for a single property or trust deed secured mortgage asset. The next in line as randomly determined shall then have second choice; the next in line then shall have third choice, and so on until an order of rotation is established. That rotation will then continue until all of the assets from the acquired pool are distributed among the acquisition entities, per the dollar amount invested by each one of them.

## Market Analysis of Equity Prior to Closing

REPT5 intends to complete a comparative market analysis (CMA) on every promissory note secured by a deed of trust that it acquires, as well as every real property it acquires. If the CMA does not reasonably support the deeply discounted value in the real property underlying a promissory note and trust deeds that it intends to acquire the Company will renegotiate the price of that asset or pass on buying it. (See also “PLAN of OPERATION - Market Analysis of Real Property Market Values Prior to Closing”.)

## Return of Investor Funds from Asset Liquidations

As each asset acquired by the Company is sold or refinanced the Company will return funds invested by the ‘A’ unit holders equally on a pro-rated basis, and thereby make payments to retire each particular Note issued for benefit of each individual ‘A’ unit investor in care of the Note Trustee. Should any instance arise where the cash proceeds of a sale or refinance of a particular asset acquired by the Company for resale are not sufficient to return all investor funds

used to acquire the asset, plus profits, the Company intends to return to investors as much of the funds used for that particular purchase and sale as are reasonably available for distribution to investors. The Note Trustee, under the terms of the “Master Agreement for Note Trustee”, is required to cooperate with REPT5 if that should occur. (See “Exhibit ‘A’ – Example Promissory Note and Master Agreement for Note Trustee”.)

### Profits from Secured Notes – Hypothetical Example

REPT5 intends to focus on acquisition and re-sale of deeply discounted performing and non-performing promissory notes secured by deeds of trust. When such assets are acquired at deep discounts the Company will attempt to enter a “work-out” arrangement with the property owner, allowing him to refinance at a significant savings, while still generating significant profits to the Company. As a hypothetical example, if a given first mortgage with a remaining balance of \$500,000.00 was acquired at a 50% discount for \$250,000, the Company would approach the property owner and offer to accept \$375,000 in exchange for an immediate pay-off. In this hypothetical example the property-owner would be highly motivated to refinance and pay off the mortgage in order to receive a \$125,000.00 savings on the amount due, while the Company would make gross profits of \$125,000. As an alternative example the Company could also sell the mortgage to a third party for a substantial profit, thus giving that third party an opportunity to complete a work-out arrangement with the property owner or to foreclose on the note and take the property. The Company plans to do a “work-out” with property owners or to quickly re-sell at a profit most or all of those notes and deeds of trust it acquires. at a profit to third party companies or individuals, and does not itself plan to go into the business of foreclosing on properties; nonetheless the Company is not prohibited in its Operating Agreement from doing so. If a circumstance should arise where the Managing Members believe completing a foreclosure is in the best interest of the Company they will do that and then sell the property.

### Profits from Real Properties – Hypothetical Example

REPT5 expects to focus on the acquisition and resale of first trust deed secured mortgages, however from time to time the Company may find an exceptional opportunity to acquire real property and resell it for a profit. In such cases REPT5 plans to do any light fix-up, painting and repairs on acquired properties that may be necessary and to then re-sell them as quickly as possible. Some may not require rehabilitation of any kind. As of the date of this memorandum the average time on the market, which is subject to change, was 108 days in the San Diego, California area for “Sold” houses that were priced to current values. As a hypothetical example, if a given real property with a current market value of \$500,000.00 were acquired at a 60% discount for \$300,000, the Company would attempt to sell the property within three months for 95% of current market value, for \$475,000, for a gross profit of \$175,000.00. In this hypothetical example the Company would be in a position to pay closing costs for the buyer who bought the property from the Company, and to offer other incentives as needed, while still making a substantial potential gross profit. REPT5 may refinance properties that do not sell, in order to quickly return investor capital, and then hold them for a period as rentals. Rents in the areas in which the Company plans to focus its efforts, for those properties that may be held as rentals, are strong and increasing due to a shift by many people into the rental market at this time.

## Market Analysis of Values Prior to Acquisition

REPT5 intends to complete a comparative market analysis (CMA) on every real property it may acquire, and on every real property that secures a mortgage note and deed of trust it may acquire. With regard to real properties, if the CMA does not reasonably support the stated BPO discount, the Company will renegotiate the price of that property or ask that it be eliminated from the pool. In cases where the Company may participate in the bulk acquisition of a very large pool of extremely discounted real properties or financial assets it may rely in some cases on CMA information prepared by its co-buyers or others. (See also “PLAN of OPERATION - Market Analysis of Note Equity Prior to Closing”.)

## Inspections Prior to Closing

REPT5 has the ability to specify that the real properties it acquires at a discount be “light-rehabilitation” to “no-rehabilitation” properties and relies to some degree on the reported general condition of properties a bank offers in a given pool. It can reject a property that does not reasonably meet its requirements. Prior to releasing funds to pay for its properties the Company will usually have a short time-period, typically seven to ten days, to review each one. During that period the Company intends to do both a market analysis on each one and a “walk-around” inspection, which will be performed by Principal Member Mr. Abdelnour or by a qualified person acting under his direction, and shall include an interior inspection as well. The Company expects Mr. Abdelnour, or one of his associates, will find any major damage in a property to be acquired before the Company releases funds for the acquisition. If there are any appearances in those inspections that may lead Mr. Abdelnour to suspect serious damage of any kind, a complete physical inspection of the property will be undertaken. It is possible however that a property will be acquired based on its stated condition, without an inspection, particularly in cases where the Company may participate in the bulk acquisition of a very large pool of extremely discounted real properties that are to be immediately re-sold. Moreover, even in cases where a physical inspection is performed some damage of one type or another may nonetheless remain undiscovered.

## Potential for Extraordinary Property and Note Discounts

If the opportunity should arise, and it may not, REPT5 may also participate with a consortium of private investors, financial institutions and other separate legal entities in the acquisition of an exceptionally large pool of properties or non-performing trust deed secured mortgage notes offered at exceptionally high discounts. Concerning residential properties and non-performing first trust deed secured mortgage notes, such discounts may hypothetically be as much as 70% or more below current BPO, as happened during the late 1980s when the Resolution Trust Corporation was actively liquidating the assets of failed savings and loan companies. If this should occur the acquired pool of assets will be broken into smaller groups and REPT5 would then solely and separately own its own separate interest in a given sub-group of such assets. The Company anticipates it would then immediately resell them in bulk quantity for cash at a significant short-term profit to third party individuals and investment groups. Depending on the structure of the pool of properties and any financing involved, it may also resell them in the open retail market at higher prices, much closer to current BPO. Such a transaction, particular if the Company was to use a credit line or some other short-term financing

instrument to increase the number of such assets acquired, would result in significant profits to the Company. However, while the Managing Members will operate the Company with an eye toward maximizing returns and maintaining the safety of investor funds, there can be no guarantees of profits under the offering and there are none. (See “RISK FACTORS”).

### Initial Focus on Southern California Assets

The Company expects to acquire first trust deed assets secured by properties in Southern California, particularly in San Diego County, California. If the Company acquires real properties it intends for them to also be located in Southern California, however REPT5 it is not limited to any particular geographic area of operations. Its Managing Members have complete discretion in that regard. With regard to the San Diego market, as of the date of this memorandum there has been a decrease in rental property vacancies in San Diego County. The tighter rental market stems from fires in 2007 that destroyed several thousand homes and forced many owners into renting. In addition, although job growth is expected to grow about 1% in the San Diego County area during 2008 per sources familiar to the Company, the job market in the county remains tight, with significant uncertainty that appears to be causing larger than usual numbers of people to rent homes, all of which has led to higher and increasing rents. The actual performance the rental and housing markets will experience over the next several years is, however, unknown.

### Plan for Property Liquidations

Should the Company acquire real properties it plans to move one acquired through five separate phases. Phase one is to start with staging each such property. Acquired properties will then be aggressively marketed, with steady price reductions in phases two and three. In phase four the Company may either attempt to auction the property at a significant profit, or alternatively go to phase five which calls for holding un-sold real properties and renting them out for cash flow. The offering sponsors consider it unlikely that many, if any, of the properties will reach phase five of the liquidation process; however there are no guarantees and there can be none that all properties will sell during the first four phases of the resale process. If in fact a given property does go all the way through Phase 4 of the liquidation process and does not sell, the Company will refinance it if reasonably possible, if it has not already done so, to recover and return to investors as much of their invested funds in that property as is it can. It may then attempt to sell it again in twelve to twenty four months.

