

mayfield companies

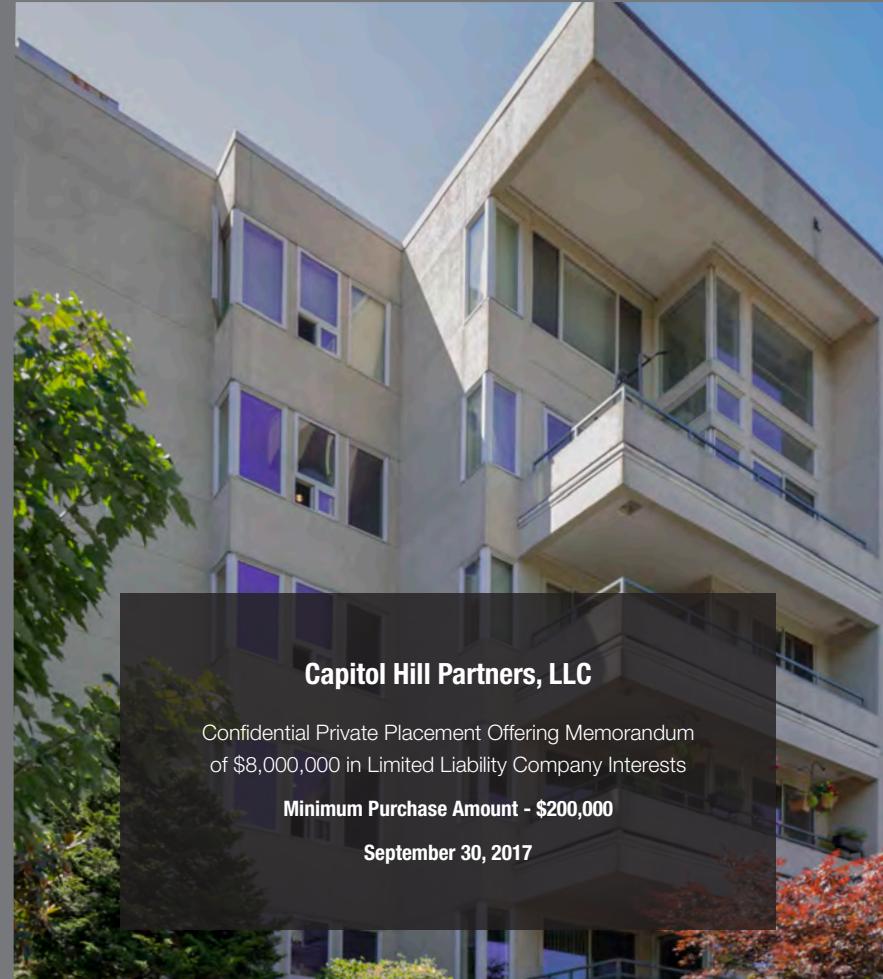


Carroll & Kensington

305 & 311 Bellevue Ave E
Seattle, WA 98102

Private Investment Offering

Mayfield Investment Company Inc. is pleased to present the Carroll and the Kensington apartments to investors. Taken together, the Property is a 58-unit urban apartment community on Capitol Hill in Seattle Washington. The project offers potential investors a unique opportunity to participate in ownership of a value-add apartment community, at a substantial discount to replacement cost, centrally located within the heart of Seattle.



Limited LLC Interests

This Confidential Private Placement Memorandum (the "Memorandum") is furnished on a confidential basis to a limited number of sophisticated, accredited investors for the purpose of providing certain information about an investment in LLC interests ("Interests") in the Carroll & the Kensington Apartments through ownership in Capitol Hill Partners LLC, a Washington Limited Liability Company. This Memorandum is to be used by the person to whom it has been delivered solely in connection with their consideration of the purchase of the Interests described herein. The information contained herein should be treated as confidential and may not be reproduced, transmitted or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of Mayfield Capitol Hill LLC, the Managing Member of the LLC (the "Managing Member"). Each prospective investor accepting this Memorandum hereby agrees to return it promptly upon request.

This Offering does not constitute an offer to sell or the solicitation of an offer to buy any of the Securities offered hereby to anyone in any jurisdiction in which such offer or solicitation is unlawful. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, imply that there has been no change in the affairs of the Company or that the information herein is correct as of any time subsequent to the dates as of which such information is given.

The Interests offered have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or by the securities regulatory authority of any state or of any other jurisdiction, nor has the SEC or any other securities regulatory authority passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

The Interests have not been registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), the securities laws of any state or the securities laws of any other jurisdiction, nor is such registration contemplated. The Interests will



be offered and sold in the United States under the exemption provided by Section 3(a)(11) or Section 4(2) of the 1933 Act, Regulation D promulgated thereunder, and other exemptions of similar import in the laws of the states and jurisdictions where the offering of Interests will be made. The LLC will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"). There is no public market for the Interests and no such market is expected to develop in the future. The Interests may not be sold or transferred except as permitted under the LLC's Operating Agreement as amended or restated from time to time, (the "LLC Operating Agreement") and unless they are registered under the 1933 Act, or unless an exemption from such registration thereunder as well as any other applicable securities law requirements is available.

Potential investors should pay particular attention to the information under the captions "Risk Factors" and "Conflicts of Interest" in this Memorandum. Investment in the LLC is suitable only for sophisticated investors and requires the financial ability and willingness to accept the risk and lack of liquidity inherent in an investment in the LLC. Investors in the LLC must be prepared to bear such risks for an indefinite period of time. No assurance can be given that the LLC's investment objective will be achieved or that investors will receive a return of their capital.

In making an investment decision, investors must rely on their own examination of the LLC and the terms of this offering, including the merits and risks involved. Prospective investors should not construe the contents of this Memorandum as investment, legal, tax or accounting advice and each prospective investor is urged to consult with its own advisors with respect to investment, legal, tax and accounting consequences of its investment in the LLC.

NO PERSON OTHER THAN AN OFFICER OF THE COMPANY IS AUTHORIZED TO GIVE ANY INFORMATION (WHETHER ORAL OR WRITTEN) IN CONNECTION WITH THIS OFFERING EXCEPT SUCH INFORMATION AS IS CONTAINED IN THIS OFFERING MEMORANDUM AND THE ATTACHMENTS AND EXHIBITS HERETO AND DOCUMENTS REFERRED TO HEREIN.

AN INVESTMENT IN THIS OFFERING WILL BE CONDITIONED ON, AMONG OTHER THINGS, EXECUTION OF A SUBSCRIPTION AGREEMENT CONFIRMING THAT THE INVESTOR IS RELYING EXCLUSIVELY ON INFORMATION OR REPRESENTATIONS CONTAINED IN THIS OFFERING MEMORANDUM (INCLUDING ALL ATTACHMENTS AND EXHIBITS THERETO) AND NOT ON ANY ORAL OR WRITTEN STATEMENTS OR REPRESENTATIONS MADE BY ANY PERSON, INCLUDING MEMBERS OF CAPITOL HILL PARTNERS, LLC, OFFICERS OF THE COMPANY OR PERSONS ACTING ON BEHALF OF THE COMPANY.

The content of this Private Offering Memorandum supersedes all prior or contemporaneous communication by any of the various Mayfield entities with respect to the subject matter hereof.

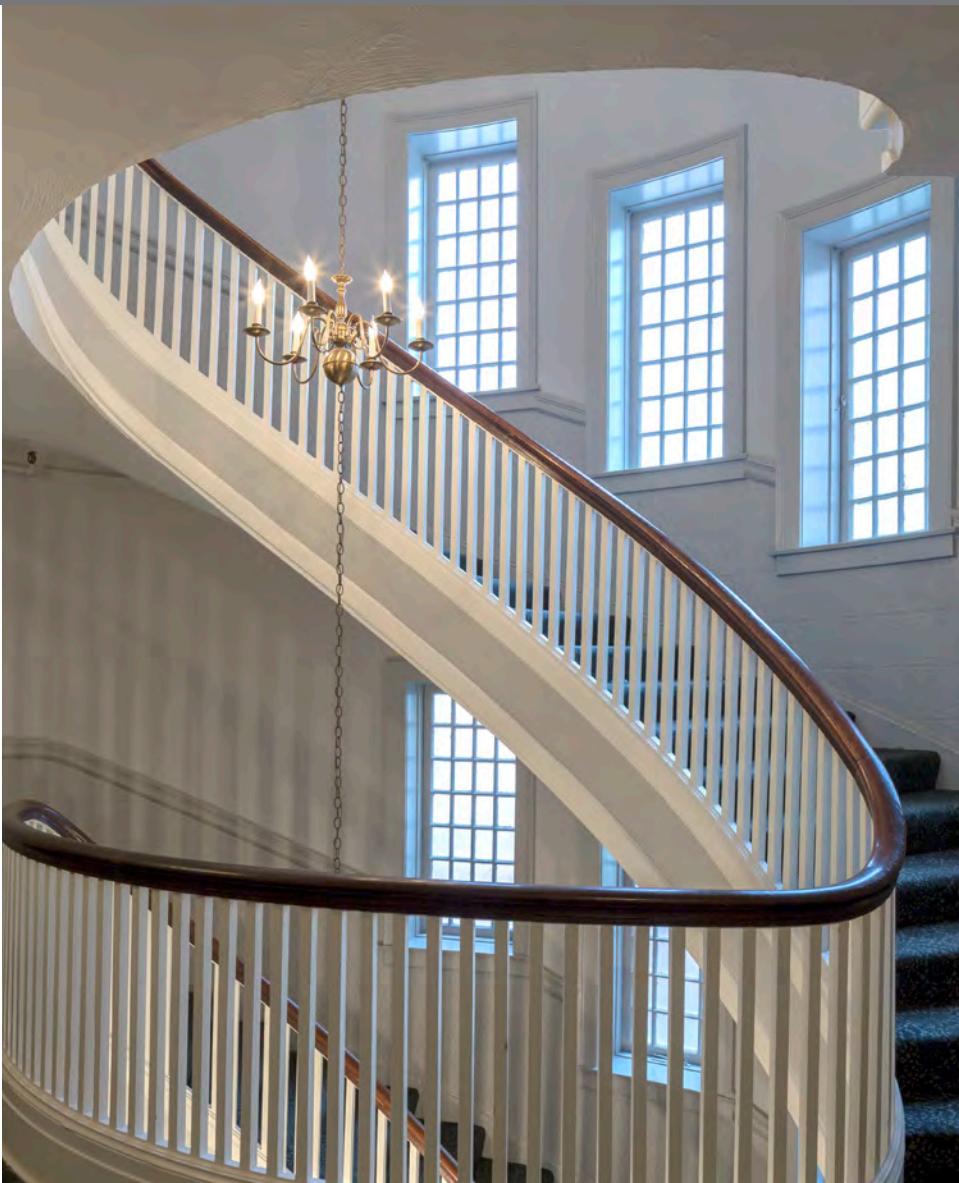
The Company will make available to each offeree and his, her or its representatives, if any, prior to the sale of the Securities offered hereby, the opportunity to question the Company or persons acting on its behalf about the terms of this Offering. The Company will also obtain and make available any additional information (to the extent the Company can acquire the information without unreasonable effort or expense) requested to verify the accuracy of the information in this Offering Memorandum or otherwise provided or made available prior to the sale of the Securities and any additional information that an offeree or his, her or its representatives might request to make a decision as to the purchase of the Membership Interests. Representatives of the Company will be available to each prospective purchaser of the Membership Interests during normal business hours and will respond to questions concerning the terms and conditions of the Offering. Offerees and their representatives are invited to communicate directly with:

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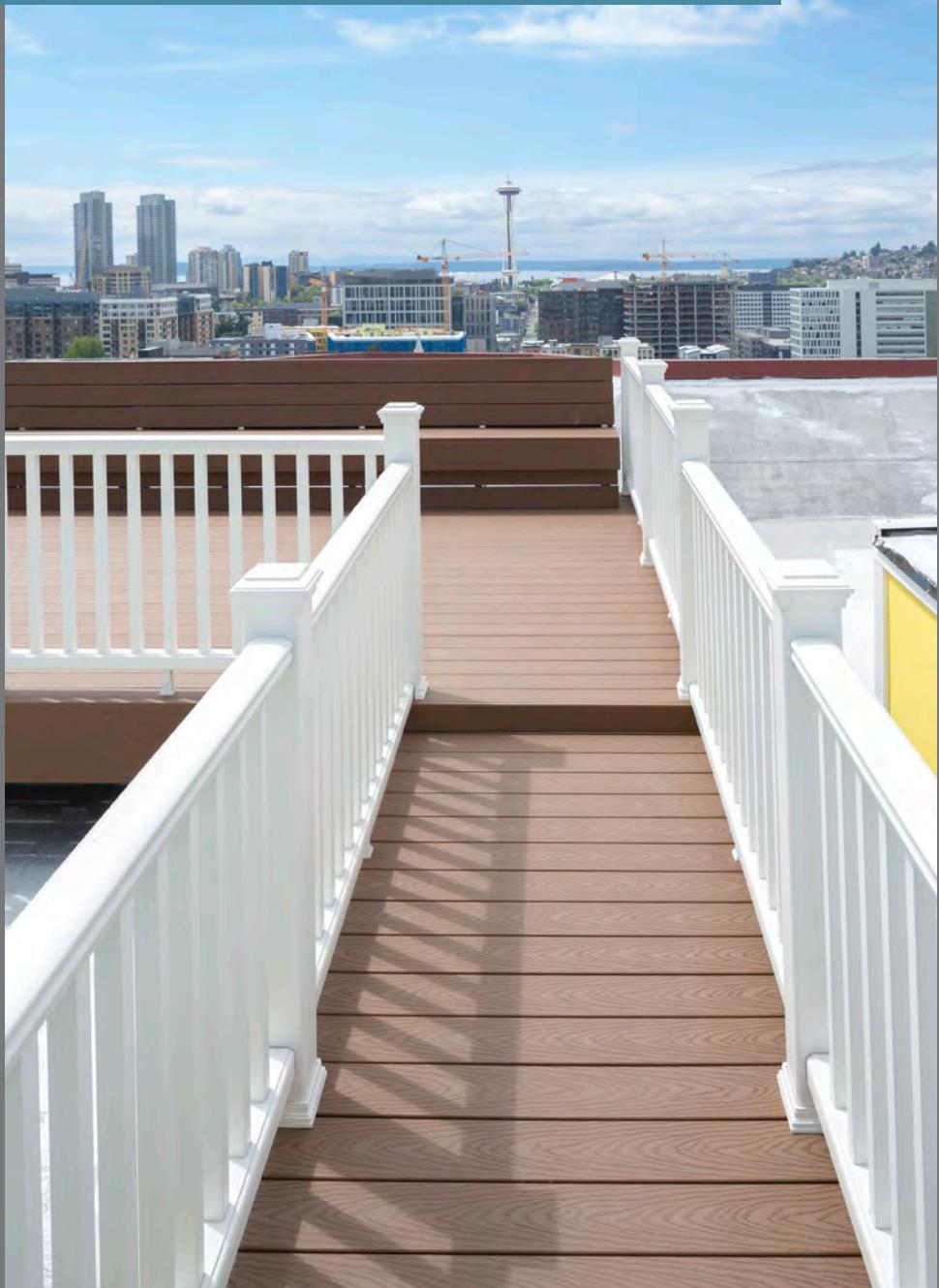
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I. The Investment

I. The Investment



Mayfield Investment Company, Inc. is organizing a new Washington Limited Liability Company, Capitol Hill Partners LLC, (the “LLC”) which will purchase the Carroll & Kensington apartments, located adjacent to each other on Capitol Hill in Seattle WA. The Carroll contains 33 apartments and the Kensington contains 25 apartments. The seller, which has owned the apartments since 1983, has agreed to sell to Mayfield Investment Co., Inc. or its designee.

Upon completing the acquisition, Mayfield will install improved and experienced management on site, and will implement a renovation program providing up to date appliances and finishes for each apartment unit. Common areas will be upgraded and cosmetic improvements made. The renovation is expected to add substantially to the value of the property. Rental income for the Property is projected to increase by approximately 40% over current levels.