### Staging Residential Properties

Making a real property look “sharp” goes a long way toward selling it for top dollar. If REPT5 acquires any houses staging may be used. It has been shown to be effective in generating faster sales at higher prices. This is a strategy always used with model homes when new developments are sold. “Staging” means setting a vacant home up with certain furnishings, pictures, a table with table settings, book cases with a few books, artificial flower arrangements and such. It is a well-proven strategy for creating faster sales at higher prices.

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### Expected Operating Time Frame and Winding-Up of Operations

The Company anticipates it will be in and out of the market within eighteen to twenty four months of closing the offering, if all assets acquired have been sold and final wind-up of operations and distribution of assets is completed. If one or more of the assets acquired do not sell, however, the anticipated period of operations may be extended.

### Potential for Reinvestment

In the event the Company is successful the Managing Member(s) anticipate but cannot guarantee they would create another, similar Company for investors who wish to reinvest with them. Thus as properties are sold and proceeds are returned to 'A' unit investors, those who wish to reinvest may possibly be able to do so, leaving those who want to "cash-out" free to move on to other investment opportunities.

### Potential for Distribution of an Interest in Secured Notes

On sale of the assets of the Company REPT5 will make all reasonable efforts to obtain buyers who "cash out" the Company. However it is possible an asset house sold by the Company to an otherwise acceptable buyer will require REPT5, in the terms of the sales contract, to carry financing for a part of the sales price. In that case, at the discretion of the Managing Members if they deem it in the best interest of the Company, REPT5 may carry a secured loan for a period of time for one or more such buyers. Depending on the situation at time of final winding-up of operations it is possible that certain proceeds distributed to 'A' unit investors and holders of the Series '1' units may include an interest in such assets, or other assets the Company has which it has not liquidated.

### Projected Business Plans

The Company has prepared various pro-formas, spreadsheets and computer models for planning purposes. These projections indicate the Company's plan of operation have significant profit potential. However, prospective investors in the units are cautioned to note that while the Company believes the assumptions and projections made in its business planning models and any subsequent modifications will prove to be reasonably correct, actual results may vary. There can be no guarantees of profit for the Company or its investors and there are none. (See "RISK FACTORS".)

### Proceeds of the Offering may Include Fix-Up, Repair and Holding Costs

Proceeds of the offering will be used for property acquisitions, as well for all costs associated with any needed fix-up costs and any holding costs, until they are sold.

### Efforts to Maximize Profits, Final Financial Reports

The Company, although there can be no guarantees, does not plan to liquidate any of the properties it acquires at any time at a loss. At time of final winding-up of operations a final financial report will be sent to investors in the units, including a final K-1 report.

## USE OF PROCEEDS

This table has information on the estimated use of the proceeds from the offering:

	Amounts and Percentages			
	Maximum 10,000 <u>Certificates</u>	Percent of <u>Total</u>	Minimum 500 <u>Certificates</u>	Percent of <u>Total</u>
* (1) Offering Proceeds	\$10,000,000	100.0%	\$500,000	100%
(2) Sales Commissions	0	0%	0	0%
(3) Offering Expenses	\$100,000	1%	\$15,900	1.6%
(4) Existing Expenses and Payables	0	0%	0	0%
(5) Working Capital and Cash / Contingency Reserves	\$9,900,000	99.0%	\$472,000	97.2%

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 \* Parenthesized numbers refer to succeeding numbered paragraphs set forth below.

- (1) This table gives consideration only to the proceeds raised from the sale of a total of ten thousand (maximum) or five hundred (minimum) ‘A’ Certificates offered hereby at \$1,000.00 per Certificate. The Company may temporarily hold in a separate, segregated account, all proceeds from the offering until subscription receipts for the minimum offering amount is reached. No interest will be paid on funds held pending closing the offering. If the minimum offering amount is not reached within four months of the date hereon the proceeds of the offering will be returned in full to investors and the offering will be terminated.
- (2) The Certificates are being offered on a best efforts basis by principals of the Company. “Best efforts” in this context means there is no guarantee the offering will subscribe to the minimum necessary to start operations, nor that it will be subscribed to the maximum amount of units authorized. No sales commissions are being paid; however a real estate referral fee (technically a “finder’s fee”) may be paid by the sponsors, directly and only from certain real estate sales commissions earned by the sponsors when properties are acquired. These “finder fees” will typically be paid to licensed real estate brokers, but may be paid to others who merely introduce a person who subscribes to the offering. No proceeds of the offering will be directly used to pay referral or finder fees. Only Company principals may sell the offering.
- (3) Offering Expenses shown in this table are based on reasonable estimates for such expenses

as, but not limited to: (a) filing fees and taxes; (b) costs of printing, amending, supplementing and distributing the Memorandum; (c) expenses for travel, telegram, telephone, printing, postage, air freight, individual client meetings and meals related to selling the offering; (d) costs related to group investor meetings and (e) accounting and legal fees paid in connection with the offering, plus pre-formation fees, time and effort advanced by Mr. Dague in coordinating the development of the offering and the development of the Company. The majority of these costs, along with his time and personal efforts, have already been advanced by Mr. Erickson and Mr. Dague with no guarantee of reimbursement or compensation if the offering does not sell. They jointly hold a note in the amount of \$31,900.00 payable to them by REPT5 at the closing of the offering.

- (4) The Company has no other payables or operational expenses outstanding as of the date of this Memorandum. The \$31,900 note payable to Mr. Dague and Mr. Erickson in the financial statements of REPT5 is included with the amount stated for offering expenses.
- (5) Working Capital is to be used for real property acquisitions, expenses related thereto and other expenses of the Company as needed. The Managing Members are not to be paid a salary from working capital for client development, acquisitions, marketing, sales, or any other work they do for the Company; all such work is instead commission and / or management fee based.

Pending expenditure of the proceeds of this offering, the Company may make temporary prudent investments in interest bearing accounts, certificates of deposit or United States government obligations. The foregoing are estimates, and are necessarily subject to such changes as may be deemed necessary or desirable in light of future developments with respect to the Company's business. There can be no assurances, however, that additional funds will not be required by the Company, and if required, that the Company will be able to obtain such additional funds, if at all, at rates deemed favorable by the Company.

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## **RISK FACTORS**

THE PURCHASE OF THE CERTIFICATES OFFERED HEREBY INVOLVES CERTAIN RISKS AND IS SUITABLE ONLY FOR PERSONS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT AND WHO HAVE THE FINANCIAL RESOURCES SUFFICIENT TO ASSUME SUCH RISK. IN ADDITION TO THE FACTORS SET FORTH ELSEWHERE IN THIS MEMORANDUM, PROSPECTIVE PURCHASERS OF THE CERTIFICATES SHOULD CONSIDER THE FOLLOWING BEFORE MAKING THEIR INVESTMENT DECISION.

### Business Conditions in General

The result of an investment in the Company is related to and may be affected by the state of the economy and business conditions in general, including but not limited to: (a) general economic conditions, inflation, fluctuations in general or local business conditions, unstable or adverse credit or lending markets and other and unforeseen factors that may affect real properties prices, selling times and real estate rental markets; (b) unforeseen increases in operating expenses; (c) changes in governmental regulation, including unforeseen new governmental regulations that may increase operating costs of the Company or restrict its ability to operate as intended; (d) litigation, bankruptcies, and contract disputes and/or defaults in payments resulting in lost revenues; and (e) other risks related to purchasing and selling real properties.

### Risks of Buying, Selling and / or Holding Real Properties

In general terms well selected real estate has been an excellent investment vehicle over the years, however the returns from an investment in any particular real property acquired for investment purposes may vary significantly from regional or national averages. A partial list of factors that can affect return on investment in real property include, but are not limited to (1) slower than anticipated resale's, (2) changes in the credit market, (3) lower than anticipated rent if a property is held as a rental, (4) tenants who damage a properties, (5) tenants who fail to pay rent, (6) costs associated with evicting non-performing tenants, including legal fees and court costs, (7) unknown structural or maintenance problems with a property not discovered at time of purchase, (8) periods of vacancy with no rental income to support debt service and other property expenses, (9) eminent domain action by governmental authority, war and catastrophic weather, and (10) other unforeseen factors which may effect values in a particular city or neighborhood. These and other Risk Factor disclosures in this memorandum are not intended to be a complete review of all risks associated with buying and holding or buying and selling real properties for investment purposes.