At the end of the third year of ownership Mayfield Capitol Hill, LLC, (the “Managing Member”) will evaluate the options which are then available to maximize the investor’s return. Possible alternatives are:

- Sale of the Property and distribution of the net proceeds
- Retain and refinance the Property with distribution of available proceeds
- Retain the Property and distribute available cash flow on a quarterly basis

In the event the Property is not sold at the end of the third year, all of these options will be reviewed annually.



B. Investment Highlights

Capitol Hill Partners, LLC | Investment Highlights

FINANCING OF PURCHASE PRICE

Purchase Price	\$	23,000,000
Deed of Trust Financing	\$	(18,500,000)
Down Payment	\$	4,500,000

LLC INVESTED CAPITAL

Down Payment	\$	4,500,000
Purchase and Refurbishing Costs, Org. Fee, Reserves, etc.	\$	3,500,000
Total LLC Capital	\$	8,000,000

PROJECTED INVESTMENT RETURNS, END OF THIRD YEAR

Estimated Property Value	\$	33,000,000
Net Sales Proceeds to LLC	\$	13,700,000
Less Return of Investors' Capital	\$	8,000,000
Less Manager's 25% Profit Incentive	\$	1,425,000
Plus Property Cash Flow	\$	731,000
Total Available for Distribution to Members	\$	5,006,000

PROJECTED INVESTMENT RETURN PER INVESTMENT UNIT, END OF THIRD YEAR

Approximate Value of \$500,000 Partnership Interest**	\$	842,500
Original Investment	\$	500,000
Estimated Profit	\$	342,500
Projected 3-Year Rate of Return	\$	68.5%
Internal Rate of Return	\$	19.0%

The above projections are estimates only. Actual results could vary significantly depending on economic conditions and the apartment market in the Seattle metropolitan area.

** After Deducting Managing Member's Profit Sharing Incentive

Capitol Hill Partners, LLC | Capital Contributions

MEMBERS

		CAPITAL CONTRIBUTED
Mayfield Investment Company Managing Member	1.25%	\$ 100,000
Klimp Family Trust (John and Nancy Klimp)	4.98%	\$ 400,000
Other Members	93.77%	\$ 7,500,00
TOTAL	100.00%	8,000,000



C. The Property

Carroll & Kensington Apartments are mid-rise buildings located respectively at 305 and 311 Bellevue Avenue E, Seattle WA 98102 in King County. Each building is 5 stories, and each offers a balanced mix of spacious apartments, including both one and two bedroom units. A relatively inexpensive cosmetic upgrade will dramatically improve the Property and can be implemented with a budget which is expected to be approximately 5% of the purchase price.

The Carroll contains 33 units. Originally built in 1908 and renovated in 2003, the Carroll features timeless turn of the century architecture, inside and out. The building has large floor plans, 9'+ ceilings, spacious landings, 8 ft. high mahogany entry doors, bay windows and a dramatic spiral entry staircase. Current ownership

has spent more than \$3,000,000 to update major mechanical systems, including plumbing, electrical and seismic retrofitting.

The Kensington contains 25 units and was erected in 1994. It is an attractive late-20th century structure built to condominium standards. Interiors are primarily 1994 vintage, but recently four units have been extensively renovated with modern finishes. The building has an elevator. A number of the units have balconies, along with in-unit washer/dryers and fireplaces.

The buildings offer a total of 52 secured garage stalls and 5 outside stalls, all on a shared basis.

Capitol Hill Partners, LLC | Unit Mix For Three Years Of Ownership

# of Units	Type	Approx. Sq. Ft.	Market Rents					
			Current	Per Sq. Ft.	First Year Projected	Per Sq. Ft.	3 - Year Projected	Per Sq. Ft.
4	C - Studio	581	\$1,119	\$1.93	\$1,950	\$3.36	\$2,047.50	\$3.52
21	C - 1 Bedroom/1 Bath	848	\$1,617	\$1.91	\$2,500	\$2.95	\$2,575	\$3.04
8	C - 2 Bedrooms/1 Bath	1,152	\$2,218	\$1.93	\$3,100	\$2.69	\$3,193	\$2.77
12	K - 1 Bedroom/1 Bath	744	\$1,542	\$2.07	\$2,400	\$3.23	\$2,472	\$3.32
8	K - 2 Bedrooms/1.25 Baths	842	\$1,773	\$2.11	\$2,600	\$3.09	\$2,678	\$3.18
3	K - 2 Bedrooms/1.25 Baths	1,083	\$2,483	\$2.29	\$3,250	\$3.00	\$3,348	\$3.09
2	K - 2 Bedrooms/2 Baths + D upgraded	1,255	\$1,756	\$1.40	\$3,500	\$2.79	\$3,605	\$2.87
58	TOTAL	50,771	\$99,826	\$1.97	\$151,450	\$2.98	\$156,150	\$3.08

Carroll & Kensington

Property	Carroll Apartments	Kensington Apartments
Address	305 Bellevue Ave E, Seattle, Wa 98112	311 Bellevue Ave E, Seattle, Wa 98112
Year Built	1908, Renovated In 2003	1994
Buildings	Two Five-Story Mid-Rise Apartments	
Number Of Units	33	25
Gross Building Area	38,626	40,731
Net Rentable Area	29,359	21,403
Parking	52 Secured Garage Stalls & 5 Outside (All Shared)	
Acreage / Density	0.53 Acres / 109 Units Per Acre	
Current Occupancy	93.1%	
Tax Parcel No.	684770-0395	
Walking Score	94 Walk Score / 59 Bike Score	

C. The Property



left: Area Map
Right: Neighborhood Map



Financing

The purchase price of the Property is \$23,000,000. A new loan of \$18,500,000 equal to approximately 80% of the purchase price enables the LLC to acquire the Property with a down payment of approximately \$4,500,000 million. Of the new loan, \$17,500,000 will support the purchase price for the buildings and \$1,000,000 will finance renovations of the two properties.

Rentability

Existing rents at Carroll & Kensington Apartments are, on average, approximately 19% below market. Management expects to bring the rents up to well above market average over the first 18 months of ownership. The planned renovations are expected to provide considerable upside to the current in-place rents.

Immediate Neighborhood

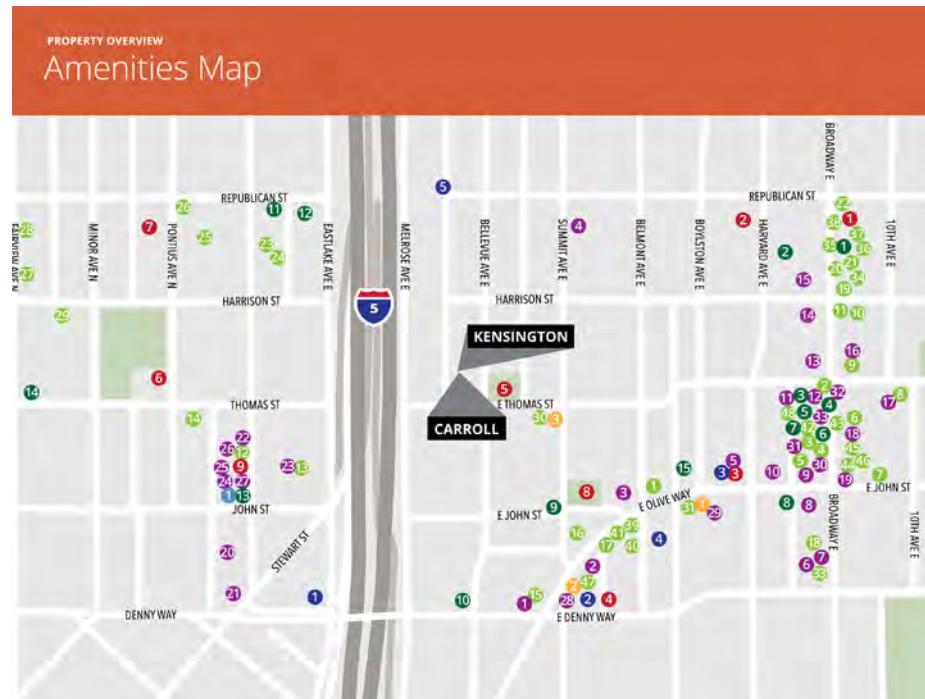
Capitol Hill is one of the most popular and most densely populated neighborhoods in the city. The Property enjoys a prime location, near Capitol Hill's retail stores, restaurants and Universities. The Property has a 94 walking score. Downtown Seattle, South Lake Union and major employers such as Amazon are only a short walk away.

- FOOD & DRINK**
- ① Hot Cakes
- ② Jai Thai
- ③ Charlie's Bar & Grill
- ④ Mirch Masala
- ⑤ Nacho Borracho
- ⑥ Einstein Bros. Bagels
- ⑦ Queen Sheba Ethiopian Restaurant
- ⑧ Café Solstice
- ⑨ Julia's on Broadway
- ⑩ Teriyaki & Wok
- ⑪ TNT Espresso
- ⑫ World Wraps
- ⑬ Espresso Vivace
- ⑭ Lunchbox Laboratory
- ⑮ In the Bowl
- ⑯ Starbucks
- ⑰ Glo
- ⑱ Dick's Drive-In
- ⑲ Pho Cyclo Café
- ⑳ Witness
- ㉑ Samurai Noodles
- ㉒ Starbucks
- ㉓ Feierabend
- ㉔ Caffe Torino
- ㉕ Osteria Rigolotto
- ㉖ Metropolitan Café & Deli
- ㉗ Café Ladro
- ㉘ Meat & Bread
- ㉙ Nollie's Café
- ㉚ Resto

- BEAUTY & FITNESS**
- ㉛ Infinity Nails & Spa
- ㉜ Gold's Gym
- ㉝ Scream Salon
- ㉞ Studio 229
- ㉟ Ian Fitness
- ㉟ Canary Salon
- ㉞ Seatt Barber
- ㉞ Desert Sun Tanning
- ㉞ Salon Swagger
- ㉞ Acme Barber Shop
- ㉞ Ripple Yoga
- ㉞ Evolv Fitness
- LIFE & LEISURE**
- ㉛ Kessler's
- ㉜ Americana Restaurant
- ㉝ Europub
- ㉞ Pinto Bistro Thai & Sushi Bar
- ㉞ Pizzeria 88
- ㉞ Wedgewood II
- ㉞ Pagliacci Pizza
- ㉞ Emerald City Smoothie
- ㉞ Stumbling Monk
- ㉞ Captain Blacks
- ㉞ Bluestone
- ㉞ Tacos Chuklis
- ㉞ Ha Na
- ㉞ Tea Republik
- ㉞ Highline
- ㉞ Subway
- ㉞ Best Teriyaki
- ㉞ Vaca Loca
- HEALTH & WELLNESS**
- ㉛ LifeFloat
- ㉜ Praxis Brazilian Jiu Jitsu
- ㉝ Superslow Strength Training
- ㉞ Stretch
- SHOPPING & SERVICES**
- ㉛ Downtown Dog Lounge
- ㉜ CH Cleaners
- ㉝ Sparkling Cleaning Service
- ㉞ Emerald City Pet Pals
- ㉞ City Cat Vet Clinic
- ㉞ Perfect Copy & Print
- ㉞ Phoenix Comics & Games
- ㉞ US Bank
- ㉞ Western Union
- ㉞ All Seasons Cleaners
- ㉞ Mud Bay
- ㉞ Revival Shop
- ㉞ Chase Bank
- ㉞ Crossroads Trading
- ㉞ Urban Outfitters
- ㉞ Lifelong Thrift Store
- ㉞ Urban Animal
- ㉞ US Post Office
- ㉞ American Apparel
- ㉞ Feathered Friends
- ㉞ Play it Again Cycle & Sport
- ㉞ GolfTEC
- ㉞ REI
- ㉞ Hammerquist Studio
- ㉞ Evolv Fitness
- WELLNESS**
- ㉛ Wunderman Seattle
- ㉜ Blink
- ㉝ Hill & Knowlton Strategies
- ㉞ Pronto
- ㉞ Artful Dodger Tattoo
- ㉞ Trendy Wendy
- ㉞ Massai Ethnic Treasures
- ㉞ Metro Clothing
- ㉞ Panache
- GROCERY & MARKETS**
- ㉛ King of the Hill
- ㉜ Crest Hill Market
- ㉝ Thomas St. Market
- ARTS & ENTERTAINMENT**
- ㉛ El Corazon
- ㉜ Ghost Gallery
- ㉝ Dendrocia Gallery
- ㉞ Fred Wildlife Refuge
- ㉞ Catherine Person Gallery
- EDUCATION & COMMUNITY**
- ㉛ ALPS Language School
- ㉜ Capitol Hill Branch Library
- ㉝ Havard Ave School
- ㉞ Denny Way Music School
- ㉞ Thomas St. Mini Park
- ㉞ YMCA Cascade
- ㉞ Cortiva Institute
- ㉞ Summit Slope Park
- ㉞ Hipcooks

The Property

The site consists of 0.53 acres located between E. Thomas Street and E. Harrison Street at their intersection with Bellevue Avenue E. The site's excellent location on the hillside affords world-class views of the City skyline, Puget Sound and the city's Olympic Mountain background.



C. The Property

Building Descriptions

The Carroll is a 5-story, wood frame building with a beautiful turn of the century brick exterior. Apartments are spacious. A dramatic spiral staircase runs through the center of the building. The unit mix features a wide variety of floorplans (see "Unit Mix"). The Carroll was built in 1908.

The Kensington is a 5-story, wood frame building with a contemporary stucco exterior. Windows are double-paned. The spacious unit mix features 1 and 2 bedroom floorplans, with the top floor being comprised of stunning 2-story, loft-style 2 bedroom/2 bath apartments with 16-foot ceilings and large windows that offer panoramic views. There are 52 parking spots in the dual underground garages that serve both buildings. The Kensington was built in 1994.

Rentable Area

The total rentable area of the apartments is 50,773 square feet.

Heating

Each apartment is individually heated with a series of electric in-wall, forced air heating units.

Security

Each building provides controlled-access. Entry to the two underground garages is controlled as well.

Elevator

The Kensington has an elevator that provides access to each floor and to both underground garages.

Balconies

The Kensington has a deck or patio with each apartment.

Roof Deck

The Carroll has a recreational deck for the enjoyment of its residents offering sweeping views of downtown, Puget Sound and Lake Union.

Laundry Facilities

The Carroll has a common area laundry room. The Kensington has a washer/dryer in each apartment.

Fireplace

The Kensington has a fireplace in each apartment.

Exhaust Fan System

The Kensington bathrooms and kitchens and the Carroll kitchens are ventilated by motorized fans in each apartment that terminate at the roof. Carroll bathrooms are window-ventilated.

Domestic Hot Water System

All 58 apartments have a dedicated 50-gallon electric hot water heater. The laundry room at the Carroll is serviced by one gas hot water heater.

Plumbing

The pressurized water supply plumbing is comprised of copper. Both copper (the Carroll) and PVC (the Kensington) are being used for outflow water.

Utilities

Each resident pays for their individual electricity supplied by Seattle City Light. Natural gas is provided by Puget Sound Energy and the City of Seattle supplies water, sewer and refuse removal.

Cable Television, Internet & Telephone

Each apartment is wired for cable television, internet and telephone.

Parking

Both buildings have secure direct access to a two-level parking garage which contains a total of 52 stalls and an additional 5 spaces outside. On-street guest parking is also available.

Projected Gross Annual Income for First Twelve Months

\$1,383,000. See Financial Projections beginning at p. 19.

D. The Purchase

Purchase Price

The purchase price of the Property is \$23,000,000.

Purchase Financing

A new loan of \$18,500,000, equal to approximately 80% of the purchase price, will be used by the LLC to acquire the Property, with a down payment of approximately \$4,500,000. Of the new loan, \$17,500,000 will support the purchase price for the buildings and the remaining \$1,000,000 will be allocated to upgrades for the Property. The loan is being arranged by Resource Real Estate. It will be an interest-only loan and will have a variable interest rate calculated at 1-Month LIBOR plus a spread of 4.5% with a floor of 5.1%. The loan will have a term of 3 years, with two 1-year extensions.

To protect against a substantial rise in interest rates over the term of the loan, an interest rate cap will be purchased from Chatham Financial with a one-month LIBOR strike price of 2.0% and a term equal to or greater than the term of the loan. The cost of the cap is expected to be approximately \$45,000.

Investment, Cash Flow & Appreciation

A minimum LLC interest of \$200,000 is required. For convenience, investor returns herein have been calculated assuming an investment of \$500,000. Each \$500,000 interest is projected to be worth approximately \$842,000 in 3 years. Tax sheltered cash flow may be distributed once the project has stabilized.

Investment By Mayfield Investment Company

Mayfield Investment Company, its principals and affiliates will invest approximately \$500,000 as Managing Member and as Members.

Closing

The closing of the investment offering will be on or before Thursday, August 31. Such closing date may be extended in the discretion of the Managing Member.

Period Of Ownership

The LLC expects to hold Carroll & Kensington Apartments for at least 3 years.

Investment Safety

As the saying goes, the continuing value of real estate is all about “location, location, location”.

Carroll & Kensington Apartments are located on Capitol Hill, which is a traditionally strong and desirable residential neighborhood that serves the strong housing demand created by Seattle’ extraordinary and continuing business growth. The neighborhood consists primarily of attractive multi-family housing and is located directly above the city’s central business district. The convenience of the Property’s location attracts residents from a broad employment base. I-5 and Highway 99 are within blocks, as are major bus lines. The new light rail that opened in April 2016 connects the neighborhood to downtown Seattle, North Seattle and Sea-Tac Airport.

Residents are able to walk to the many businesses, research institutes and retailers on Capitol Hill. Shopping and recreation are convenient nearby and Seattle’s downtown retail center is within one mile of the Property. Amazon, with over 8 million square feet of office space, is located within a quarter of a mile. The historic demand from investors for high quality apartment properties in the area is expected to establish Carroll & Kensington as a profitable investment in one of the strongest multifamily markets in the U.S.

D. The Purchase

Capitol Hill Partners, LLC | Property Financial Summary

CAPITALIZATION SUMMARY

Purchase Price	\$ 23,000,000
First Loan	\$ 18,500,000
Down Payment	\$ 4,500,000
Title & Escrow Costs	\$ 45,000
Legal & Accounting	\$ 50,000
Interest Reserve to Lender	\$ 250,000
Loan Placement Costs	\$ 507,000
Third Party Inspection Reports	\$ 55,000
LLC Contingency Reserve	\$ 250,000
Capital Improvements Budget	\$ 2,065,000
Total Purchase Capital	\$ 7,722,000

ESTIMATED VALUE*

Estimated Property Value, Third Year (Exit Capitalization Rate of 4.5%)	\$ 33,000,000
Less : Approximate Costs of Sale (2.5%)	\$ 800,000
Loan Balance	\$ 18,500,000
Net Sale Proceeds	\$ 13,700,000
Estimated Reserve Account Balance	\$ 500,000
Property Cash Flow	
2017	\$ 47,000
2018	\$ 236,000
2019	\$ 448,000
Total Cash Flow	\$ 731,000
Estimated Asset Value, End of Third Year	\$ 14,931,000

* Assumes the apartment market throughout ownership (capitalization rates, interest rates, rental supply and demand and general economic expectations) will be similar to today's.



E. Renovation And Management Plan

Capitol Hill Partners LLC will purchase Carroll & Kensington Apartments, renovate the property with a cosmetic upgrade and reposition each apartment to the top end of their rental market. A significant and growing rental demand exists for high quality apartments in the Capitol Hill neighborhood. An on-site leasing office will be established in order to most effectively serve this demand. The upgrading of the Property is expected to allow an increase in apartment rents to the higher end of the Capitol Hill rental market. The improvements are expected support a significant return on capital and to yield tax sheltered cash flow from the Property to the Members.

Initially, rents for most apartments will be increased to more closely reflect the current market. As residents vacate, the Managing Member will update the apartments as described below. Over the course of the first 24 months of ownership, most of the Property improvements are expected to be completed, allowing for rental increases to keep pace with the current market. Substantial stabilization is projected within the first two years of ownership.

The Carroll

The Carroll will be renovated in a manner that enhances the building's classic beauty and architecture.

The Carroll's common areas will be renovated with:

- New carpet in its spacious lobbies and corridors
- New paint and select LED light fixtures
- Landscaping improvements
- New Property branding and signage

The interior of each apartment at the Carroll will be renovated with:

- New kitchen countertops, cabinet upgrades, lighting and plumbing fixtures
- Bathroom countertops, cabinet upgrades, lighting and plumbing fixtures
- Refinishing the existing historic hardwood floors
- New window coverings

The Kensington

The Kensington will be renovated to update and sharpen the building's more modern aesthetic.

The Kensington's common areas will be renovated with:

- New carpet in corridors
- LED lighting to brighten corridors
- Landscaping improvements
- New Property branding and signage

The interior of each Kensington apartment will be renovated with:

- New kitchen countertops, cabinet upgrades, lighting and plumbing fixtures
- Bathroom countertops, cabinet upgrades, lighting and plumbing fixtures
- Modern vinyl-plank flooring
- New window coverings

E. Renovation And Management Plan

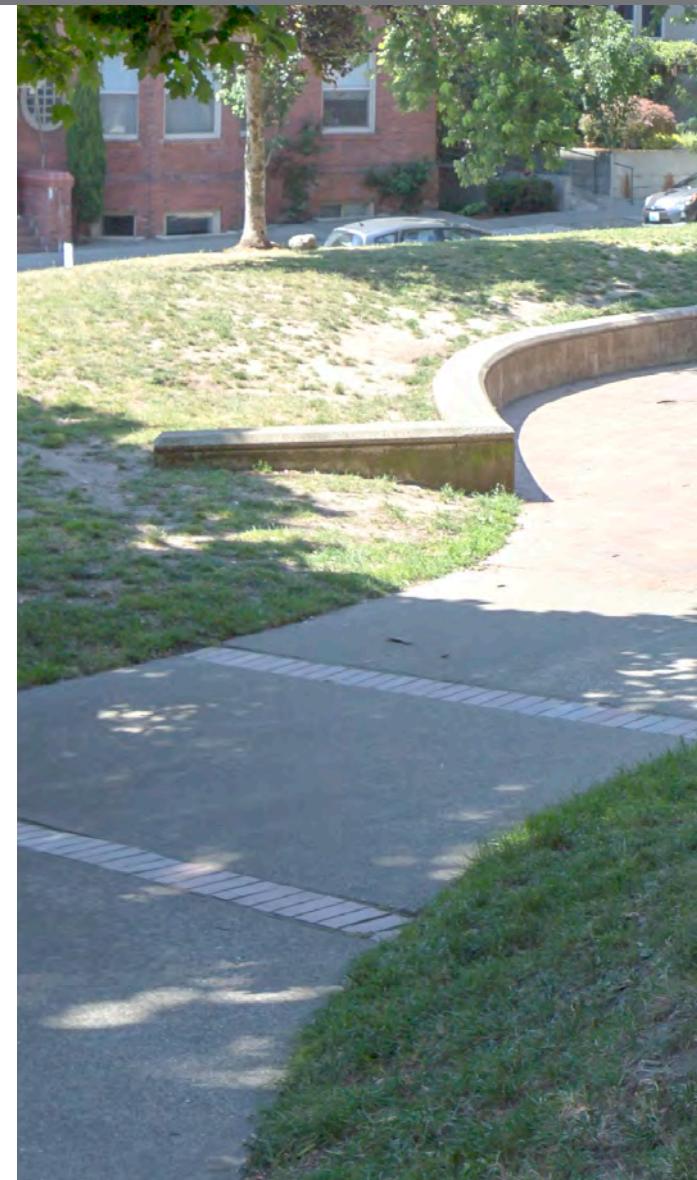


E. Renovation And Management Plan

Capitol Hill Partners, LLC | Rehab Budget and Purchase Metrics

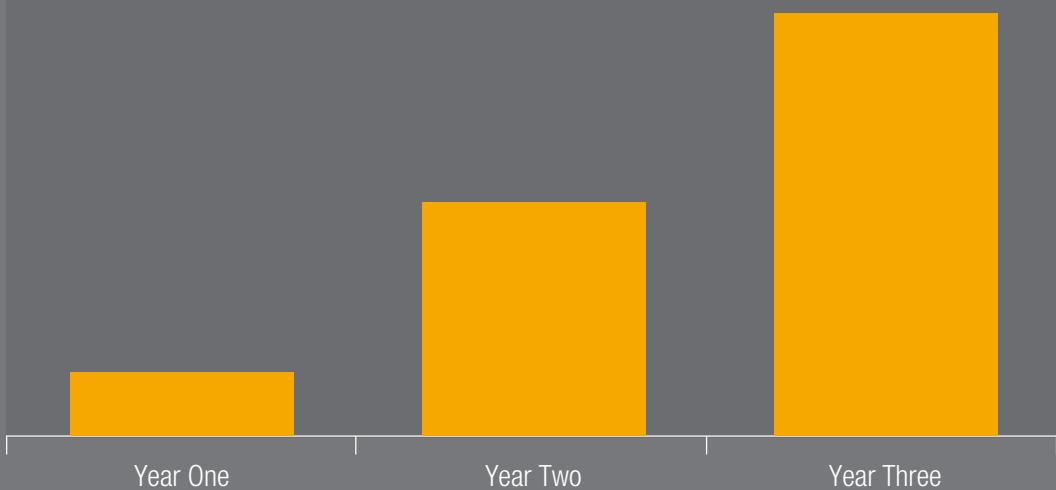
ESTIMATED REHAB BUDGET

	2017
INTERIOR	
Apartment Interior	
New kitchen cabinetry	\$ 360,000
New kitchen appliances	\$ 140,000
Painting and decorating	\$ 120,000
New bathroom cabinetry and fixtures	\$ 165,000
New floor covering	\$ 230,000
New window coverings, lighting, misc décor	\$ 165,000
Total Apartment Interiors	\$ 1,180,000
Common Areas	
Corridors: new floor covering & painting	\$ 310,000
New property office	\$ 60,000
Elevator upgrade	\$ 225,000
Interior lighting	\$ 35,000
Total Common Areas	\$ 630,000
EXTERIOR	
Signage	\$ 25,000
Landscaping improvements	\$ 30,000
Kensington: new rooftop sundeck	\$ 200,000
Total Exterior	\$ 255,000
Total Estimated Refurbishing Costs	\$ 2,065,000
PURCHASE METRICS	
Purchase Price	\$ 23,000,000
Price per apartment:	\$ 396,552
Price per rentable square foot:	\$ 453
Capitalization rate:	First year operation Third year operation
	4.2% 5.1%



CAPITOL HILL PARTNERS, LLC

Cash Flow Forecast



II. Financial Projections

Disclaimer

The financial projections that follow are the best estimate of Capitol Hill Partners LLC of the results of future operations. In making these projections, the LLC has made various assumptions it believes are reasonable. However, future events are not predictable and therefore there are no guarantees that these projections will prove to be accurate.

Investors should be aware the following financial projections have not been reviewed by an independent accounting firm and are strictly the product of the LLC. These projections are set forth for the purpose of illustration only.

No representations or guarantees are to be inferred from these projections. Investors are urged to consult their own financial advisor (whose view may differ from those of the LLC) with respect to such projections and the assumptions on which they are based.



Financial Projections

Capitol Hill Partners, LLC | Gross Annual Income | For Three Years Of Ownership

Unit Size	#	Area SF	Market Rents			Per Square Foot		
	Units		Current	w/upgrade	3-YR	Current	w/upgrade	3-YR
C - Studio	4	581	\$ 1,119	\$ 1,950	\$ 2,048	\$ 1.93	\$ 3.36	\$ 3.52
C - 1 Bedroom/1 Bath	21	848	\$ 1,617	\$ 2,500	\$ 2,575	\$ 1.91	\$ 2.95	\$ 3.04
C - 2 Bedrooms/1 Bath	8	1,152	\$ 2,218	\$ 3,100	\$ 3,193	\$ 1.93	\$ 2.69	\$ 2.77
K - 1 Bedroom/1 Bath	12	744	\$ 1,545	\$ 2,400	\$ 2,472	\$ 2.07	\$ 3.23	\$ 3.32
K - 2 Bedrooms/1.25 Baths	8	842	\$ 1,773	\$ 2,600	\$ 2,678	\$ 2.11	\$ 3.09	\$ 3.18
K - 2 Bedrooms/2 Baths upgraded	3	1,083	\$ 2,483	\$ 3,250	\$ 3,348	\$ 2.29	\$ 3.00	\$ 3.09
K - 2 Bedrooms/2 Baths + D upgraded	2	1,255	\$ 1,756	\$ 3,500	\$ 3,605	\$ 1.40	\$ 2.79	\$ 2.87
TOTAL	58	50,771	\$ 99,826	\$ 151,450	\$ 156,150	\$ 1.97	\$ 2.98	\$ 3.08
Other Income			\$ 7,500	\$ 16,700	\$ 16,700			
TOTAL MONTHLY INCOME			\$ 107,326	\$ 168,150	\$ 172,850			
GROSS ANNUAL INCOME			\$ 1,287,912	\$ 2,017,800	\$ 2,074,194			

Financial Projections

Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement For Three Years Of Ownership

	2017		2018		2019		
Income							
Apartment Rent	\$	1,285,400	\$	1,517,300	\$	1,746,800	
Parking Rent	\$	102,000	\$	120,000	\$	120,000	
Pet Charges	\$	6,300	\$	10,800	\$	10,800	
Laundry Facilities	\$	4,800	\$	4,800	\$	4,800	
RUBS	\$	48,300	\$	57,600	\$	57,600	
Miscellaneous Income	\$	7,200	\$	7,200	\$	7,200	
Gross Scheduled Income	\$	1,459,700	100.0%	\$	1,717,700	100.0%	
Vacancy Allowance	\$	(71,300)	-4.9%	\$	(88,400)	-5.1%	
Effective Gross Income	\$	1,382,700	95.1%	\$	1,629,300	94.9%	
EXPENSES							
Tax, Insurance, Permits							
Property Taxes	\$	145,560	\$	149,196	\$	160,476	
Property Insurance	\$	14,400	\$	14,880	\$	15,360	
Total Tax, Insurance, Permits	\$	159,960	11.0%	\$	164,076	9.6%	
MAINTENANCE							
Apartment Turnover	\$	3,400	\$	3,400	\$	3,550	
Cleaning - Apartment	\$	1,700	\$	1,700	\$	1,750	
Cleaning - Common Area	\$	6,000	\$	6,600	\$	7,200	
Elevator Maintenance	\$	6,000	\$	6,600	\$	7,200	
General Maintenance	\$	18,000	\$	21,000	\$	21,250	
Grounds Maintenance	\$	12,000	\$	15,000	\$	18,000	
Painting - Apartment	\$	5,200	\$	5,200	\$	5,600	
Windows & Window Coverings	\$	2,700	\$	2,700	\$	2,850	
Total Maintenance	\$	55,000	3.6%	\$	62,200	3.6%	
					\$	67,400	3.5%

Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement For Three Years Of Ownership

	2017		2018		2019	
UTILITIES						
Electricity	\$ 8,640		\$ 9,120		\$ 9,600	
Natural Gas	\$ 1,440		\$ 1,560		\$ 1,680	
Sewer	\$ 29,640		\$ 31,080		\$ 32,640	
Trash Removal	\$ 11,040		\$ 11,520		\$ 12,120	
Water	\$ 7,080		\$ 7,440		\$ 7,800	
Total Utilities	\$ 57,840	4.0%	\$ 60,720	3.5%	\$ 63,840	3.3%
ADMINISTRATION						
Resident Management	\$ 41,100		\$ 45,600		\$ 45,600	
Worker's Comp, Benefits & Payroll Tax	\$ 14,900		\$ 16,800		\$ 16,800	
Off-Site Management (6.0%)	\$ 82,980		\$ 97,770		\$ 113,800	
Building Security	\$ 2,400		\$ 3,000		\$ 3,600	
Rental Expense	\$ 650		\$ 400		\$ 350	
Telephone/Technology	\$ 3,300		\$ 3,900		\$ 4,500	
Miscellaneous Administration	\$ 3,600		\$ 4,200		\$ 4,800	
Total Administration	\$ 148,930	10.2%	\$ 171,670	10.0%	\$ 189,450	9.7%
Total Operating Expenses	\$ 421,730	29.0%	\$ 458,666	26.7%	\$ 496,526	25.5%
Net Operating Income**	\$ 960,970	66.1%	\$ 1,170,634	68.2%	\$ 1,399,974	71.9%
Non-Operating Expenses Debt Service						
\$17,400,000 to \$18,500,000 @ 5.1% interest-only	\$ 913,700		\$ 935,000		\$ 951,900	
Total Non-Operating Expenses	\$ 913,700	62.8%	\$ 935,000	54.4%	\$ 951,900	48.9%
Cash Flow	\$ 42,270		\$ 235,634		\$ 448,074	

** Accounts for approximately 6% rent loss during 2017 and 2018, due to down time for apartment renovation (in addition to normal vacancy allowance).