### Risks of Buying, Selling and / or Holding Non-Performing Trust Deed Secured Mortgage Notes

Many of the risks associated with buying and reselling non-performing trust deed secured mortgage notes are the same as those related to buying real property for investment. The primary risk, however, directly relates to the current market value market (CMV) of the real property used as security for a given mortgage note, relative to the "full balance" on the note and the price paid for it, and to the presence or absence of any underlying senior liens. "Full balance" is

defined as the remaining balance due on the note, plus any accrued interest and fees. As a rule, the lower the price paid for the note, as a percentage of the equity in the real property securing it (and not as a percentage of the full balance), the safer the investment. Factors that affect this include facts that can usually be determined when acquiring such an asset, such as researching for unpaid property taxes, which are always a senior lien to every mortgage note. Factors that may be more difficult to discover include potential judgments, mechanics liens and the like, which may or may not be senior to the mortgage note being acquired, but probably are not senior to it if it is secured by a first deed of trust. Other risks, among many, include the possibility of undiscovered damage to the underlying real property, the chance that to slow foreclosure proceedings a property owner may file bankruptcy, and the potential that a fire or natural calamity might destroy the improvements on the real property used for security. To mitigate these risks the Company plans to investigate mortgage notes before they are acquired, and have itself named as a beneficiary under the existing or a new fire insurance policy. In addition, while not strictly limited to solely to the acquisition of mortgage notes secured by first deeds of trust, USRP intends to focus on them as opposed to the acquisition of junior notes and trust deeds, except in the case of an unusually lucrative opportunity, which officers of USRP would plan to reasonably investigate before committing funds. Finally, the Company plans to sell the notes quickly at a profit, so as to keep risk exposure to a minimum. Nonetheless, to the extent that any of the attendant risks are missed or under-estimated, the Company could experience a lower than anticipated return, or a loss or any given trust deed secured mortgage note it may acquire.

#### Present Compliance with State and Federal Securities Laws

This offering has not been registered under the Securities Act of 1933, in reliance on certain exemptions from registration provided therein and in reliance on certain exemptions in various states where the offering may be made. Although the Company intends to assure compliance with all provisions of federal and state securities laws relating to the offer and sale of the Certificates, there is no assurance that the offering presently qualifies or will continue to qualify under such exemptions due to, among other things, the adequacy of disclosure and the manner of distribution of this offering, or changes in any securities laws or regulations. If and to the extent actions for rescission are brought and successfully concluded for failure to register this offering or other offerings made by the Company, under state or federal securities laws, or for acts or omissions constituting certain prohibited practices under state or federal securities laws, both the capital and assets of the Company could be adversely affected, thus jeopardizing the ability of the Company to operate successfully. Further, the time and resources of the Company personnel could be expended in defending an action by investors or by state or federal authorities even where the Company ultimately prevails. Neither the Securities and Exchange Commission nor any state securities agency has approved or disapproved the Certificates offered in this Memorandum nor has any securities commission or agency passed upon the adequacy or accuracy of information contained herein.

#### Risk of Defaults with Financing

The Company will make all reasonable efforts to sell the properties it acquires for all cash, however it may in some instances agree to carry first or second trust deed secured financing for a given buyer, using profits from the sale of that particular property if possible.

Should a buyer in such case subsequently default on the financing carried by the Company it may not be economically feasible for the Company to foreclose, and a loss could be experienced.

#### No Prior Operating History

The Company has no history of operations. No representation or warranty can be made that the Company will be profitable or will generate sufficient revenues to continue operations. Operating deficits may arise, and no party has guaranteed to advance additional funds to the Company to provide for any such operating deficits, nor can there be any assurances that funds will be available to the Company in the future if needed, or, if available, that they would be available on terms acceptable to the Company.

#### Possible Need for Additional Funds – Risk of Loss

A potential risk of loss exists if one or more of the properties were to need any repairs or upgrades not anticipated. If the needed repairs or upgrades were significant the costs could exceed the amount of reserves held by the Company for such contingencies, and the Company could experience a loss on that particular property. If the same were to happen with numerous properties the Company could fail to achieve its targeted preferred return to investors, or at time of winding up and final liquidation the investors could experience a loss.

#### Availability of Properties or Financial Assets and Available Funds

As of the date of this memorandum there appear to be large numbers of REO properties and non-performing mortgage notes available now and coming available over the next twenty four (24) to thirty six (36) months which banks and other financial institutions will be willing to sell at significant discounts. REPT5 intends to buy such assets outright, for itself alone, if the opportunity presents itself. In some cases such assets may be available for sale in bulk quantity only at dollar amounts that exceed funds owned and controlled by the Company. In that case REPT5 may co-venture with other buyers to reach the required bid amount. There are no guarantees however, and there can be none, that the Company will reach agreement with a third party for such a joint endeavor if one is needed. Therefore some potential acquisitions may be missed. It is also possible the Company may not acquire any properties or financial assets for this or other reasons, and would therefore have to terminate operations and return all remaining proceeds of the offering to the investors. In that event investors in the offering would experience a loss equal to the amount of funds used to set-up, open, attempt to operate, and then terminate the Company.

#### Uninsured Risks

The Company will obtain fire and casualty insurance on each property it acquires as soon as reasonably possible. There can be no assurances, however, that losses attributable to an uninsured risk will not occur. It is also possible that some types of losses could occur which exceed insurance policy limits. There are, moreover, certain types of risks of loss such as zoning changes, property vacancies and certain kinds of tenant damage to properties, and other such losses, that may result in loss of revenues which are not economically insurable.

### Non-Standard Debt Risks - 'A' Units

The notes and deeds of trust intended to secure the interest of the 'A' unit investors are non-standard in many respects, and present certain risks to them. These include the fact that 'A' unit investor funds will be used for 100% of the actual property acquisition costs, plus fix-up costs, holding costs and for Company set-up and operating expenses. Thus the Company must show significant gains on the properties and / or financial assets it acquires and resells in order to reach the targeted preferred return stated herein for 'A' unit investors. There are no guarantees, and there can be none, that such returns will be achieved. Notwithstanding the fact the Company intends to secure 'A' unit funds with trust deeds it is still possible that lower than anticipated returns could be achieved, or investors in the offering could suffer a loss.

### Risk of Insufficient Funds to Retire Notes

It is possible, depending on overall performance of the Company that at time of final winding-up of operations and payment of all final expenses there may not be sufficient proceeds to retire any remaining secured or unsecured notes outstanding in favor of the Note Trustee on behalf of the 'A' unit investors. Company Managing Members believe this is unlikely, particularly with respect to notes secured by first deeds of trust; however there are not and there cannot be any guarantees with respect to this. If that were to happen then those unpaid balances would have to be "written off" and the 'A' unit investors would share equally, on a pro-rated basis, in that write-off. Before this can happen, however, any and all potential profits of the venture that may otherwise have been due the offering sponsors at that time would first have to be yielded up by them in favor of the 'A' unit investors in the offering.

### Conflicts of Interest with Managing Member(s) and Others

The Managing Members and certain of the real estate brokers and other professionals they use may, at times, purchase and manage real properties for themselves in the same general market as that in which the Company properties is located. In addition, the Managing Members expect to create other, similar companies that are in competition with REPT5 for purchase of properties and / or financial assets. In such cases conflicts of interest are likely to arise. The Managing Members intend to resolve such conflicts of interest, if any occur, in a manner that in their sole discretion is fair, reasonable and consistent with their fiduciary duty to the Company. There are no guarantees however, and there can be none, that an objective third party would concur that any particular conflict of interest, should any arise, was resolved fairly and in the best interest of the Company.

### No Guarantee of 13% Return – Potential for Loss

The Company expects the properties to perform well and the offering sponsors have structured the offering such that return to investors in the 'A' units offered hereby must equal or exceed an 13% annualized non-compounded return to them *before* the sponsors may participate in any future gains resulting from purchase and resale of the properties. There are no guarantees however, and there can be none, that the returns from purchase and resale of the properties will be as anticipated and that the 13% preferred return will be paid to investors in the offering. The

return to investors in the offering may be more or less than 13% per annum or they may experience a loss.

#### Deed of Trust Security Follows After Acquisition of Assets

At time an 'A' unit investor subscribes for and purchases any of the 'A' unit Membership Certificates offered hereby the Company will not then have acquired any real properties or trust deed secured financial assets. Thus funds invested in the 'A' units offered hereby will *not* be secured by Deeds of Trust pledged to the Note Trustee on their behalf until a bulk acquisition of properties or mortgage notes and deeds of trust is completed. In some cases involving anticipated very rapid resale of such assets, investor funds used may not be secured by a deed of trust at any time. Thus the security engendered with being secured by a deed of trust will not be immediately available to the 'A' unit investors in the offering, and depending on the circumstances of a particular transaction, the acquired assets could be sold for cash before the security interest is put into effect. Cash is good, of course, and the whole idea is to acquire assets for cash, sell them at a profit, and immediately distribute cash to investors in the offering. Nonetheless investor funds will be unsecured at least until and if REPT5 acquires its assets, and there are not and cannot be any guarantees concerning the future performance of the Company.

#### Absence of Independent Underwriters - Price of Membership Certificates

The Membership Certificates offered hereby are offered on a best efforts basis by the sponsors of the Company. Accordingly, investors will not have the value of a review with an independent underwriter, including possible modification of the structure of the offering that could result from such a review. The price of the Membership Certificates offered hereby was determined arbitrarily and is not based upon the financial condition of the Company or on any market value.

#### Limited Capitalization of the Company

There are not, and there can not be, any guarantee the offering of these Certificates will be subscribed in full, nor that sufficient cash reserves will be held in an amount that proves to be adequate to meet all contingencies. It is possible REPT5 could experience losses in an amount and duration that exceed its ability to sustain them. In such case the Company may require funds or additional financing in order to continue its operations. The additional funds or financing, if required, may not be available or may be available only on unfavorable terms. Moreover, in the event the Company was to seek additional funds through the sale of additional Certificates or other interests in REPT5 or its real properties, investors in the offering may experience dilution of their equity invested in the Company.

#### Lack of Liquidity - No Trading Market

There will be no public market for the Certificates. The Certificates will not be registered under the Securities Act of 1933 and purchasers of the Certificates have no right to require that they be so registered. Each purchaser of units in the offering will be required to acknowledge in writing that the units may not be sold or transferred without registration under the Securities Act

of 1933, or an exemption therefrom. In addition each transferee of the Certificates must, unless specifically exempted by the Company, satisfy the qualification standards contained herein in the event of a transfer of the Certificates under an allowable exemption. No assurances can be given that investors meeting these standards will be interested in acquiring any Certificates in the Company. Neither REPT5 nor its principals have any obligation to repurchase any Certificates sold pursuant to this offering.

### Restricted Securities

As noted, there will be no public trading market for the Certificates after this offering. If an investor in the offering should subsequently wish to transfer their units to another entity the Company will require an opinion of counsel, paid for by that investor, to the effect that the transfer will not violate federal or state securities laws. Additionally, in the unlikely event a public market develops for the Certificates, all of the outstanding Certificates of the Company held by investors purchasing their Certificates in this offering will be deemed to be “restricted securities”, as that term is deemed in Rule 144 promulgated by the Securities and Exchange Commission under the Act. Rule 144, which limits resale of such securities, provides, in essence, that after a person has held restricted securities for a period of two years, he may, under certain conditions, resell the restricted securities in the open market. This may reduce the possibility that purchasers of the Certificates in this offering could sell the Certificates at a favorable price. (See ‘DILUTION’ and ‘RISK FACTORS - Lack of Liquidity - No Trading Market’.)

### Control of Company Assets-Timing of Sales

The Managing Members may sell the assets acquired by the Company, or any partial interest in them, at any time they deem such action to be in the best interests of the Company, and without first obtaining a vote of approval from investors in the offering. It requires a vote of at least 75% in interest of the ‘A’ unit Members to force a sale of Company assets, or any one of them, prior to a time when the Managing Members believe such action is in the best interest of the Company, which is a greater than usual percentage-in-interest vote of the Members.

### Control of the Company

Replacement of the Managing Members requires a greater than usual percentage-in-interest vote of the Members. The removal of a Managing Member requires a vote of at least 75% in interest of the ‘A’ unit Members. Therefore, any person or entity that acquires the Membership Certificates offered hereby is placing significant confidence and reliance on Mr. Dague and Mr. Erickson to adequately and professionally manage and control the Company.

### Need to Retain Key Personnel

The success of the Company is largely dependent on the abilities of its Managing Members, Mr. Dague and Mr. Erickson. The loss of their services for any reason could adversely affect the Company to a substantial degree.

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### Adequacy of Compensation

The commission and fee compensation and the potential share of profits to be paid to the Managing Members of the Company are anticipated to be sufficient to maintain a strong interest on their part in managing and operating the Company. However, if for any reason the level of compensation anticipated does not materialize, or falls below earnings levels otherwise available to them, they could spend less time on Company operations, or resign, with adverse affects on the Company.

### Commission and Fees Paid to Managing Members

The Managing Members of the Company are to be paid certain commissions and fees. These commissions and fees may be earned and paid to them regardless of the overall financial success of the Company. (See “REMUNERATION OF MANAGING MEMBER(S)” and “MANAGEMENT”.)

### Death of or Disability Key Personnel

In the event of the death or serious and continued disability of the Managing Member(s) the ability of REPT5 to successfully continue operations would be impaired.

### Other Unforeseen Expenses

Proceeds of the offering will be used by the Company for investment acquisitions, expenses of the offering and working capital. There can be no guarantees, however, that proceeds of the offering will be sold in an amount sufficient to meet the stated investment objectives, should additional unforeseen expenses not contemplated herein arise.

### Unrelated Business Taxable Income

It is possible that certain of the income generated by the Company could be deemed unrelated taxable business income (UBTI) by Company accounting professionals. Even if held within an IRA or other type of qualified retirement account UBTI income above a certain limit may be taxable. Potential investors in the offering should consult their own legal and tax advisors for questions concerning UBTI.

### Competition Among Sellers of Real Property

Real properties are sold in markets that are open to competition. When a lot of properties are on the market the net result is usually a lower price for any given property, resulting in lower profits to the Company. To offset this concern the Company will acquire its properties at very significant discounts and expects to sell them at a much smaller discount to owner-occupant and investor buyers. However there can be no guarantees that other competitive properties offered for sale in the same neighborhoods will not also be priced very competitively, or have other amenities that make them equally or more attractive to buyers than the properties offered for sale by the Company.

### Limited Market Research

The pre-formation market research done on behalf of the Company was conducted by the Managing Members using information readily available from government and private sources. However, no market research was done by an independent professional organization for the Company, nor was the market research conducted by them done with the rigid controls and statistical analysis normally associated with a professional market research firm. The Company is therefore relying on the general business experience of its Managing Members and certain of their business associates, with regard to the real estate market in general and with regard to the properties to be acquired in particular. If the real estate market in the area where the properties are located, and the properties themselves, do not perform as expected, or if the market changes over time in ways that are adverse to the interests of the Company, REPT5 could suffer adverse consequences.

### Potential for Distribution of an Interest in Notes or Real Property

It is the intention of the Company to sell the properties it acquires for cash and then return to the 'A' unit investors their original investment, plus profits, in cash in U.S. dollars. Nonetheless the Managing Member(s) have a great deal of discretion in how to operate the company, including winding-up of operations, termination of the Company and final distributions of proceeds. It is possible that some or all of the proceeds distributed to Members at time of final winding-up of operations could include an interest in one or more secured or unsecured notes or in one or more real properties then held by the Company. In such event the Company anticipates it would arrange for a trustee to hold and manage the note(s) or real property remaining on its books. He would be charged to act on behalf of Members with a beneficial interest in those assets until they were liquidated. (See "OPERATING AGREEMENT – Article X, Distributions of Cash".)

### Retirement Account Investors

For those investors who may wish to make an investment through an IRA, SEP-IRA, KEOGH, DEFINED BENEFIT PLAN or other type of retirement account, the Company has structured this investment to meet Title 29 of the Labor Code. Specifically, the Company believes it meets the exception listed in Title 29, Volume 9 (revised as of July 1, 2002) Sec. 2510.3-101, paragraph (a)(2)(i) of the Code. With regard to that section the Company believes it falls under the definition in sub-paragraph (e) therein. To the extent the law may change, or if the Company otherwise were to fail to meet that or another exemption, it is possible an investment in the Series 'A' units offered hereby could be disallowed as a qualified retirement account plan investment.

### Forward-Looking Statements

This statement is being included in connection with the safe harbor provision of the Private Securities Litigation Reform Act. This Memorandum contains forward-looking statements. Such statements are based upon management's current expectations, beliefs, and assumptions about future events, and are other than statements of historical fact and involve a number of risks and uncertainties. The use in this Memorandum of words such as "believes,"

"anticipates," "expects," "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

In addition to those factors discussed herein, important factors that could cause actual results to differ materially from those in forward-looking statements are, among others, market acceptance of the Company's services and products, competition and the availability of financing.