Financial Projections

Capitol Hill Partners, LLC | Estimated Cash Flow

Year	2017	2018	2019
Gross Income *	\$ 1,454,000	\$ 1,718,000	\$ 1,947,000
Vacancy Allowance	\$ (71,000)	\$ (88,000)	\$ (51,000)
Effective Gross Income	\$ 1,383,000	\$ 1,630,000	\$ 1,896,000
Operating Expenses **	\$ (422,000)	\$ (459,000)	\$ (497,000)
Net Operating Income	\$ 961,000	\$ 1,171,000	\$ 1,399,000
Debt Service ***	\$ (914,000)	\$ (935,000)	\$ (952,000)
Property Cash Flow	\$ 47,000	\$ 236,000	\$ 448,000
Property Cash Flow per \$500,000 Investment	\$ 3,000	\$ 15,000	\$ 28,000
Rate of Return	0.6%	3.0%	5.6%

* Projects 4% annual rental income growth for renovated apartments.

** Projects annual increases appropriate for each category per year (see Operating Statement, page 20).

*** Projects an interest rate of 5.1% for the estimated amount of the Loan , starting at \$17,400,000 and fully funded at the end of the 3rd year at \$18,500,000

This projection assumes market conditions for the next three years will have rental demand similar to current market conditions.

Actual cash flow may be different than this projection because of many market factors such as local employment conditions and apartment rental demand.



Capitol Hill Partners, LLC | Income Tax Effects**COST RECOVERY (DEPRECIATION)**

Asset	Period	Method	Depreciable Value	2017	2018	2019
Building	27.5	yrs	SL	\$ 15,344,600	\$	
Personal Property	7	yrs	DB	\$ 3,777,100	\$ 809,400	\$ 635,900
Land Improvement Costs	15	yrs	SL	\$ 708,200	\$ 47,200	\$ 47,200
Property Remodeling Costs	7	yrs	SL	\$ 2,065,000	\$ 295,000	\$ 295,000
Total Deductions for Depreciation			\$ 21,894,900	\$ 1,151,600	\$ 978,100	\$ 841,900
Cost Recovery (Amortization)				Amortizable Value		
Loan Acquisition Fees	3	yrs	SL	\$ 507,000	\$ 126,750	\$ 126,750
LLC Organization Fee	10	yrs	SL	\$ 309,000	\$ 30,900	\$ 30,900
Total Deductions For Amortization			\$ 816,000	\$ 157,650	\$ 157,650	\$ 157,650
Total Depreciation and Amortization Deductions				\$ 1,309,300	\$ 1,135,750	\$ 999,550
Less Projected Operating Cash Flow				\$ (47,000)	\$ (236,000)	\$ (448,000)
Approximate "Passive Investment" Tax Deductions for Partnership				\$ 1,262,300	\$ 899,750	\$ 551,550
Tax Deduction for \$500,000 Investment				\$ 78,500	\$ 56,000	\$ 34,500
% of Capital Investment				16%	11%	7%

These projections are an example of potential tax benefits to the LLC Members. Each Member has a unique income tax situation and should determine independently the effects of the above example.

Actual depreciation allocations and schedules will be set up to maximize the tax deductions available each year. Deductions for depreciation and amortization will likely be recognized as capital gain at time of property sale.

Financial Projections

Capitol Hill Partners, LLC | LLC Investment Return

LLC INVESTMENT RETURN

Capital Required To Purchase Property	\$	7,691,000
Property Acquisition/LLC Organization Fee to Managing Member (4%)	\$	309,000
Total LLC Invested Capital	\$	8,000,000
Assumed size o Investment Unit	6.25%	\$ 500,000

PROJECTED VALUE OF LLC ASSETS, END OF THIRD YEAR

Net Proceeds from Sale Event*	\$	13,700,000
LLC Invested Capital	\$	8,000,000
Projected Gross Profit	\$	5,700,000
Managing Member's Profit Sharing Incentive (25%)	\$	1,425,000
Return of Reserve Account Balance	\$	500,000
Projected LLC Net Return	\$	4,955,000

PROJECTED INVESTMENT RETURN PER INVESTMENT UNIT, END OF THIRD YEAR

Original Investment	\$	500,000
INVESTMENT RETURN		
From Property Appreciation	\$	298,195
From Cash Flow	\$	45,500
Total Investment Return	\$	343,695
Total Projected Investment Value	\$	843,695
Compared to Investment		168.5%
Return On Investment		68.5%
Internal Rate of Return		19.0%
Plus Passive Loss Income Tax Deductions**	\$	275,000
Percent of Investment		55%

* Refer to Property Financial Summary at p. 14

** "Passive Loss" Tax Deduction Subject to Individual Income Tax Considerations (See "Income Tax Effects", Page 22)





III. The Offering

A. Summary of the Offering

The LLC

Capitol Hill Partners LLC, a Washington Limited Liability Corporation (the "LLC"), has been formed with the filing of the Certificate of Limited Liability Corporation with the Washington Secretary of State (see Appendix E). The purpose of the LLC will be to purchase Carroll and Kensington Apartments at, respectively, 305 and 311 Bellevue Avenue E (collectively, the "Property") in Seattle's Capitol Hill neighborhood. The Managing Member of the LLC will be Mayfield Capitol Hill LLC. The subscribers to this offering, upon admission to the LLC, will constitute the LLC Members. The principal place of business of the LLC is located at 1424 4th Avenue, Suite 905, Seattle WA 98101. Phone: (206) 749-4135. A copy of the LLC Operating Agreement is included in the Appendices to this Memorandum.

Objectives of the LLC

The principal objectives of the LLC are: (1) to acquire, improve, operate, and hold the Property for an anticipated period of approximately 3 years; (2) to create and distribute to Members operational cash flow; (3) to preserve and protect the invested capital; (4) to maximize the value of the Property; and, (5) to take maximum advantage of allowable tax deductions against the income produced from the investment during the holding period. There is no guarantee that the foregoing objectives will be attained.

Term of the LLC

The duration of the LLC will be the earlier of (1) the sale or other disposition of the LLC assets; or (2) ten years from the effective date of the LLC Operating Agreement. At the end of that time, the Managing Member is obligated to liquidate the Property in a commercially reasonable manner unless the LLC Members elect to extend the term of the LLC.

Business of LLC

The business of the LLC will be to acquire, improve, manage, and hold the Property for the production of income and investment purposes. More specifically, and assuming viability in the light of market conditions, the LLC may take any or all of the following actions: (1) continue to manage and lease the Property; (2) refinance the Property and continue to hold it, using any refinancing proceeds for distribution or other purposes which the Managing Member shall, in its sole discretion, determine; (3) sell the Property; or, (4) take any other action deemed desirable by the Managing Member on behalf of the LLC. The timing of any action will depend on the judgement of the Managing Member, existing or potential rental rates, the financial markets, and the market for the purchase and sale of multifamily real estate in the Seattle market.

Managing Member

The Managing Member will manage and control the affairs and daily business of the LLC. The LLC Members have no right to be active or to take part in the conduct of the LLC business. Management and control of the Property shall be exercised exclusively by the Managing Member in the best interests of the LLC. Management of the day-to-day operations of the Property and the accounting functions shall be performed by Mayfield Management Company, a professional management company affiliated with the Managing Member.

It is contemplated that there will be one Managing Member and several LLC Members.

A. Summary of the Offering

Participation in the Offering

Mayfield Investment Company, Inc. and John and Nancy Klimp, through The Klimp Family Trust, will invest capital of approximately \$500,000 in the LLC. In the event less than \$6,800,000 in LLC interests is sold to other investors, the Managing Member intends to purchase any unsold LLC interests.

Best Efforts Offering

The sale of LLC interests will be made on “best efforts” basis by the Managing Member. The Managing Member is not obligated to obtain any subscription and there is no assurance that all interests will be sold.

Subscription

An investor is required to purchase a LLC interest of at least \$200,000. The Managing Member, may however, at its sole discretion, agree to a lower minimum purchase amount.

Capital Calls

Further capital calls are not anticipated.

Subscription Agreement

The Member should submit the completed and signed Subscription Agreement and the duly executed signature page to the LLC Operating Agreement on or before September 30, 2017. These subscriptions will not be effective unless and until accepted by the Managing Member. The Managing Member reserves the right to reject any subscription in whole or in part in its sole discretion and, with respect to any investor, waive to the minimum initial investment requirement.

Resale Restrictions

To ensure that private placement exemptions are available under state securities laws and the 1933 Act, as amended, the LLC interests offered have limited transferability as specified in the LLC Operating Agreement. There is and will be no public trading market for the LLC interests; therefore, no investor should expect to be able to liquidate his LLC investment in an emergency.

Leverage

The LLC will hold title to the Property in fee simple subject to a deed of trust securing a loan from Resource Real Estate Funding, or from such other lender as the Managing Member shall determine, in the amount of approximately \$18,500,000 with an initial funding of \$17,500,000. An additional \$1,000,000 will be funded as renovations progress. This financing will fund approximately 80% of the purchase price. Monthly payments will be interest only. The interest rate will be variable, adjusted monthly, with a floor of 5.1%.

Operating Cash Flow Distributions

The cumulative cash flow generated by the Property through the third year of ownership is projected to exceed 11% of the original investment capital. Retained Property cash flow may be distributed to the Members beginning in the second year of ownership and also upon the sale of the Property and liquidation of the LLC assets.

Capital Return

To the extent proceeds are realized from a sale, a refinancing or from distributions of operating cash flow of the Property, all Members will receive: (1) a pro-rata share, based on their ownership percentage of the LLC's capital, of all such proceeds until they have received a return of their invested capital; and (2) thereafter, 75% of all such proceeds shall be distributed to all the Members and 25% shall be distributed to the Managing Member as its profit sharing incentive.

A. Summary of the Offering

Limited Liability

No Member shall be liable for any of the debts of the LLC or be required to contribute any capital or lend any funds to the LLC other than the Member's agreed capital contribution to the LLC.

Depreciation

For Federal income tax purposes, the LLC intends to use the straight-line method of depreciation over a 27.5-year period for the buildings, the straight-line method of depreciation over a 15-year period for land improvements, and the declining balance method to depreciate the costs of the equipment and fixtures over a 7-year period.

Amortization

LLC financing placement costs will be amortized using the straight-line method over 3 years. Organization costs will be amortized over 10 years.

History of Ownership

The Carroll Apartments were built in 1908 and substantially renovated in 2003. The Kensington Apartments were built in 1994. The current owner, developed and constructed the Kensington and has owned both properties for more than 30 years.

No Tax Ruling Or Opinion

The LLC has not obtained and does not intend to obtain, a ruling from the Internal Revenue Service ("IRS") or an opinion from counsel that the LLC will be taxable as a partnership rather than as a corporation. It is expected, however, that the LLC will in fact be taxed as a partnership.

How To Subscribe

Interested investors should deliver to the Managing Member the following documents on or before September 30, 2017: (a) completed and duly executed Subscription Agreement, (b) duly executed LLC Operating Agreement, and (c) a check in the amount of the subscription amount. These subscriptions will not be effective unless and until accepted by the Managing Member. The Managing Member reserves the right to reject any subscription in whole or in part and, with respect to any investor, to waive the minimum initial investment requirement.

Risk Factors

Investments in Capitol Hill Partners LLC involve various risk factors in addition to general investment risk. As with any investment, this one is not without risk. Among these are the risk of economic recession, risks associated with ownership of real estate, including uncertainty of cash flow to meet fixed and maturing obligations, adverse local market conditions, insufficient financing available at the time of resale, risks of leveraging and uninsured losses, management's failure to perform as expected, and changes in federal, state, or local regulations.

Return on Investment

No assurance is given that an investor will realize a return on the investment. Inherent in all real estate investments is the risk that an investor may lose the entire investment. Therefore, each investor must be in an economic position to bear the risk of the loss of their entire investment. A potential investor should study this Offering Memorandum in its entirety and is encouraged to seek independent investment advice.

B. Risk Factors

Uninsured Losses

Insurance

The Managing Member has arranged comprehensive insurance for Carroll & Kensington, including liability, fire, earthquake, and extended coverage, which is customarily obtained for similar properties. First loss coverage in the amount of \$950,000 has been obtained to cover earthquake damage. However, there are certain other types of loss, generally of a catastrophic nature, which are either uninsurable or not economically insurable. Should a disaster occur to cause the uninsured destruction of the Property, the LLC could lose its entire investment. On request, the manager will make copies of the insurance policies available for review.

Seismic Activity

The Managing Member and its affiliates have conducted thorough due diligence studies of the Property, including the review of engineering reports with respect to the Property's ability to withstand seismic activity. The estimated "maximum structural damage exposure" was determined to be in our judgment, a commercially acceptable risk. Substantial seismic upgrades were completed for The Carroll in 2003. However, there can be no guaranty that either structure would not suffer uninsurable damage in the event of future seismic activity.

Energy and Water Shortage and Allocations

There may be shortages or increased costs of water, fuel, natural gas, or electric power, or allocations thereof, by suppliers or governmental regulatory bodies. In the event such shortages, price increases or allocations occur, the operation of the Property by the LLC may be adversely affected. Transportation difficulties may affect the accessibility and desirability of the Property to tenants. These factors may adversely affect LLC income. The Managing Member is unable to predict the extent, if any, to which such shortages, increased prices or allocations may occur, and the degree to which such events may influence the ability of the LLC to meet its objectives.

Debt Service Requirements

LLC capital will be used for a down payment to acquire the Property. A loan secured by the Property will be obtained to pay the balance of the purchase price, and title to the Property will be subject to a first deed of trust to the lender to secure the loan. The loan will require substantial monthly debt service. Such debt service, coupled with the payment of required taxes and operation of the Property, could increase the risk of loss and increase the uncertainty of whether cash from operations, if any, will be available for distribution.

Availability and Costs of Financing

Availability and costs of financing may adversely affect the ability of the LLC to sell the Property and also the projected end of the LLC's duration.

First Loan

The primary financing of the purchase transaction will be an interest-only mortgage loan with an initial term of 3 years from the close of escrow. The loan agreement will provide for 2 1-year extensions. The loan is expected to carry a variable rate of interest during the initial 3 year term of not less than 5.1%. Financing for properties similar to the Property has historically been available. Should market interest rates increase significantly, the amount of future financing available could be less than the purchase financing due. To the extent that the LLC is unable to negotiate an accommodation from the current lender, if the LLC's funds are insufficient to make up the difference or if the Members decide not to fund additional capital, the possibility of a forced sale of the Property exists. In such event, the LLC could realize a lower-than-projected return of investment and possibly a loss of all or part of its investment. The Managing Member has structured the LLC's financing costs to be conservatively within the expected income producing capability of the Property.

B. Risk Factors

Market Competition

There are numerous housing alternatives in the Capitol Hill neighborhood that compete with the Property in attracting residents. These include other multifamily rental apartments, rented condominiums and a few single-family homes that are available for rent in the neighborhood. The property also competes for residents with new and existing homes and condominiums that are for sale. If the demand for the Property is reduced or if competitors develop and/or acquire competing properties on a more cost-effective basis, rental rates may drop. This could have a material adverse effect on the financial condition of the LLC and on its results of operations.

Loss on Dissolution and Termination

In the event of a dissolution or termination of the LLC, the proceeds realized from the liquidation of assets, if any, will be distributed to the Members, but only after the satisfaction of claims of creditors. Accordingly, the ability of a Member to recover all or any portion of the Member's investment under such circumstances will depend on the amount of funds realized and claims to be satisfied therefrom.

Risk of Foreclosure

If, after purchase of the Property is concluded, the rental revenue is not adequate to satisfy all the LLC's obligations, there is a risk that the LLC will be required to sell or refinance the Property or the LLC's interest therein to meet its obligations. If refinancing is not obtained or a sale is not consummated, there is a risk that the LLC could default on its obligations. The remedies available to the lender would be, among other things, to institute foreclosure proceedings against the Property, which might result in a partial or total loss of a Member's investment.

Limited Voting Rights

Control of the Company lies solely with the Manager. Members voting rights are limited to two issues:

- Removal of the Manager
- Election of a Successor Manager

Conflicts Of Interest

Mayfield Capitol Hill LLC, the Managing Member, will be subject to several conflicts of interest. The Managing Member will control the business of the LLC and will devote such time to the affairs of the LLC as it, at its sole discretion, deems necessary to conduct the LLC's business. The Managing Member is presently and may in the future be affiliated with other partnerships and LLCs, which have investment objectives similar to those of this LLC. Such other entities may have funds which may be available at the same time for investment in the same or similar properties.

Compensation to the Managing Member

The Managing Member will receive substantial fees in connection with the investment and management of the LLC's assets. Such fees and commissions are the result of determinations made by the Managing Member and are not always the result of arm's length negotiations.

Indemnification of Managing Member

Under certain circumstances and subject to certain conditions, the Managing Member will be indemnified by the LLC against certain liabilities. Should the Managing Member be successful in asserting a claim for indemnification against the LLC, the assets of the LLC could be subject to substantial reduction.

B. Risk Factors

Compliance With State And Federal Laws

This offering has not been registered under the 1933 Act in reliance upon the “intrastate offering” exemption provisions of Section 3(a) (11) of the Securities Act of 1933 or, in the alternative, upon the private offering exemption provisions of Section 4(2). It is currently anticipated that reliance will also be made on apparently available exemptions from securities qualifications under applicable Washington securities laws. However, there is no assurance that the Offering presently qualifies or will continue to qualify under such exemption provisions due to, among other things, (i) the adequacy of disclosure and the manner of distribution, (ii) the existence of similar offerings conducted by the Managing Member in the past or in the future, or (iii) the retroactive change of any securities law or regulation. If, and to the extent, claims or suits for rescission are brought and successfully concluded for failure to register this offering or other offerings under the 1933 Act or for acts or omissions constituting offenses under the Securities Exchange Act of 1934, both the capital and assets of the LLC could be adversely affected, thus jeopardizing the ability of the LLC to operate successfully. Further, the time and capital of the Managing Member, and ultimately that of the LLC and the Members, could be adversely affected by the Managing Member’s need to defend an action by enforcement authorities of the S.E.C. or the securities agency of a particular state even when the Managing Member is ultimately exonerated.

Risk of Extended Holding Period

The projected holding period may be extended for reasons such as an economic downturn or a weakened multi-family market. In the event of an extended holding period, the projected investment returns could be reduced substantially.

Important Factors Related To Forward-Looking Statements And Associated Risks

This Offering Memorandum contains certain forward-looking statements within the meaning of Section 27 A of the 1933 Act and Section 21 E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the LLC intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements include the plans and objectives of the Manager for future operations. These forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “intend,” “continue,” or “believe” or the negatives thereof or other variations thereof or by the use of comparable terminology. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. Assumptions relating to the foregoing involve judgements with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Manager. Although the Manager believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in any forward-looking statement will be realized. In addition, as disclosed elsewhere, the business and operations of the Manager are subject to substantial risks, which increase the uncertainty inherent in such forward-looking statements. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Managing Member or any other person that the objectives of the LLC will be achieved. Investors are cautioned not to place undue reliance on forward-looking statements.



III. The Sponsor

A. The Managing Member And Its Principal



Personal Background

Mr. Klimp was born in The Netherlands and emmigrated to Portland Oregon in 1957 where he attended school and his first year of college at Portland State University. He completed his undergraduate education with a BS in Electrical Engineering from Long Beach State University in 1968 and earned an MBA from University of Santa Clara 1974.

Mr. Klimp began his real estate investment career in 1971 by purchasing a multi-family apartment in Redwood City California. In the

process of improving the property, operating it successfully and selling it for a profit, Mr Klimp established the business model for all properties he has subsequently acquired and operated.

In 1973 he created the beginnings of the Mayfield Companies structure and formed Mayfield's first limited partnership. Its success attracted other investors. More than 300 investors have participated in Mayfield Company transactions. Through the vehicle of Mayfield Companies, Mr. Klimp has initiated transactions in Mayfield's portfolio of office and multi-family properties which total approximately \$300 million.

Mr. Klimp personally invests substantially in every Mayfield syndication.

Professional Profile

Mr. Klimp has been consistently active in community affairs and in professional organizations related to the business of commercial real estate. These activities have included:

- Past Trustee of the Tri-Pac and Tri-Issues PAC, Tri-County's political action committee.
- Past President of Tri-County Multi Housing Corporation.
- Licensed Real Estate Broker in California since 1975.
- Licensed General Contractor in Oregon since 1987.
- Specialist in multi-family residential and commercial real estate since 1970.
- Specialist in private syndications since 1973.
- Consultant to retirement and pension funds.
- Participant in public forums representing the housing industry.

Mr. Klimp and his wife Nancy have been residents of Bainbridge Island, Washington since 2013. Both of them are deeply involved with their family and continue to be active in professional and local community affairs.

A. The Managing Member And Its Principal

Mayfield Companies

- The “Mayfield Companies” collectively consist of Mayfield Investment Company, Inc. and Orcal Management, Inc. Mayfield Investment serves as the managing partner or managing member in the various Mayfield investment entities. Orcal Management oversees the financial and operational functions of the Mayfield Companies, and has two subsidiaries, Mayfield Management Company and Mayfield Construction Company.
- Mayfield Companies currently have 15 investment entities --general and limited partnerships and limited liability companies-- which are served by the Mayfield Companies. Over time there have been more than 70 such entities. Mayfield's extraordinary attention to detail, hands-on approach and commitment to excellence has positioned it among the most highly regarded in its industry.
- Since inception, Mayfield Companies have successfully owned, managed and renovated in excess of 1300 apartments and 370,000 square feet of office space. These holdings, with locations in the San Francisco Bay Area, the Portland, Oregon Metropolitan Area and Seattle, Washington, currently have an aggregate value of approximately \$87.5 million.
- The properties in the various Mayfield Investment Company LLCs have been owned for periods ranging between 8 months and 35 years. Mr. Klimp is a major investor in every LLC investment entity organized by Mayfield Investment Company.
- Mayfield Investment Company is the Managing Member of 15 investment groups doing business in California, Oregon and Washington. Since inception, the Mayfield Companies, have raised approximately \$32 million from more than 300 investors. The investments syndicated by Mayfield Investment Company have received significant distributions as a result of sales, exchanges or cash flow from the properties during the past 45 years and have provided investors with substantial depreciation tax shelter.
- Mayfield Management Company, a subsidiary of Orcal Management, manages all properties that are owned by Mayfield investment entities. The firm administers the day-to-day operations of the properties and provides accounting services in connection with its ownership and operation of the properties. Mayfield Management employs a complete leasing, management and maintenance staff in California, Oregon, and Washington to ensure the quality of service to all properties. Mayfield Management also provides management services on a fee basis for other property owners. In all cases, Mr. Klimp establishes the overall operating policy for the management company, including guidelines for rental rates, operating expense levels, and capital improvements.
- Mayfield Construction Company, the other subsidiary of Orcal Management has, since 1985, been involved with every aspect of the Mayfield Companies' residential and office construction projects in Oregon. The budgets of these projects have ranged up to \$10 million in size. Mayfield Construction's experience also includes apartment construction projects and work on retail malls and office structures.
- Mayfield Investment Company, Orcal Management Company and Orcal's subsidiaries Mayfield Construction Company and Mayfield Management Company, Inc. maintain offices in Palo Alto, California, Portland, Oregon and Seattle, Washington. The Seattle office is the principal place of business for Capitol Hill Partners LLC.

B. Track Record of Mayfield Companies Investments

MAYFIELD TRACK RECORD | CURRENTLY HELD PROPERTIES

PROPERTY	PROPERTY VALUE	PARTNERSHIP'S INVESTMENT	CURRENT EQUITY	DISTRIBUTIONS	DISTRIBUTED RETURN	TOTAL* RETURN	YEARS HELD
ROBLE VISTA	\$ 16,000,000	\$ 472,000	\$ 9,500,000	\$ 3,200,000	678%	2691%	36
NORTH PACIFIC PLAZA	\$ 14,000,000	\$ 1,850,000	\$ 6,900,000	\$ 3,125,000	169%	542%	12
THE WEATHERLY	\$ 15,500,000	\$ 2,500,000	\$ 6,600,000	-	0%	264%	16
FOURTH & PIKE BUILDING	\$ 42,000,000	\$ 9,500,000	\$ 12,610,000	\$ 200,000	2%	135%	10
GRAND TOTALS	\$ 87,500,000 *	\$ 14,322,000	\$ 35,610,000	\$ 6,525,000	46%	294%	19

* Does not include the \$23,000,000 acquisition price of the Carroll and Kensington apartments.

MAYFIELD TRACK RECORD | PROPERTIES SOLD OR EXCHANGED

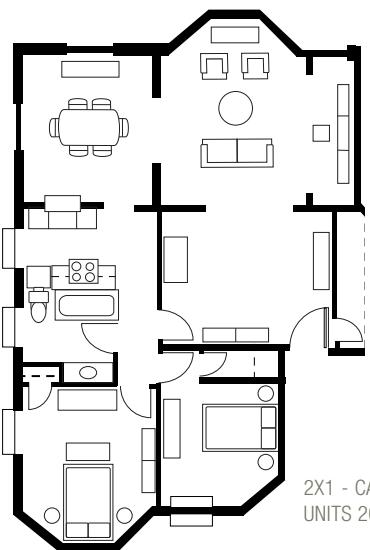
	ORIGINAL INVESTMENT	TOTAL DISTRIBUTIONS		TOTAL* RETURN	AVERAGE YEARS HELD	SALE PRICE
PROPERTIES SOLD 1971-1980						
TOTALS	\$ 123,000	\$ 1,033,500		840%	5	\$ 1,035,000
PROPERTIES SOLD 1981-1990						
TOTALS	\$ 5,246,000	\$ 9,626,000		183%	5	\$ 25,530,000
PROPERTIES SOLD 1991-2000						
TOTALS	\$ 6,672,000	\$ 11,712,600		176%	9	\$ 36,195,000
PROPERTIES SOLD 2001-2010						
TOTALS	\$ 5,314,000	\$ 14,369,500		270%	12	\$ 34,170,000
PROPERTIES SOLD 2011-2016						
TOTALS	\$ 17,355,000	\$ 47,116,400		189%	9	\$ 96,930,000
GRAND TOTALS	\$ 31,667,000	\$ 83,858,000				\$ 184,430,000

* Combination of distributions made to date plus current equity as estimated by the General Partner. Does not include the \$23mm acquisition price of the Carroll and Kensington apartments.

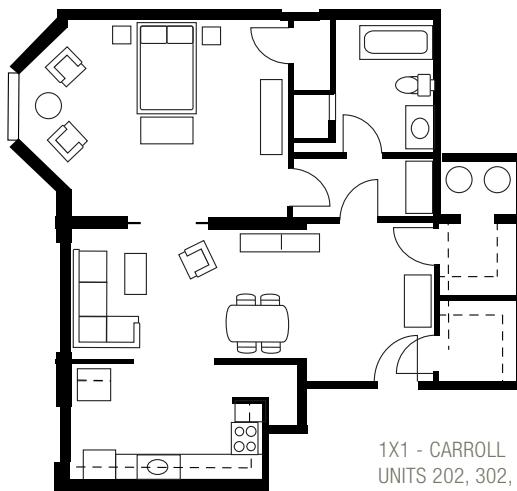


V. Appendices

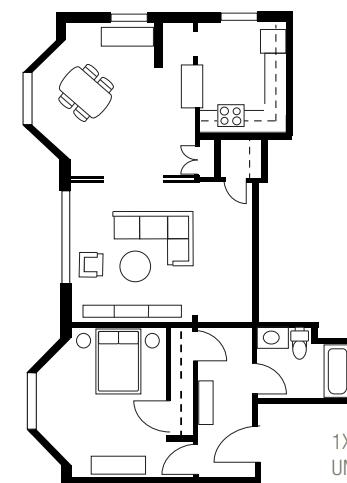
Appendix A — Property Floor Plan



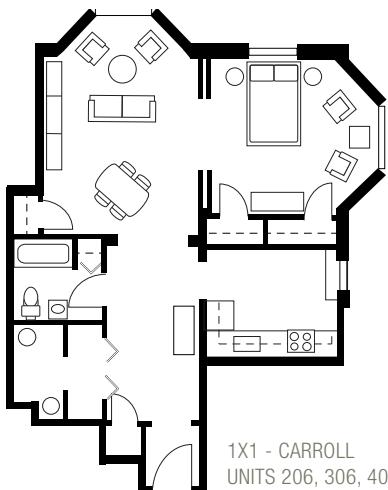
2X1 - CARROLL
UNITS 200, 300, 400



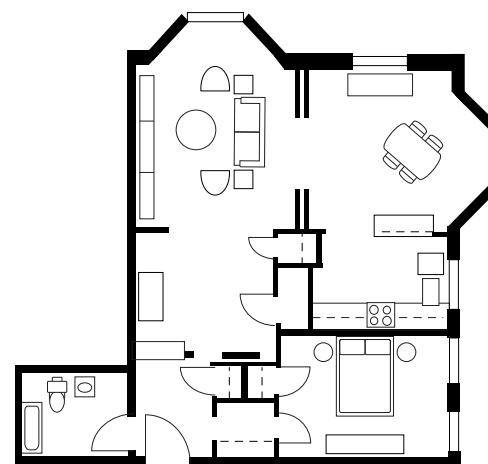
1X1 - CARROLL
UNITS 202, 302, 402



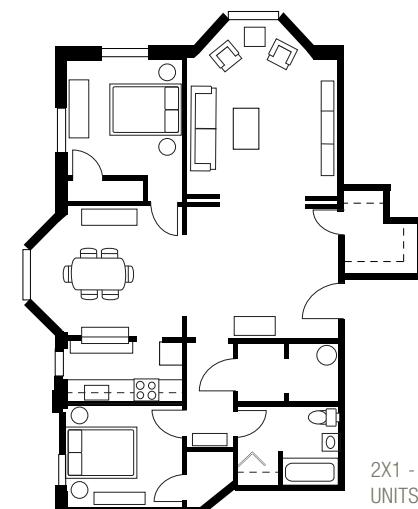
1X1 - CARROLL
UNITS 205, 305, 405



1X1 - CARROLL
UNITS 206, 306, 406

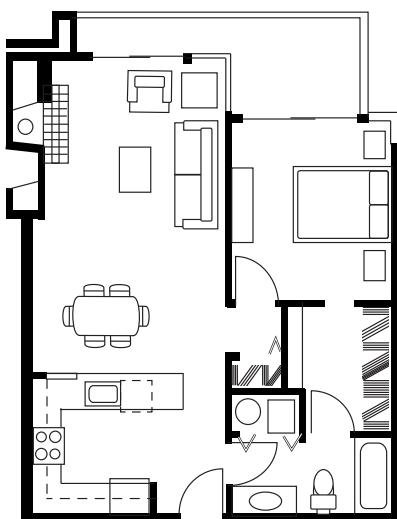


1X1 - CARROLL
UNITS 304, 404

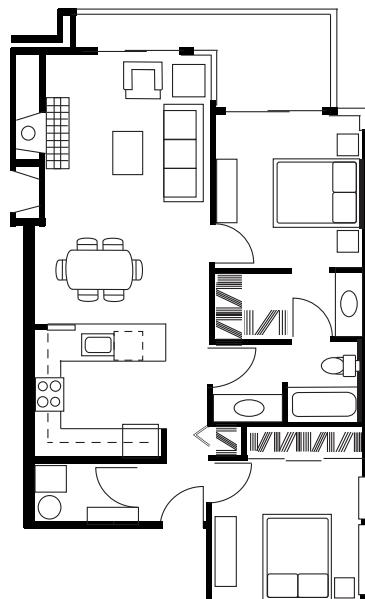


2X1 - CARROLL
UNITS 301, 401

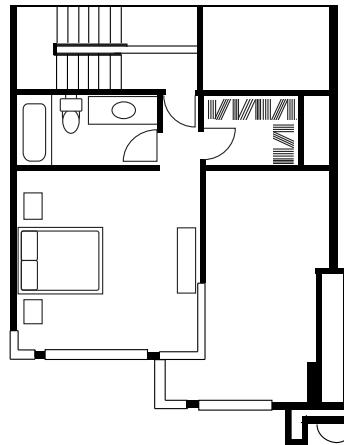
Appendix A — Property Floor Plan



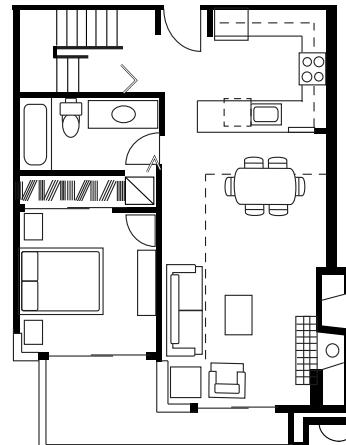
1X1 KENSINGTON: UNITS 102, 103, 104, 202, 203, 204, 302, 303, 304, 402, 403, 404