#### Conflict Resolution, Mediation, Arbitration

To the extent that any disagreement, conflict or other issue should ever exist or appear to exist which places any Member in an adverse position with the Company or with another Member, the Operating Agreement stipulates such matters shall be resolved by informal offers of resolution, followed by formal mediation with a professional mediator, and if that fails then resolved by binding arbitration. It further stipulates venue for any legal disputes shall be in Wilmington, Delaware, the state laws for which the Operating Agreement was drafted, and that no award of attorney's fees may be made in any award or judgment, that each party in any such conflict or legal action shall also pay their own costs of discovery and that the maximum award or judgment made to any investor in the offering, if ever one is made, is to be limited to a maximum of the amount invested by the Member in the Series 'A' Membership Certificates he owns, plus an 13% annual non-compounded return on those funds, or a return equal to the pro-rated share of funds and profits the investor would otherwise be reasonably entitled to. Therefore, certain rights that might otherwise be available or potentially available to an investor in the offering via the courts and the judicial system are limited or unavailable. The Operating Agreement also places certain affirmative obligations on all Members concerning notices and final attempts at conflict resolution before a matter may be brought to binding arbitration that may not be required in other arbitration agreements and which are generally not required in legal actions brought via the courts. (See "EXHIBIT 'D' – Operating Agreement, Article XV".)

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## MANAGEMENT

The co-Managing Members of the Company are Gary Erickson, age 56 and Mr. G. Patrick Dague, age 56. Additional Company Officers are Ms. Michelle Brown and Mr. Mike Abdelnour. Mr. Erickson is primarily responsible for investor communications and for asset liquidations. Mr. Dague is primarily responsible for asset selection and acquisitions. Mr. Abdelnour will assist the Managing Members with the sale of the offering and asset investigation. Mr. Abdelnour will, in addition, be responsible to the Company to supervise any necessary painting and repairs of property that may be needed, as well as “staging” any real properties acquired, i.e. setting them up with a few furnishings, table, chairs, place settings, pictures on the walls and such, to make them look like model homes, a proven strategy for selling homes faster and at higher prices.

**Mr. Erickson** is a real estate attorney and broker and President and CEO of Seacoast Real Estate & Development Co., Inc. (dba “Seacoast Realty”) a Southern California based real estate sales and development company.

*Related Business Experience:* Mr. Erickson practiced law for five years emphasizing real estate law and related litigation and taxation matters. He served as Lead Director for a publicly traded national mortgage bank for four years and was a key participant in the negotiation of the sale of the company for \$360 million. Mr. Erickson currently serves as corporate counsel and as a member of the Board of Directors of a rapidly growing intellectual property company. He is currently President and CEO of Seacoast Real Estate & Development Co., Inc. (dba “Seacoast Realty”) a Southern California based real estate sales and development company. Seacoast Realty represents clients in the purchase and sale of real estate and acquires real estate for development and investment purposes.

*Education:* Mr. Erickson graduated from Willamette University in 1973 with Bachelor of Science degrees in Biology and English. He earned his Juris Doctor degree from the Lewis and Clark Law School in 1983 and a Masters of Laws degree in Taxation from the University of San Diego School of Law in 1992.

*Other Professional Licenses:* Mr. Erickson is an active member of the State Bars of California and Oregon and is a licensed real estate broker in California. He is a member of the American Bar Association, San Diego County Bar Association, National Association of Corporate Directors, National Association of Realtors, California Association of Realtors and San Diego Association of Realtors.

*Military Service:* Mr. Erickson served in the U.S. Navy for 30 years and retired as Captain. During his thirty years active duty he commanded two operational units and three shore activities. His operational commands included Commanding Officer of the guided missile frigate USS LEWIS B. PULLER and Commander Destroyer Squadron ONE. As a Destroyer Squadron Commander he performed Chief Executive Officer equivalent functions for operational forces comprised of 5,500 personnel assigned to twelve Navy ships and managed assets valued in excess of \$8 billion. He also served as

the Commander Naval Reserve Command Southwest where he was responsible for the training and mobilization readiness of over 10,000 active duty and reserve personnel assigned to more than 330 units stationed in Arizona, California, Nevada and Hawaii. He also served as Deputy Commander and Chief of Staff for the Commander Naval Surface Force U.S. Pacific Fleet where he performed Chief Operating Officer equivalent functions for the 23,000 personnel assigned to all Navy ships and shore support activities in the Pacific Fleet. Mr. Erickson is a highly decorated combat veteran.

*Family:* Mr. Erickson and his wife Jamie have been married for 35 years and they have two grown daughters, Amanda and Megan, one Son-in-law, Jamie, and one grandson, Gavin.

**Mr. Dague** is an independent associate with the Broughton Group, a division of Fusion Mortgage Corporation, which is involved with large scale liquidation of foreclosed, bank owned real properties at deep discounts. His job there involves the creation of joint venture funds which then participate in buying those deeply discounted properties from banks and other financial institutions. Mr. Dague is a currently licensed and highly experienced real estate broker and the former head of joint venture acquisitions for a well respected southern California commercial real estate brokerage firm. He has a background that includes real estate related securities and investments, founding and managing real estate related companies, assisting clients with creating and managing real estate investment portfolios, the development and management of his own real estate portfolio, and creating and developing a real estate franchise company.

*Related Business Experience:* In the early 1980's Mr. Dague joined a major Wall Street investment firm and trained on Wall Street in New York as a licensed stockbroker / financial consultant, with a primary focus on real estate related investments. He left that firm in 1985 to go into private practice as a financial consultant and registered investment advisor, and was the branch manager of a securities firm and a real estate broker. In 1989 he founded and was the president and chairman of a real estate company that sold its assets to a larger company in 1993. During that time he was the broker of record for fifty active Realtors in that company and oversaw the development of a number of offices. Mr. Dague then led the development of a new real estate related marketing company while continuing to assist clients and continuing to build his own real estate investment portfolio. Mr. Dague has acted as broker of record for himself and agents under his broker's license in well over one thousand real estate transactions during his career.

*Education:* Mr. Dague graduated from the College of Alameda in 1974 with an Associate in Science degree in Aviation Science. He graduated with highest honors and represented his class as the valedictorian speaker. He graduated from California State University at Hayward in 1976 with high honors with a Bachelor of Science degree in Psychology in Business Management, and subsequently did graduate work in the Masters Degree program in International Business at St. Mary's College in Moraga, California, in 1987 and 1988. He continued to maintain his standing as an honors student in that program.

*Other Professional Licenses:* Mr. Dague worked as an airplane charter pilot and flight instructor in the early 1970's while he was in college. He has over 5,000 hours of flight time and holds current commercial pilot, single and multi-engine flight instructor and airplane instrument pilot flight instructor ratings.

*Military Service:* Mr. Dague served three years of active duty United States military service. During that time, in addition to his military duties, he acted as the training officer for the military aero club and directed a program involving a dozen flight instructors. He received an honorable discharge from active duty in 1973 and then served one additional year in a reserve unit.

*Bankruptcy:* In January, 1999 Mr. Dague filed for Chapter 13 bankruptcy protection, on advice of tax and legal counsel, primarily to protect a property he had owned for a number of years, originally with a partner. The partner went through a period of financial difficulties. Mr. Dague bought out his partner, resolved all issues concerning the property and personally paid 100% of all funds owing. The discharged bankruptcy is no longer on his credit report; he has excellent credit.

*Family:* Mr. Dague is married with grown children. He and his wife Lynn live in San Diego, California.

**Ms. Brown** is a Real Estate Attorney and Real Estate Broker.

*Related Business Experience:* Ms. Brown has practiced law for over 20 years emphasizing real estate development, commercial leasing, and business consulting. She served as in house counsel for SAIC and for MediaFLO USA, a subsidiary of Qualcomm, Inc. She is currently a partner in her own practice, Williamson & Brown.

*Education:* Ms. Brown graduated from the University of California, San Diego in 1982 with Bachelor of Arts degree in Economics. She earned her Juris Doctor degree from the University of the Pacific, McGeorge School of Law, Sacramento in 1986.

*Other Professional Licenses:* Ms. Brown is an active member of the State Bar of California and is a licensed real estate broker in California. She is a member of the American Bar Association, and the San Diego County Bar Association.

*Family:* Ms. Brown lives in San Diego, California. She has three teen age children.

**Mr. Abdelnour** is currently a licensed General Contractor in the State of California. He is the President of MGA Enterprises Inc., dba Hammer & Nails Construction Company, a residential and commercial restoration construction company. He also has a subsidiary "handyman" business in conjunction with his construction company. He is a member of the San Diego Better Business Bureau and has the essential licenses, insurances, necessary for the construction business. Mr. Abdelnour retired from public education after thirty-five years as a

teacher and administrator.