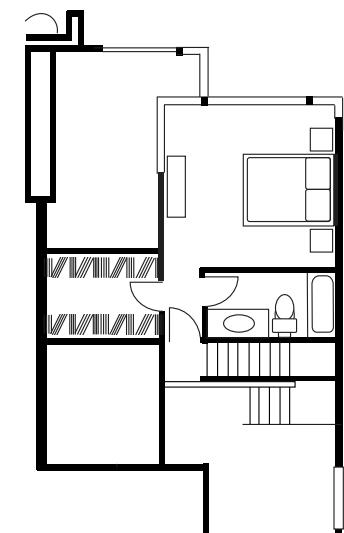
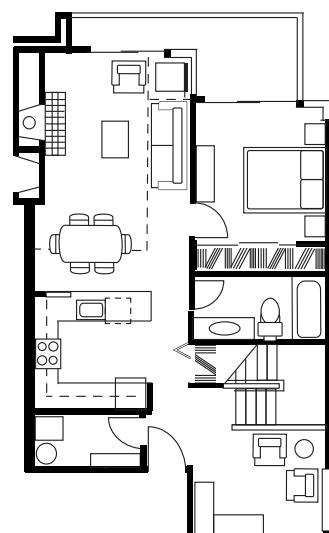
2X1.25 KENSINGTON: UNITS 101, 105, 201, 205, 301, 305, 401, 405



2X2 KENSINGTON: UNITS 502, 503, 504



2X2+D KENSINGTON: UNITS 501, 505



Appendix B — Rent Roll

Rent Roll | Properties: A319 - The Kensington - 311 Bellevue Ave E Seattle, Wa 98102

Units: Active | As of: 02/17/2017

Unit	BD/BA	Tenants	Status	Sq. Ft	Rent	Move-in Date
101	2/1.00	Charles (Chas) Johnston	Current	842	1,775.00	12/01/2008
102	1/1.00		Vacant - Rented	744		
103	1/1.00	Susan Hall	Current	758	1,550.00	04/08/2014
104	1/1.00	Mariel P. Rutter, Soumak K. Ghosh	Current	673	1,475.00	06/01/2016
105	2/1.00	Kristopher J. Krohn, Xuejing He	Current	842	1,800.00	04/01/2015
201	2/1.00	Nathan A. Bennett, Kassia G. Wilhelm	Notice	842	1,850.00	11/01/2014
202	1/1.00	Harley Holt	Current	744	1,600.00	08/08/2015
203	1/1.00	Joanna Swiski	Current	758	1,650.00	11/04/2014
204	1/1.00	Keith Johnson	Current	673	1,550.00	10/01/1998
205	2/1.00	Ian Robison, Stephen Minogue	Current	842	1,700.00	04/01/1996
301	2/1.00		Vacant - Unrented	842		
302	1/1.00	Erik A. Brand, Benito Solano-Huerta	Current	744	1,650.00	10/01/2015
303	1/1.00	Lauren D. Britton	Current	758	1,725.00	03/07/2014
304	1/1.00	Cameron M. Birge	Current	673	1,525.00	01/16/2016
305	2/1.00	Ricardo Ibarra	Current	842	1,850.00	12/17/2012
401	2/1.00	Rosamary Ochoa Vargas, Harrison Shapley	Current	842	2,100.00	02/10/2017
402	1/1.00	Danielle B. Giffels, Dwight Anderson	Current	744	1,700.00	09/01/2014
403	1/1.00	Michael J. Montanez	Current	758	1,850.00	02/20/2015
404	1/1.00	Brendan Bache	Current	673	1,525.00	10/01/2008
405	2/1.00	Aden A. Coleman , Ann M. Spier	Current	842	1,950.00	03/01/2016
501	3/2.00	Deja Gomes, Sarah Midgley, Anthony J. Cuevas	Current	1,255	2,750.00	11/10/2007
502	2/2.00	Travis c. Hannon, Ian J. Fletcher	Current	1,116	2,350.00	02/15/2017
503	2/2.00	Sarah Qian, Dan M. Landau-Taylor	Current	1,136	2,900.00	05/05/2015
504	2/1.50	Fedor Zhdanov, Monica Dulgheru	Current	997	2,300.00	02/16/2015
505	2/2.00	Samarth Mathur	Current	1,255	2,900.00	02/12/2017
25 Units			92.0% Occupied	21,195	44,025.00	
Total 25 Units			92.0% Occupied	21,195	44,025.00	

Rent Roll | Properties: A090 - The Carroll - 305 Bellevue Ave E Seattle, Wa 98102

Units: Active | As of: 02/17/2017

Unit	BD/BA	Tenants	Status	Sq. Ft	Rent	Move-in Date
A	1/1.00	Andrew Hammoude	Current	800	1,325.00	10/01/2003
B	1/1.00	Benjamin A. Harmon, Elizabeth A. Harmon	Current	838	1,450.00	07/01/2016
C	1/1.00	Douglas Haugen	Current	678	1,100.00	11/01/2002
D	0/1.00	Bon Suk Park	Current	300	750.00	11/01/2012
E	2/1.00	Matthew W. Neldam	Current	600	1,100.00	08/06/2016
100	1/1.00	Mallory C. Kowalski, Kimberly A. Kowalski, Dorian D. Maine	Notice	874	1,395.00	06/26/2015
101	1/1.00	Cameron Irving-Mills, Kristen Skeel	Current	825	1,600.00	11/01/2016
102	1/1.00	Jennifer L. Miller, Chris Apostolos	Current	806	1,395.00	08/15/2015
103	0/1.00	Jamie M. Patneande	Current	740	1,300.00	09/15/2013
104	2/1.00	Shirely Ambrose, Tommy Ambrose	Current	1,150	1,900.00	04/01/2010
105	2/1.00	Carolyn Roper, Alexander Jones	Current	1,200	1,800.00	09/01/2011
106	1/1.00	Carlye M. Hodel, Colin W. O'Neill	Current	543	1,200.00	03/01/2016
200	2/1.00	Maya Smorodinsky, Richard Coker	Current	1,200	2,300.00	07/22/2014
201	1/1.00	Jon E. Gentry, Lydia G. Ramsey	Current	860	1,800.00	02/01/2016
202	1/1.00	Vladislav Kouchnarer	Current	1,024	2,000.00	11/01/2012
203	0/1.00	Nicole K. Kandi	Current	740	1,250.00	06/15/2014
204	2/1.00	Veronika Groth -RM, Sandra 'Sam' Erwin - RM	Current	1,150	1,500.00	11/01/2011
205	1/1.00	Jorge A. Almeida	Current	950	2,000.00	02/01/2015
206	1/1.00	Lindsey Hostetter	Current	720	1,500.00	01/01/2011
300	2/1.00	Alice Tant, Reuben Olinsky	Current	1,200	2,325.00	03/01/2011
301	2/1.00	Patrick Richards, Jessica Richards	Current	1,056	2,400.00	07/01/2016
302	2/2.00	Brandon D. Pettit, June Pettit	Current	1,024	1,875.00	08/01/2016
303	1/1.00	Ross Tucker, Laura Richards	Current	780	1,625.00	10/01/2013
304	1/1.00	Chelsea A. Nesvig, Christopher Ashley	Current	946	2,100.00	10/04/2014
305	1/1.00	Sara B. Aho, Christopher A. Pochiba	Current	950	2,150.00	12/05/2016
306	1/1.00	Richard S. Alspach, Samantha P. Moen	Current	720	1,625.00	06/01/2016
400	2/1.00	James P. Daltas, Scott P. Monk	Current	200	2,400.00	02/01/2016

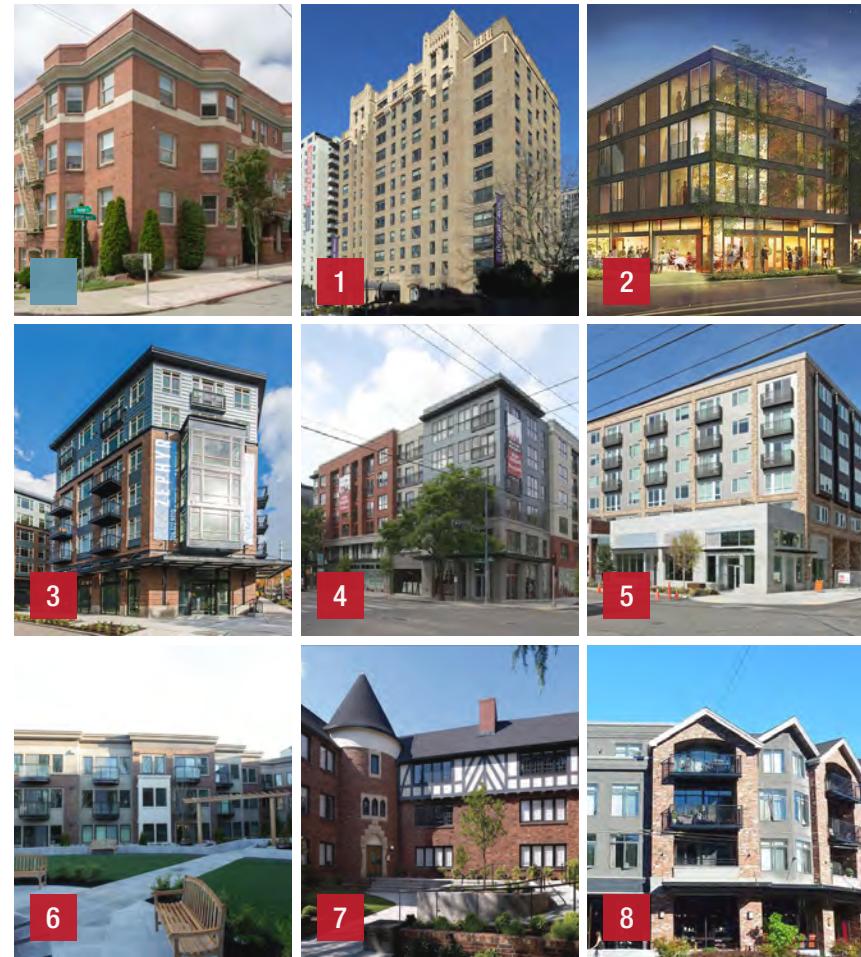
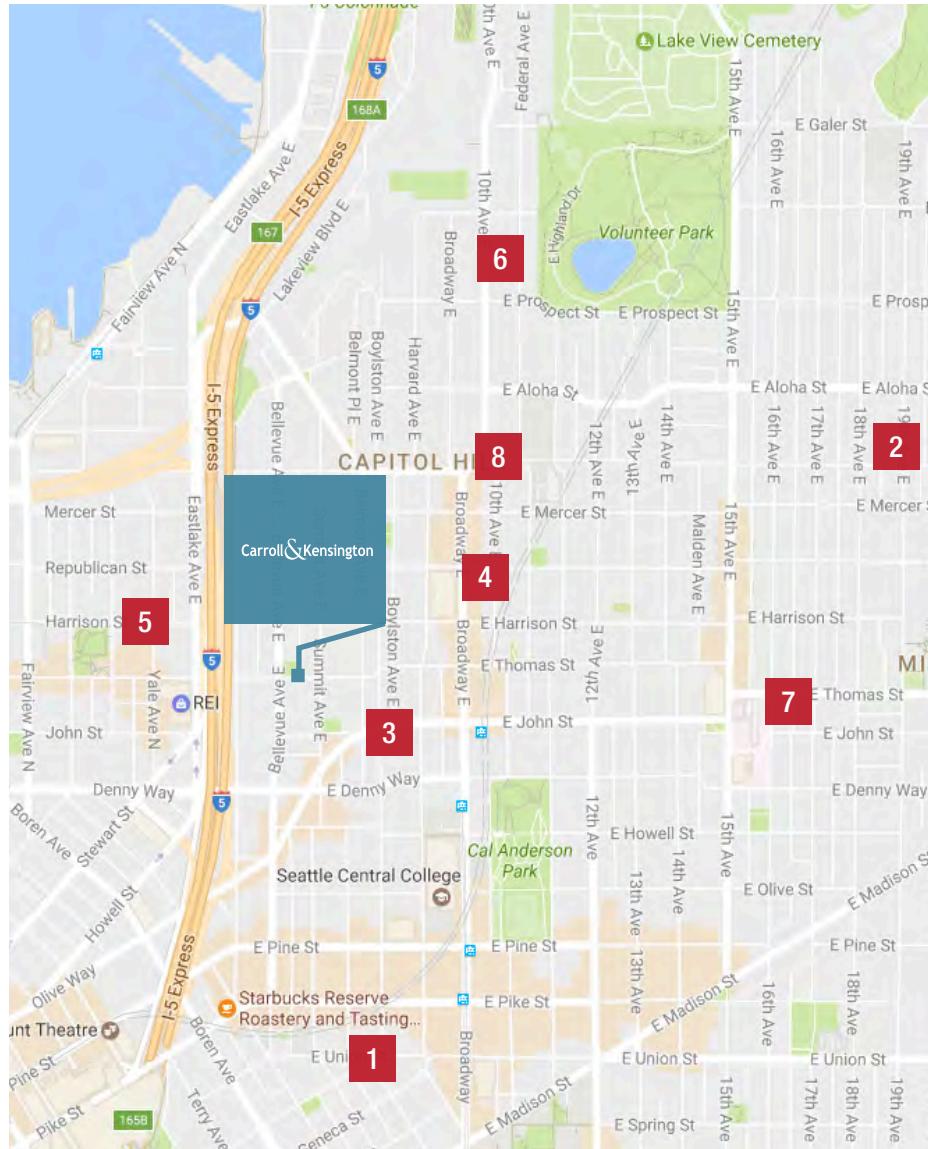
Appendix B — Rent Roll

Rent Roll | Properties: A090 - The Carroll - 305 Bellevue Ave E Seattle, Wa 98102

Units: Active | As of: 02/17/2017

Unit	BD/BA	Tenants	Status	Sq. Ft	Rent	Move-in Date
401	2/1.00	David Drollard, Kevin Labadie	Current	1,056	2,400.00	06/08/2016
402	1/1.00	Joey A. Delos-Santos, Kip I. Katich	Current	1,024	2,025.00	02/15/2017
403	1/1.00	Bradley A. Noonan, Chelsea L. Koning	Current	780	1,550.00	03/01/2016
404	1/1.00	Michael R. Benjamin, Erika Moen	Current	946	2,400.00	02/15/2017
405	1/1.00	Chris M. Johnson	Current	950	2,400.00	09/01/2015
406	1/1.00	Amanda Johnson	Current	720	1,550.00	12/01/2015
33 Units			100.0% Occupied	28,350	57,490.00	
Total 33 Units			100.0% Occupied	28,350	57,490.00	

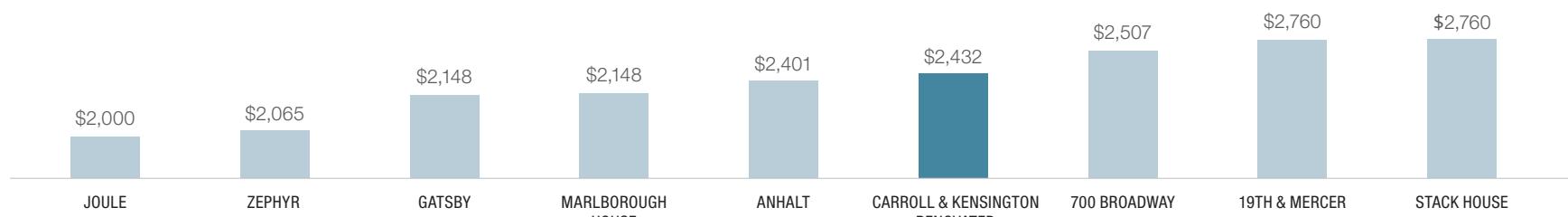
Appendix C — Comparables



- Carroll & Kensington
- 1. Marlborough House
- 2. 19th & Mercer
- 3. Zephyr
- 4. Jouie
- 5. Stack House
- 6. Gatsby
- 7. Anhalt
- 8. 700 Broadway

Appendix C — Comparables

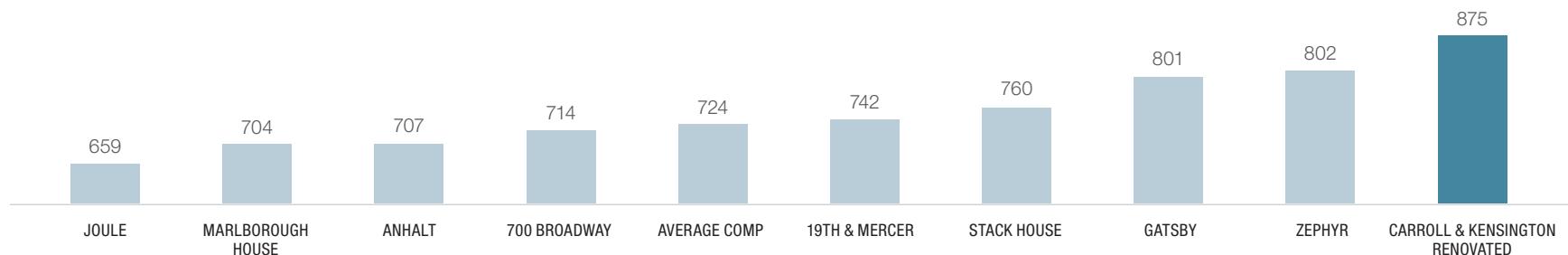
Average Market Rent



Average Rent Per Square Feet



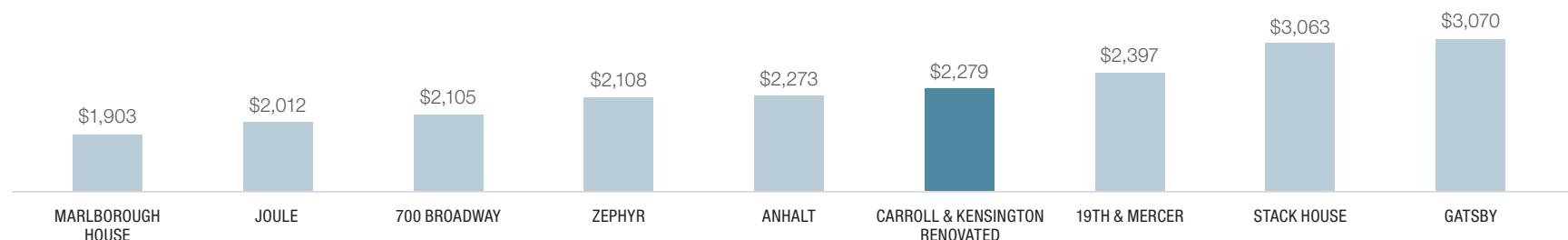
Average Square Feet



Average Rent Studio



Average Rent (1 Bedroom)



Average Rent (2 Bedroom)



Appendix D — Operating Budget for three years

Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement for First Year of Ownership

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL	
INCOME														
Rental Income														
Gross Scheduled Apartment Rent	101,100	101,100	101,100	102,900	104,600	106,300	107,200	108,100	110,600	112,400	114,200	115,800	1,285,400	
Less Projected Vacancy	(7,000)	(4,400)	(7,600)	(6,500)	(4,900)	(3,200)	(6,900)	(7,500)	(6,500)	(6,800)	(6,800)	(3,200)	(71,300)	
Effective Gross Apartment Rent	94,100	96,700	93,500	96,400	99,700	103,100	100,300	100,600	104,100	105,600	107,400	112,600	1,214,100	
Parking Rent	4,500	5,500	6,500	7,500	8,500	9,500	10,000	10,000	10,000	10,000	10,000	10,000	102,000	
Pet Rent	-	100	200	300	400	500	600	700	800	900	900	900	6,300	
Total Rental Income	98,600	102,300	100,200	104,200	108,600	113,100	110,900	111,300	114,900	116,500	118,300	123,500	100	1,322,400
Other Income														
Laundry Facilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800	
Miscellaneous Income	600	600	600	600	600	600	600	600	600	600	600	600	7,200	
RUBS (Ratio Utility Billing System)	2,000	2,500	3,000	3,500	4,000	4,500	4,800	4,800	4,800	4,800	4,800	4,800	48,300	
Total Other Income	3,000	3,500	4,000	4,500	5,000	5,500	5,800	5,800	5,800	5,800	5,800	5,800	60,300	
TOTAL INCOME	101,600	105,800	104,200	108,700	113,600	118,600	116,700	117,100	120,700	122,300	124,100	129,300	1,382,700	
EXPENSES														
Property Insurance	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400	
Secured Property Tax	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	145,560	
Total Insurance, Tax, Permits	13,330	159,960												
MAINTENANCE														
Apartment Turnover	-	400	400	400	400	-	500	-	500	400	400	-	3,400	
Cleaning - Apartment	-	200	200	200	200	-	250	-	250	200	200	-	1,700	
Cleaning - Common Area	500	500	500	500	500	500	500	500	500	500	500	500	6,000	
Elevator Maintenance	500	500	500	500	500	500	500	500	500	500	500	500	6,000	
General Maintenance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000	
Grounds Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	
Painting - Apartment	-	600	600	600	600	-	800	-	800	600	600	-	5,200	
Windows & Window Coverings	-	300	300	300	300	-	450	-	450	300	300	-	2,700	
Total Maintenance	3,500	5,000	5,000	5,000	5,000	3,500	5,500	3,500	5,500	5,000	5,000	3,500	55,000	

Appendix D — Operating Budget for three years

Capitol Hill Partners, LLC Operating Statement Projected Operating Statement for First Year of Ownership													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
Utilities													
Electricity	720	720	720	720	720	720	720	720	720	720	720	720	8,640
Gas	120	120	120	120	120	120	120	120	120	120	120	120	1,440
Sewer	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	29,640
Trash & Recycling	920	920	920	920	920	920	920	920	920	920	920	920	11,040
Water	590	590	590	590	590	590	590	590	590	590	590	590	7,080
Total Utilities	4,820	57,840											
Administration													
Management Fees	6,100	6,350	6,250	6,520	6,820	7,120	7,000	7,030	7,240	7,340	7,450	7,760	82,980
Salaries	3,000	3,100	3,100	3,200	3,400	3,600	3,500	3,500	3,600	3,600	3,700	3,800	41,100
Payroll Taxes	300	300	300	300	300	400	400	400	300	300	300	400	4,000
Medical & Life Insurance	600	600	500	500	500	600	600	600	600	600	600	600	6,900
Worker's Compensation Insurance	300	300	300	300	300	400	400	400	300	300	300	400	4,000
Building Security	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Miscellaneous	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Rental Expense	250	50	50	50	50	-	50	-	50	50	50	-	650
Telephone/Technology	275	275	275	275	275	275	275	275	275	275	275	275	3,300
Total Administration	11,325	11,475	11,275	11,645	12,145	12,895	12,725	12,705	12,865	12,965	13,175	13,735	148,930
TOTAL OPERATING EXPENSES	32,975	34,625	34,425	34,795	35,295	34,545	36,375	34,355	36,515	36,115	36,325	35,385	421,730
NET OPERATING INCOME	68,625	71,175	69,775	73,905	78,305	84,055	80,325	82,745	84,185	86,185	87,775	93,915	960,970
NON OPERATING EXPENSES													
Debt Service													
Mortgage- Interest Only ¹	74,000	74,200	74,400	74,700	74,800	75,000	75,400	75,600	75,800	75,800	76,000	76,000	901,700
Total Debt Service	74,000	74,200	74,400	74,700	74,800	75,000	75,400	75,600	75,800	75,800	76,000	76,000	901,700
Capital Expenditures													
Capital Repairs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Capital Expenditures	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
TOTAL NON OPERATING EXPENSES	75,000	75,200	75,400	75,700	75,800	76,000	76,400	76,600	76,800	76,800	77,000	77,000	913,700
CASH FLOW	(6,375)	(4,025)	(5,625)	(1,795)	2,505	8,055	3,925	6,145	7,385	9,385	10,775	16,915	47,270

¹ Initial loan balance of \$17,400,000 increases with renovation costs funded by lender up to a max of \$18,500,000.

Appendix D — Operating Budget for three years

Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement for Second Year of Ownership

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
INCOME													
Rental Income													
Gross Scheduled Apartment Rent	117,500	117,500	118,400	119,200	121,900	125,400	127,100	129,300	132,100	135,500	136,300	137,100	1,517,300
Less Projected Vacancy	(1,100)	(2,700)	(5,000)	(11,000)	(10,800)	(10,100)	(13,200)	(14,400)	(9,800)	(3,500)	(4,300)	(2,500)	(88,400)
Effective Gross Apartment Rent	116,400	114,800	113,400	108,200	111,100	115,300	113,900	114,900	122,300	132,000	132,000	134,600	1,428,900
Parking Rent	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Pet Rent	900	900	900	900	900	900	900	900	900	900	900	900	10,800
Total Rental Income	127,300	125,700	124,300	119,100	122,000	126,200	124,800	125,800	133,200	142,900	142,900	145,500	1,559,700
Other Income													
Laundry Facilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Miscellaneous Income	600	600	600	600	600	600	600	600	600	600	600	600	7,200
RUBS	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	57,600
Total Other Income	5,800	69,600											
TOTAL INCOME	133,100	131,500	130,100	124,900	127,800	132,000	130,600	131,600	139,000	148,700	148,700	151,300	1,629,300
EXPENSES													
Property Insurance	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	14,880
Secured Property Tax	12,736	12,736	12,736	12,736	12,736	12,736	12,130	12,130	12,130	12,130	12,130	12,130	149,196
Total Insurance, Tax, Permits	13,976	13,976	13,976	13,976	13,976	13,976	13,370	13,370	13,370	13,370	13,370	13,370	164,076
MAINTENANCE													
Apartment Turnover	400	400	-	400	500	400	400	400	-	-	500	-	3,400
Cleaning - Apartment	200	200	-	200	250	200	200	200	-	-	250	-	1,700
Cleaning - Common Area	550	550	550	550	550	550	550	550	550	550	550	550	6,600
Elevator Maintenance	550	550	550	550	550	550	550	550	550	550	550	550	6,600
General Maintenance	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,000
Grounds Maintenance	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Painting - Apartment	600	600	-	600	800	600	600	600	-	-	800	-	5,200
Windows & Window Coverings	300	300	-	300	450	300	300	300	-	-	450	-	2,700
Total Maintenance	5,600	5,600	4,100	5,600	6,100	5,600	5,600	5,600	4,100	4,100	6,100	4,100	62,200

Appendix D — Operating Budget for three years**Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement for Second Year of Ownership**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
Utilities													
Electricity	760	760	760	760	760	760	760	760	760	760	760	760	9,120
Gas	130	130	130	130	130	130	130	130	130	130	130	130	1,560
Sewer	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	2,590	31,080
Trash & Recycling	960	960	960	960	960	960	960	960	960	960	960	960	11,520
Water	620	620	620	620	620	620	620	620	620	620	620	620	7,440
Total Utilities	5,060	5,060	5,060	5,060	60,720								
Administration													
Management Fees	7,990	7,890	7,810	7,490	7,670	7,920	7,840	7,900	8,340	8,920	8,920	9,080	97,770
Salaries	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	45,600
Payroll Taxes	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Medical & Life Insurance	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Worker's Compensation Insurance	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Building Security	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Miscellaneous	350	350	350	350	350	350	350	350	350	350	350	350	4,200
Rental Expense	50	50	-	50	50	50	50	50	-	-	50	-	400
Telephone/Technology	325	325	325	325	325	325	325	325	325	325	325	325	3,900
Total Administration	14,165	14,065	13,935	13,665	13,845	14,095	14,015	14,075	14,465	15,045	15,095	15,205	171,670
TOTAL OPERATING EXPENSES	38,801	38,701	37,071	38,301	38,981	38,731	38,045	38,105	36,995	37,575	39,625	37,735	458,666
NET OPERATING INCOME	94,299	92,799	93,029	86,599	88,819	93,269	92,555	93,495	102,005	111,125	109,075	113,565	1,170,634
NON OPERATING EXPENSES													
Debt Service													
Mortgage- Interest Only1	76,000	76,100	76,200	76,500	76,600	76,800	77,100	77,400	77,500	77,600	77,600	77,600	923,000
Total Debt Service	76,000	76,100	76,200	76,500	76,600	76,800	77,100	77,400	77,500	77,600	77,600	77,600	923,000
Capital Expenditures													
Capital Repairs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Capital Expenditures	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
TOTAL NON OPERATING EXPENSES	77,000	77,100	77,200	77,500	77,600	77,800	78,100	78,400	78,500	78,600	78,600	78,600	935,000
CASH FLOW	17,299	15,699	15,829	9,099	11,219	15,469	14,455	15,095	23,505	32,525	30,475	34,965	235,634

¹Initial loan balance of \$17,400,000 increases with renovation costs funded by lender up to a max of \$18,500,000.