*Related Business Experience:* Mr. Abdelnour became a General Contractor in 1984 while purchasing and remodeling residential properties. During and after his public education career he personally acquired, painted or otherwise repaired and fixed up as necessary over one hundred residential units, and resold them for his own account, including a number of properties acquired and / or sold with the help of Mr. Dague. He owned A&H Properties, a real estate and property management company from 1977 through 1985. He also owned Realty World La Mesa, a franchised real estate office, from 1987 through 1991, managing approximately 20 agents. Mr. Abdelnour has direct personal experience in virtually all phases of restoration of residential property.

*Other Professional Licenses:* In addition to his construction business Mr. Abdelnour is a licensed real estate agent, licensed since the mid 1970's

*Education:* Mr. Abdelnour graduated from San Diego State University with a Bachelor of Arts degree in Social Science and a minor degree in Art in 1962. He was an active member of the Sigma Chi Fraternity. He continued his education at San Diego State University and received a lifetime teaching credential, graduating in 1967. Mr. Abdelnour subsequently did graduate work at the University of Azusa with high honors, and received his Masters Degree in Administration in 1995. He continues to stress the importance of education in our daily lives.

*Family:* Mr. Abdelnour is married. He and his wife Darlene have four adult children.

## **REMUNERATION OF MANAGING MEMBERS**

The Managing Members do not draw a salary however they will receive an on-going stipend of \$200.00 per month to cover their miscellaneous out-of-pocket expenses. They will also earn certain other fees and real estate commissions when acting on behalf of the Company, as Company properties are acquired and sold. Net fees and real estate commissions that will be paid to the Managing Members are unknown as of the date of this memorandum. This in part because real estate referral fees (technically "finder's fees") of up to 3% of funds raised may be paid directly to real estate brokers and others who introduce an investor to the Company. Those fees, by agreement with the Managing Members, are to be paid directly from proceeds of a real estate commission (6%) payable to Managing Members at time of closing on Company acquisition of its real properties or other assets, and not paid directly from Company funds. The acquisition price the Company will pay for its properties, the resale prices it will receive, on which the Managing Members may earn a commission and on which they will be paid a 1.5% fee in addition to any real estate commissions earned by them or paid to other brokers, as well as the amount in dollars of all referral fees that may be paid out from any commissions earned by the Managing Members toward finder's fees, are all unknown as of the date hereof.

The Managing Members may also earn on-going management fees for any duties performed on behalf of the Company related to oversight of property managers the Company may hire if one

or more of the properties it acquires do not sell. That fee is \$45.00 per month per each such rented or leased property, if any. In addition, Principal Member Mike Abdelnour may earn certain fees related to property repair, fix-up and staging. Those amounts are unknown.

The offering sponsors also have certain potential rights to share in the gains, if any, on any future sale of real properties owned by the Company. The actual amount of those gains, if any, and sponsor participation in them, if any, are unknown as of the date of this memorandum. (See “THE COMPANY – Preferred Returns and Sponsor Participation”, “THE COMPANY – Cash Distributions” and “EXHIBIT D – Operating Agreement, Article VIII, Management”.)

In addition to the above, and subject to the Company reaching at least five million dollars (\$5,000,000.00) in investor funding, the Operating Agreement of the Company allows (but does not require) sponsors of the offering to buy, directly from the Company, one house at a price equal to the cost paid by the Company plus ten percent (10%). No commissions or fees of any kind will be paid to the Managing Members or the other Company sponsors as a result of the sale of any such property to them. They may only buy one house between them at that price.

The table below lists remuneration the Managing Members are expected to earn either from the Company or as a result of providing services to the Company for the fiscal year succeeding the offering:

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Managing Member	
Projected Earnings for Service to Company	
Salary .....	None
Fee for On-Going Management of the Company .....	\$200.00 monthly
Other fees and commissions .....	Unknown
Participation in net gains on sale of properties .....	Unknown
Gains on purchase of one house from Company at cost plus 10%.....	Unknown
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**DUTIES OF MANAGING MEMBERS**

In general terms the duty of the Managing Member(s) of a Limited Liability Company is to act in the best interest of the Company and its Certificate holders. He or she must perform the duties of a Managing Member in good faith, in a manner which he or she believes to be in the best interest of the Company and its Certificate holders, and with such care, including reasonable inquiry, as an ordinarily prudent person in like position would use under similar circumstances.

A Managing Members is entitled, when acting in good faith and without knowledge that would cause such reliance to be unwarranted, to rely on information, opinions, reports and statements,

including financial statements and other data prepared or presented by third parties, including Counsel, independent accountants, or other persons as to matters which he believes to be within such person's professional or expert competence, as well as information supplied by outside parties pertaining to their own financial situation.

## **DILUTION**

As of April 8, 2008, the net tangible book value of the Company was \$31,900, with no value per Series 'A' Membership Certificate as none were outstanding as of that date. "Net tangible book value" per Membership Certificate, when they are sold and issued, will represent the amount of total assets reduced by the amount of total liabilities and divided by the number of Membership Certificates outstanding. Assuming the sale of the number of Membership Certificates yielding the maximum proceeds to the Company, the net tangible book value will be approximately nine hundred and ninety nine dollars (\$999.00) per Membership Certificate, after allowing for the estimated maximum \$100,000 cost of establishing and selling the offering.

## **PRINCIPAL MEMBERSHIP CERTIFICATE HOLDERS**

The following table sets forth the amount of Certificates owned by persons who are known by the Company to own more than 5% of the total number of Certificates outstanding as of April 8, 2008, before any sale of Certificates under this offering.

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### Membership Certificates Owned

Series '1' Membership Certificates: Four (4) certificates issued, which is 100% of total, held by Mr. Erickson, Mr. Dague, Ms. Brown & Mr. Abdelnour, Company Sponsors

Series 'A' Certificates: None issued as of the date of this memorandum

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## **CERTAIN TRANSACTIONS**

The Company was organized under the laws of the State of Delaware on April 8, 2008, and is authorized under its Operating Agreement to issue four (4) Series '1' Membership Certificates and up to aggregate total of ten thousand (10,000) of its Series 'A' Membership Certificates. Its Operating Agreement was adopted by the founding Members April 8, 2008. (See "EXHIBIT 'D' – Operating Agreement".)

On April 8, 2008 the Company issued one Series '1' Membership Certificate to company sponsors Mr. Dague, one to Mr. Erickson and one each to Ms. Brown and Mr. Abdelnour in consideration of the transfer of cash in the amount of \$100.00, organizational expenses advanced and the time and effort put forth by them in pre-formation work on behalf of the Company. (See "PRINCIPAL MEMBERSHIP CERTIFICATE HOLDERS".)

## **DISTRIBUTIONS POLICY**

The offering will be made and sold on a “best-efforts” basis solely by principals of the Company and solely to residents of the State of California. Outside real estate brokers and others familiar with the Company may introduce potential investors to the Company in exchange for a real estate referral fee paid from real estate commissions earned by the Managing Members (technically a “finder’s fee” to the referring agent), if the person or entity who is introduced makes an investment in the units. Outside real estate brokers and others may not, however, participate in any way whatsoever in the sale of the offering, nor do or say anything concerning the offering beyond a brief description of the Company and the mere introduction of a potential investor. Most particularly they may not advertise the offering in any way, nor be involved in any way with the offering documents of the Company. For them to do so may be a violation of both state and federal law. Potential investors referred to the Company will be interviewed to determine if these rules were in any way violated and if that were to occur the Company would be required to reject the potential investor who reported the violation. In addition the Company would immediately and permanently sever its business relationship with the referring broker or agent who violated the rules. Each investor in the offering will be required to meet certain suitability requirements. The Company reserves the right to reject any subscription in whole or in part and to withdraw the offering at any time. (See ‘INVESTOR SUITABILITY REQUIREMENTS’.)

## **DESCRIPTION OF MEMBERSHIP CERTIFICATES**

As of the date of this Memorandum four (4) Series ‘1’ Membership Certificate are issued and outstanding. These Series ‘1’ Membership Certificates were issued to the four Company sponsors, one each, and allow them to participate, under certain conditions, in the potential future profits of the Company. There are no Series ‘A’ Membership Certificates outstanding as of the date of this memorandum. (See “EXHIBIT ‘D’- Operating Agreement.”)

All outstanding Membership Certificates, and all that are to be issued pursuant to the Operating Agreement of the Company, are or will be fully paid and non-assessable. In the event of any liquidation, dissolution or winding up of the affairs of the Company, or on all or any sale of any percentage in interest in the properties to a third party, the holders of the Series ‘A’ Membership Certificates are entitled to receive, on a pro rata basis, and subject to any rights of participation by holder(s) of the Series ‘1’ unit holders, all the assets of the Company available for distribution to them, with ‘A’ unit investors having priority for return of invested capital and for the stated 13% preferred return to the ‘A’ unit investors in the offering. If any Certificate is approved for transfer the Company will act as its own agent.

The Operating Agreement of the Company provides that an annual meeting of Certificate holders shall be held on the second Thursday of November of each year; the first such meeting is to be held in November, 2009. Holders of the Membership Certificates have no conversion, redemption, or preemptive rights, except as stated in the body of this memorandum concerning a preferred return. (See “RESTRICTIONS ON TRANSFER” and “EXHIBIT ‘D’- Operating Agreement, Article XI-Admission and Withdrawal of a Member”.)

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## Reports to Certificate holders

The Company fiscal year will end December 31 of each calendar year. It will mail to Membership Certificate holders, as promptly as practicable after the end of each fiscal year, an annual financial report. It may also mail additional reports to Members concerning activities of the Company from time to time at the discretion of the Managing Members.

## **RESTRICTIONS ON TRANSFERS**

The Certificates are being offered and sold only to residents of the State of California under the exemption from registration with the Securities and Exchange Commission (“SEC”) provided for intrastate offerings of securities by Section 3(a) (11) of the Securities Act of 1933 and SEC Rule 147 [17 CFR Sec. 230.1471.] These securities are also being offered and sold under the limited offering exemption from qualification under the California Corporate Securities Law. [Corp. Code Sec. 25102(f)]. The availability of an exemption from registration in California will depend, in part, upon the “investment intent” of each investor. The exemptions will not be available if any investor purchases the Certificates with a view to the resale or distribution thereof. Accordingly, when executing a subscription agreement, each investor will be required to acknowledge that he or she is purchasing Certificates as a long-term investment, for his or her own account, and without a view to the resale or other disposition thereof.

Investors have no right to require the Company to register the Certificates under federal or state securities laws. The Company has no present intention to register the Certificates. The sale or other disposition of Certificates have certain restrictions, including that investors in the offering may not offer or sell their Certificates to a non-California resident until one year has expired after the termination of this offering. (See “EXHIBIT ‘D’ - Operating Agreement, Section 11.2A”.)

## **INVESTOR SUITABILITY REQUIREMENTS**

### **General**

Investment in the Certificates is highly speculative, involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This offering is made in reliance on exemptions from the registration requirements of the Securities Act and rule 25102(f) of the California Corporations Code.

The Certificates will be sold only to investors who are residents of the State of California who represent in writing that they meet the investor suitability requirements set forth below. The Company may reduce the minimum investment on a case-by-case basis.

The Company may accept up to 35 investors who are referred to in as non-accredited and “counted” investors. Each such investor must meet the “Non-Accredited Investor - Company Suitability Requirements” stated herein below. The Company may also accept an unlimited

number of investors who are referred to as either excluded or accredited investors, or as “sophisticated Investors”. Investors in this category will not be included among the 35 counted investors, provided each such accredited or sophisticated investor meets one or more of the requirements to be an accredited or sophisticated investor, as stated herein below under “Accredited Investor Suitability Requirements”.

The Company will require each investor to represent in writing, among other things, that:

- (1) The investor is acquiring the Securities for his/her/its own account, for investment only and not with a view toward the resale, transfer or distribution thereof;
- (2) The investor has been afforded adequate opportunity to obtain any information the investor has deemed advisable in order to make an informed decision relating to the purchase of the Securities and, by reason of the investor’s business or financial experience the investor is capable of evaluating the merits and risks of an investment in the Securities and of protecting his/her/its own interests in connection with the transaction;
- (3) The investor is aware that the Interests have not been registered under the Securities Act, in reliance upon an exemption provided by Rule 506, and by Section 3(a) (11) of the Securities Act of 1933, as amended, and SEC Rule 147 and by rule 25102(f) of the California Corporations Code, and that transfer thereof is restricted by the Securities Act, applicable California securities law, and the absence of a market for the Interests.
- (4) The investor can bear the economic risk of losing his/her/its entire investment;
- (5) The investor’s overall commitment to investments that are not readily marketable is not disproportionate to the investor’s net worth and the investment in the Company will not cause the investor’s overall commitment to become excessive;
- (6) The investor has adequate means of providing for the investor’s current needs and contingencies and has no need for liquidity of the investment in the Company.

### **Non-Accredited Investor Company Suitability Requirements**

Every non-accredited investor must fall within the following Company requirements, and if investing through an IRA or other retirement plan he or she must meet these requirements in order for the retirement plan to make an investment in the units:

The investor must represent that he or she meets one of the requirements immediately below in subparagraph (i), *or* (ii), *or* (iii):

- (i) has a current gross annual income, together with his or her spouse, of at least \$60,000.00, and estimates that (without regard to his investment) his or her income during 2008 and 2009 will be at least \$60,000.00, and has individual net worth or joint net worth

with his or her spouse (exclusive of home and furnishings), of at least three times the amount of his or her investment;

- *or* - (ii) ) has individual net worth or joint net worth with his or her spouse (exclusive of home and furnishings), of at least five times the amount of his or her investment;

- *or* - (iii) has individual net worth or joint net worth with his or her spouse (exclusive of home and furnishings), of at least \$150,000.00, or is purchasing in a fiduciary capacity for a person or for an entity meeting such conditions.

### **Accredited or Sophisticated Investor Suitability Requirements**

Every accredited investor must meet one of the following Company requirements, as stated in sub-paragraphs (a) *or* (b) *or* (c) *or* (d) *or* (e) immediately below.

(a) The investor is a natural person who has an individual income of at least \$200,000.00 over the past two years which is expected to continue in the current year, or a joint income, with his or her spouse, of at least \$300,000.00 over the past two years which is expected to continue in the current year, *or* the investor has an individual net worth exceeding one million dollars (\$1,000,000.00) which may include home equity, *and*

(i) The investor, or his or her professional advisor, has the capacity to protect the investor's own interest; - *and* -

(ii) The investment in the Certificates does not exceed ten percent of the investor's net worth; - *or* -

(b) The investor purchases \$150,000.00 or more of the Certificates ; - *and* -

(i) The investor, or his or her professional advisor, has the capacity to protect the investor's interest, - *or* -

(ii) The investment in the Certificates does not exceed ten percent of the investor's net worth.

(c) The investor is a bank, savings and loan association, trust company, insurance company, pension or profit-sharing trust including a profit sharing trust of the issuer and other than a self-employed individual retirement plan ("KEOGH" or SEP/IRA"), or an individual retirement account ("IRA"), or a Corporation with outstanding Certificates registered under Section 12 of the Securities Exchange Act of 1934, or a Corporation in which all of its equity owners meet one or more of the requirements to be an excluded investor.

(d) The investor is an organization described in Section 501(c)(3) of the Internal Revenue Code, which has total assets of not less than \$4,000,000.00 according to its most recent audited financial statements.

(e) As an alternative to all of the above, if the investor is a real estate professional currently licensed in any state, then such a person may be considered a “sophisticated investor” who, at the discretion of the Company, meets the suitability requirements of the Company, if he or she is a person who

(i) owns or has owned any other real estate or other real estate related investments, *and*

(ii) who, based on his personal and professional background has the ability to understand the offering and the risks associated with the offering, so as to be making a professional, fully informed decision to invest in the Membership Certificates and to accept the attendant risk of the offering based on such professional knowledge and experience.

#### Modification of Investor Suitability Standards

The above suitability requirements represent minimum suitability requirements for investors. Accordingly, the satisfaction of applicable requirements by an investor will not necessarily mean that the Certificates represent a suitable investment for the investor. Furthermore, although the Company may modify these requirements at its discretion, any such modification shall only increase (not decrease) the suitability requirements for investors.

The representations concerning suitability made by a prospective investor may be subject to confirmation by the Company at the sole discretion of the Company, to determine his or her suitability. The Company will have the right to refuse a subscription for Certificates if, in its discretion, it believes that an investor does not meet the applicable suitability requirements or the Certificates otherwise constitute an unsuitable investment for the investor, or the sale of Certificates may otherwise jeopardize this offering as a whole.

## **OFFERING AND SALE OF THE UNITS**

### The Offering

The Company is offering a maximum aggregate total of ten thousand (10,000) of the Series ‘A’ Membership Certificates at \$1,000.00 each, with a minimum required investment of 25 Certificates (\$25,000.00) unless the minimum investment amount is waived by the Company, on a case-by-case basis.

The Membership Certificates offered hereby are being offered and sold on a “best efforts” basis only by the Managing Member(s) of the Company to persons who meet the qualifications necessary for an investment in the offering. No fees, commissions or cash compensation are being paid for the sale of the units; however a real estate referral fee (technically a “finder’s fee”) may be paid to real estate brokers and others (excluding sponsors) at closing on Company acquisition of its properties who merely introduce an investor to the offering, if the person introduced makes an investment in the units. If paid, finder’s fees will be paid only, and directly, from real estate commissions and fees earned by the Managing Members at closing on the

purchase of the properties. Proceeds of the offering will not be directly expended to pay finder's fees.

Company Managing Members may be reimbursed for reasonable expenses incurred in connection with the sale of the offering. (See "THE COMPANY - Expenses of the Offering".)

Each investor will be required to comply with either (1) the investor suitability standards for "non-accredited investors", or (2) the investor suitability standards for "sophisticated investors" or (3) the investor suitability standards for "accredited investors". The transferability of Certificates will be subject to a number of restrictions. (See "INVESTOR SUITABILITY REQUIREMENTS", "RISK FACTORS - Lack of Liquidity - No Trading Market".)

#### Referral Fee (Finder's Fee) Rules for Introducing Potential Investors

In regard to the above referenced real estate referral fees (technically "finder's fees") that may be paid to outside real estate brokers, their agents and others familiar with the Company who introduce investors to the Company, those persons may not do or say anything concerning the offering beyond a brief description of the Company and the mere introduction of a potential investor to the Company. They may not participate in any way whatsoever in the sale of the offering and most particularly, they may not advertise the offering in any way, nor be involved in any way whatsoever with the offering documents of the Company. For them to do so may be a violation of both state and federal law. Potential investors referred to the Company will be interviewed to determine if these rules were in any way violated; if that were to occur the Company would be required to reject the potential investor who reported the violation. In addition the Company would permanently sever its business relationship with the referring broker or other "finder" who violated the rules. Each investor in the offering will be required to meet certain suitability requirements. The Company reserves the right to reject any subscription tendered, in whole or in part, and to withdraw the offering at any time. (See "INVESTOR SUITABILITY REQUIREMENTS".)

#### Minimum and Maximum Capitalization

The Company established a minimum capitalization for itself of five hundred (500) of the Series 'A' units and maximum capitalization of ten thousand (10,000) of the Series 'A' units. Investment funds received pursuant to this offering will be held in a segregated account, or may be temporarily held un-cashed, until the minimum proceeds to start operations are received. The offering will continue until all Membership Certificates offered hereby are sold, or until October 30, 2008 unless extended by the Company, or until the Company terminates this offering. The Company may terminate the offering at any time. (See "EXHIBIT 'D' - Operating Agreement".)

### **HOW TO SUBSCRIBE**

The enclosed Investor Questionnaire should be completed and returned to the Company if not already submitted. To purchase Certificates please complete the Prospectus Receipt and Subscription Agreement enclosed with this Private Placement Memorandum. The Questionnaire contains certain questions concerning suitability to make the investment. A Purchaser

Representative Questionnaire, if applicable for investors represented by a third party representative, may be obtained from the Company. The minimum subscription is twenty five (25) Certificates (\$25,000.00) for the units unless waived by the Company on a case-by-case basis. Each investor in the units will be required to comply with the financial suitability standards set forth in this Private Placement Memorandum. (See "INVESTOR SUITABILITY REQUIREMENTS".)

#### Direct Investments and Investments through Retirement Accounts

Investments in the offering may be made in cash with personal or corporate funds, or through Self-Directed IRAs or through other types of retirement accounts. For assistance with questions in completing the execution package, call the Company at (619) 471-2014 and ask for Mr. Dague. (See "EXHIBIT 'E' - Feasible Investment for IRA and other types of Retirement Accounts".)

### **LAWSUITS**

As of the date of this Memorandum the Company is not a party to any pending civil lawsuit, nor involved with any other pending legal proceedings of any kind, nor have the Managing Members of the Company ever been named by the SEC or any state authority in any actions or complaints concerning securities dealings or securities broker or agent violations. As of the date of this memorandum none of the offering sponsors are involved in any lawsuits of any kind.

### **LEGAL MATTERS**

The Business Plan associated with this and similar offerings, including certain aspects of the offering pertaining to the notes, the note trustee and certain of the rules and guidelines concerning sale of the offering into IRA and other types of retirement accounts, were prepared for the Company with the assistance of various attorneys. For instance, Mr. James D. Hollister, Attorney at Law practicing in Livermore, California, assisted with Risk Factor Disclosures. Aspects of this and similar offerings that relate to state and federal securities laws, and certain exemptions thereto that may be available to the Company, were prepared with the review and assistance of Methven & Associates, Attorneys at Law, practicing in Berkeley, California.

The representation of Methven & Associates with respect to the private placement Offering Memorandums the Company brings forward from time to time is limited solely to a review of the availability of certain exemptions to registration under which the offerings are made, and restricted to the date an opinion concerning them was rendered to the Company. It is possible that certain exemptions to registration upon which the Company relies may have changed or been withdrawn since the date such an opinion was rendered to the Company. The statements in the "Opinion Letter" from Methven & Associates, summarized, indicate that as of the date of their legal opinion letter offerings identical in virtually every respect to this one appear to meet the exemptions to registration under which this offering is being made. Other legal counsel has confirmed by a review of appropriate documents that the Company is (a) duly organized and validly existing under the laws of the State of Delaware and has full power and authority to own properties and conduct its business, (b) that the offering and sale of up to an aggregate total of ten thousand (10,000) of the Series 'A' Membership Certificates of the Company, pursuant to

this Memorandum, has been validly authorized by the Company pursuant to its Operating Agreement.

To the extent that legal matters of any kind arise, the Company may need to retain legal counsel to represent it, and no provisions have been made in the financial projections of the Company for payment of such a retainer or payment of fees to such counsel. There is not and can not be a guarantee that funds would be available to the Company, or available at a cost deemed reasonable and acceptable to the Company, for the payment of such fees if needed. (See “EXHIBIT 'C' - Opinion letter of Bruce Methven, Attorney at Law” and “RISK FACTORS - Limited Capitalization of the Company”.)

**ADDITIONAL INFORMATION**

For additional information please contact:

REO Profits Team5  
c/o Mr. Gary Erickson, Attorney at Law  
3061 Clairemont Drive, San Diego, CA 92117.  
  
(800) 811-2429 or (619) 275-3866, extension 209.

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## FINANCIAL STATEMENTS

Un-audited Financial Statements of:  
**REO Profits Team5, LLC**  
*A Delaware Limited Liability Company*  
 Balance Sheet and Income Statements of April 8, 2008

	<u>Assets</u>	<u>Certificated Members Liabilities + Equity</u>
Cash	\$ 100	* Note Payable: \$31,900
Organizational Expenses	\$ 1,900	Members Equity: \$ 0
Pre-paid legal & Business Fees	<u>\$29,900</u>	
<b>TOTAL ASSETS</b>	<u>\$31,900</u>	<b>LIABILITIES + Members Equity</b> <u>\$31,900.00</u>

- A note payable to certain sponsors of the offering in the amount of \$31,900.00 for legal fees, time and effort in setting up the offering and certain other pre-formation and formation expenses will be paid out of offering proceeds, \$15,900.00 of which shall be paid when the Company reaches a minimum of \$500,000 in Series 'A' units sold. The remaining \$16,000.00 balance shall be paid on a pro-rated basis as the next \$500,000.00 of the Series 'A' units are sold. Total fees and other costs for the offering, which may include review by Company legal counsel of investor subscription agreements, are unknown as of the date of this Memorandum, as are certain marketing and other expenses, but in any event are not expected to exceed the greater of \$31,900.00 or 1% of the total proceeds of the offering.

### Notes to Balance Sheet:

The enclosed compilations are limited to presenting, in the form of financial statements, information that is representative of REO Profits Team5, LLC (the "Company"). The financial statements have not been audited or reviewed and, accordingly, no assurances or opinions are expressed by any independent certified public accountant.

The Company has elected to omit substantially all of the disclosures, statements and changes in financial position, and statement of retained earnings required by generally accepted accounting principles. If the omitted disclosures and statements were included in the financial statements they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Thank you.
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