Appendix D — Operating Budget for three years

Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement for Third Year of Ownership

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
INCOME													
Rental Income													
Gross Scheduled Apartment Rent	138,600	138,600	140,300	141,100	142,900	143,700	146,500	149,100	151,500	151,500	151,500	151,500	1,746,800
Less Projected Vacancy	(3,200)	(5,000)	(5,200)	(5,000)	(7,000)	(10,300)	(10,000)	(5,000)	-	-	-	-	(50,700)
Effective Gross Apartment Rent	135,400	133,600	135,100	136,100	135,900	133,400	136,500	144,100	151,500	151,500	151,500	151,500	1,696,100
Parking Rent	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Pet Rent	900	900	900	900	900	900	900	900	900	900	900	900	10,800
Total Rental Income	146,300	144,500	146,000	147,000	146,800	144,300	147,400	155,000	162,400	162,400	162,400	162,400	1,826,900
Other Income													
Laundry Facilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Miscellaneous Income	600	600	600	600	600	600	600	600	600	600	600	600	7,200
RUBS	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	57,600
Total Other Income	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	69,600
TOTAL INCOME	152,100	150,300	151,800	152,800	152,600	150,100	153,200	160,800	168,200	168,200	168,200	168,200	1,896,500
EXPENSES													
Property Insurance	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	15,360
Secured Property Tax	13,373	13,373	13,373	13,373	13,373	13,373	13,373	13,373	13,373	13,373	13,373	13,373	160,476
Total Insurance, Tax, Permits	14,653	14,653	14,653	14,653	14,653	14,653	14,653	14,653	14,653	14,653	14,653	14,653	175,836
MAINTENANCE													
Apartment Turnover	400	400	-	500	400	400	400	-	400	-	650	-	3,550
Cleaning - Apartment	200	200	-	250	200	200	200	-	200	-	300	-	1,750
Cleaning - Common Area	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Elevator Maintenance	600	600	600	600	600	600	600	600	600	600	600	600	7,200
General Maintenance	2,000	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,250
Grounds Maintenance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Painting - Apartment	600	600	-	800	600	600	600	-	600	-	1,200	-	5,600
Windows & Window Coverings	300	300	-	450	300	300	300	-	300	-	600	-	2,850
Total Maintenance	6,200	5,950	4,450	6,450	5,950	5,950	5,950	4,450	5,950	4,450	7,200	4,450	67,400

Appendix D — Operating Budget for three years**Capitol Hill Partners, LLC | Operating Statement | Projected Operating Statement for Third Year of Ownership**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
Utilities													
Electricity	800	800	800	800	800	800	800	800	800	800	800	800	9,600
Gas	140	140	140	140	140	140	140	140	140	140	140	140	1,680
Sewer	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	32,640
Trash & Recycling	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	12,120
Water	650	650	650	650	650	650	650	650	650	650	650	650	7,800
Total Utilities	5,320	63,840											
Administration													
Management Fees	9,130	9,020	9,110	9,170	9,160	9,010	9,190	9,650	10,090	10,090	10,090	10,090	113,800
Salaries	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	45,600
Payroll Taxes	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Medical & Life Insurance	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Worker's Compensation Insurance	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Building Security	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Miscellaneous	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Rental Expense	50	-	50	50	50	50	-	50	-	50	-	50	350
Telephone/Technology	375	375	375	375	375	375	375	375	375	375	375	375	4,500
Total Administration	15,405	15,345	15,385	15,495	15,485	15,335	15,515	15,925	16,415	16,365	16,415	16,365	189,450
TOTAL OPERATING EXPENSES	41,578	41,268	39,808	41,918	41,408	41,258	41,438	40,348	42,338	40,788	43,588	40,788	496,526
NET OPERATING INCOME	110,522	109,032	111,992	110,882	111,192	108,842	111,762	120,452	125,862	127,412	124,612	127,412	1,399,974
NON OPERATING EXPENSES													
Debt Service													
Mortgage- Interest Only1	77,700	77,800	78,000	78,000	78,300	78,500	78,600	78,600	78,600	78,600	78,600	78,600	939,900
Total Debt Service	77,700	77,800	78,000	78,000	78,300	78,500	78,600	78,600	78,600	78,600	78,600	78,600	939,900
Capital Expenditures													
Capital Repairs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Capital Expenditures	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
TOTAL NON OPERATING EXPENSES	78,700	78,800	79,000	79,000	79,300	79,500	79,600	79,600	79,600	79,600	79,600	79,600	951,900
CASH FLOW	31,822	30,232	32,992	31,882	31,892	29,342	32,162	40,852	46,262	47,812	45,012	47,812	448,074

¹ Initial loan balance of \$17,400,000 increases with renovation costs funded by lender up to a max of \$18,500,000.

Appendix E — Market Data



The Capitol Hill Neighborhood.

Seattle's Capitol Hill district is one of the most popular neighborhoods in the city. It has a vibrant nightlife and is located close to three colleges: University of Washington, Seattle University and Seattle Central Community College. Capitol Hill residents also enjoy the widest variety of eateries and the most fascinating small shops in the city. It is one of the most densely populated neighborhoods in Seattle.

Seattle is becoming a 24-hour city. More than 50 restaurants opened in Downtown Seattle and Pioneer Square in 2016. In addition, the Downtown Seattle Association, in partnership with the city of Seattle, has been managing and programming two parks (Occidental Square and Westlake Park). Both parks are venues for events, games and food trucks which has dramatically increased their use.

Capitol Hill's location and convenience attract tenants from a broad employment base. 1-5 and Highway 99 are within blocks, as are major bus lines. The new light rail line that opened in April 2016 carries residents to and from the neighborhood to downtown Seattle, North Seattle and Sea-Tac Airport. The Capitol Hill light rail station was built underneath Nagle Place, with entrances from Broadway Ave E and from the corners of E John Street and E Denny Way. Residents can walk to the many retailers, businesses, hospitals and universities in the Capitol Hill area. Pacific Place and downtown shopping centers like Nordstrom make shopping and recreation convenient and are within one mile of the Property.

Job Growth in Seattle

Capitol Hill sits minutes from the South Lake Union neighborhood, which is Seattle's second most rapidly growing area of employment, residential, retail and recreational growth. South Lake Union is home to the University of Washington School of Medicine and Research and to major medical research facilities, many corporate headquarters, a 12-acre waterfront park, and the Gates Foundation corporate campus, all of which make living in Capitol Hill more desirable.

- As of 2014, the five square miles of Downtown Seattle (including Capitol Hill) boast 245,774 total jobs--almost twice as many as the entire city of Bellevue.
- Seattle is a global economic powerhouse and home to many of the most recognized corporations in the information technology, retail, healthcare and international trade industries. The largest companies headquartered in downtown are Amazon (154,100 employees), Starbucks (191,000 employees), Nordstrom (73,500 employees), Expeditors (14,600 employees), Emeritus (32,000 employees).

In addition:

- Seattle Central Community College on Broadway employs over 950, and serves 16,000 students each year.
- Seattle University enrolls 7,400, with more than 570 academic staff.
- Virginia Mason Medical Center, just outside the neighborhood, employs 460 physicians, and operates a 336 bed acute care facility.
- Harborview Medical Center in neighboring First Hill employs 4,500 and supports 413 beds.

Perhaps the most significant driver for job growth in the city has been Amazon. The company employs 30,000 in the state of Washington, many at South Lake Union. It is estimated that these jobs support 23,000 other jobs in the city of Seattle.

Amazon continues to hire thousands each year. The new campus, when completed, will have capacity for 55,000 employees in South Lake Union alone, more than double the current number of employees in Seattle.

Amazon's financial results are keeping pace with its physical growth. Over the last year, the company's revenue has risen 31% and its stock value has risen over 40%, making it the fifth largest company in the country in market capitalization.

Tech companies from California are moving north. "Seattle is a fast-growing, mid-sized tech magnet, and is gaining a national reputation as an alternative to high-cost tech hubs such as the Bay Area," according to Glassdoor's Allison Berry.

Downtown Seattle employment is growing in every sector. Between 2010 and 2014, the latest date for which figures are available, Downtown gained 30,000 jobs, which represents 60% of all the job growth in the entire city.

Growing Demand For The Apartment Lifestyle

Job growth leads to a demand for housing, but it's not the only factor. According to an analysis by Dupre+ Scott, the Millennials' preference for the experience and benefits of urban living is lowering the jobs/apartment ratio. Across metropolitan Seattle there are 7.7 jobs per occupied apartment. "In the past 12 months our region added 42,800 jobs and the apartment market absorbed almost 8,800 units. That's above average demand. It works out to 4.9 jobs per unit of demand," say Dupre+ Scott. More demand is on its way. The forecast is for the ratio to drop to 3.3 new jobs per new apartment between now and 2020.

Capitol Hill's Unique Culture: a Millennial Magnet

Capitol Hill is the kind of urban neighborhood Millennials are looking for. At its densest, it houses people at a rate of 55,000 per square mile, which is comparable to Greenwich Village in New York.

Cars are unnecessary; mass transit abounds. It's a four minute light rail ride from the new Capitol Hill station on Broadway to the central business district, and

buses or the First Hill Streetcar offer other ways to get around. Amazon is within walking distance.

Bicycles are another option. Seattle has seven miles of protected bike lanes; one factor that led Zillow to rank it the best U.S. city for biking.

Every second Thursday of the month, galleries, taverns, and performance spaces showcase artists who offer everything from visual art to film or performance. Other cultural opportunities include the Frye Art Museum and the Seattle Asian Art Museum.

The Future

Seattle attracts 15,000 net domestic migrants per year, and the city is preparing for them with infrastructure improvements. Sound Transit just released an ambitious growth plan projected to cost \$50 billion. It will connect the entire length of the 68-mile Seattle metro area from Everett to Tacoma.

The Seattle Metropolitan Area

The Seattle metropolitan area is part of the Puget Sound Region and includes King County, Snohomish County, and Pierce County. The United States Census Bureau officially defines the metropolitan area as the Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area, with an estimated population of 3,610,105, making it the 14th largest Metropolitan Statistical Area in the United States.

Seattle's economy is diverse. Key sectors include healthcare, biotechnology, aerospace, and information technology. The city has a large number of globally recognized companies, along with growing small and minority owned businesses. These companies are drawn to metro Seattle by the large number of highly skilled workers, cutting edge research and thriving industry clusters. Strong in-migration and a diversified economy make Seattle a standout, with robust connections to retail through Amazon, Costco, Nordstrom and Starbucks; aerospace through Boeing; and software through Microsoft, Google, Facebook, Dropbox, DocuSign, Uber and Twitter.

The Seattle MSA, one of the most dynamic real estate investment markets in the country, benefits from a combination of strict land use planning, topographical constraints on supply, and employment growth that consistently ranks above the national average. Favorable “renter” demographics, positive job growth and population projections, together with high barriers for entry in home ownership, also position Seattle as a strategic market for investment gains. Seattle is now fourth overall for growth among 50 biggest U.S. cities. For the third consecutive year, Seattle is among the Top 5 big cities for population growth.

In 2016 Seattle’s technology-fueled job market was rated the third best in the country for job seekers, according to a report from the salary data and recruiting website Glassdoor. Seattle’s median base salary, was \$85,000. According to Business Insider, Washington was ranked as the #1 economy in the nation, “Washington State scored extremely well on most of our metrics. Its Q2 annualized Gross Domestic Product growth was a stunning 8.0 percent.”

The Tech Sector

In 2016, Seattle tech salaries were up 4.6% to an average of \$99,400. The Seattle MSA accounts for 2 million jobs and has an estimated Gross Metropolitan Product of \$309.1 billion, a growth of 8.5 % in the past two years. Boeing, Microsoft and Amazon have a combined local payroll of more than 150,000 employees. They directly and indirectly support approximately 450,000 jobs in the Puget Sound economy. Because Seattle is located on the Pacific Rim, one in three local jobs is tied to international trade.

Strong Job Growth

Seattle’s economy is seeing healthy growth led by the technology sector. Conway Pedersen forecasts the region will add another 62,000 jobs in 2017 and 1.2 million jobs by 2024. More than 18,000 high-income jobs (annual salary over \$75,000) have been added to the region in the last eight years, an increase of 7.3%. The Seattle-Bellevue-Everett metro area jobless rate sits at 4.8%.

In addition to the established players, about 2,100 new companies have joined the region since 2007, including hundreds of spinouts and the regional offices of many significant Silicon Valley companies looking to tap the area’s local pool of talent. Since 2007 the tech sector has added more than 90,000 software developers and invested \$58.4 billion in Washington companies.

Google, which already has 2,000 employees in Kirkland, is renting enough space in South Lake Union for 3,000-4,000 more workers. Construction has begun on four buildings for a large Google campus along Mercer Street near Fairview Avenue, a few blocks east of Facebook’s campus. Facebook began moving employees into their new South Lake Union offices in May 2016. The 10-story, 335,000-square-foot building on Dexter Avenue N is home to most of Facebook’s roughly 1,000 employees in the area. The facility has space for about 2,000 workers. Online travel booking giant Expedia is moving its headquarters from Bellevue to the old Amgen corporate campus at Interbay in 2019. The company completed its \$3.9 billion acquisition of HomeAway in December, challenging rising competitor Airbnb in the sharing economy travel industry. Last year Apple leased enough space in one of Seattle’s tallest buildings for 200 employees. Dropbox has also opened a development office in the city. Uber’s Seattle engineering office has 100 employees with plans to double its workforce.

Population Expansion

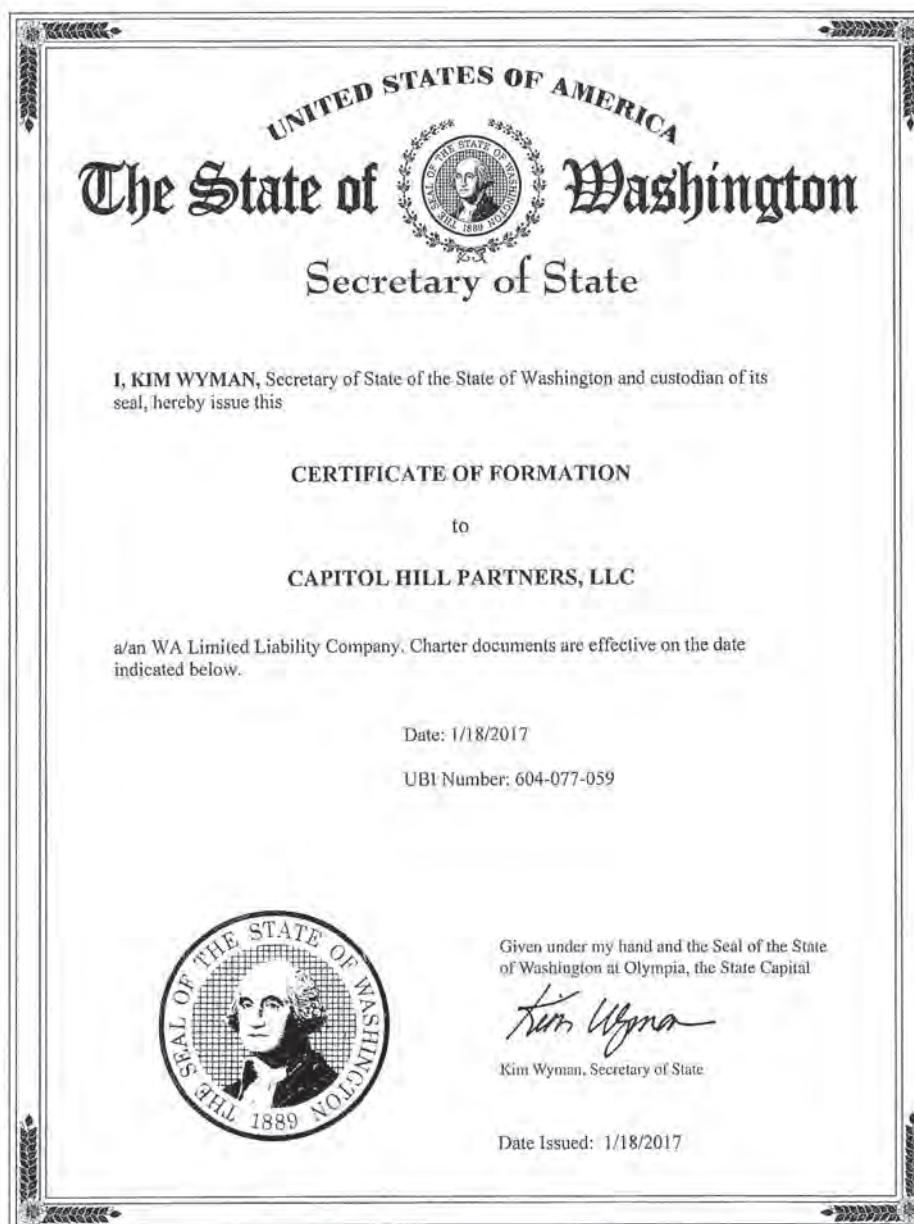
Seattle is one of the country’s fastest growing cities and expects 180,000 new residents within the next decade. Looking out further, the population is predicted to jump by 30% from 2014-2044. The 2014 Census estimate of Seattle’s population was 668,342. This was an increase of 10% over the 2010 census, or 2.5% growth per year. Seattle grew faster than any city in the state between 2010 and 2015. The state of Washington grew 1.34% in 2015, the highest growth rate since 2008, and King County alone accounted for 38% of the growth.

Soaring Rents and Increasing High Costs of Home Ownership

Region wide, rents increased 9.1 percent over the past year versus a year ago, according to Dupre+Scott. Nearly 52% of households in the city rent and 40% of the metro area households rent.

Single family housing and condos are unaffordable for a large number of metro residents. The median price of single-family homes sold in King County hit a new all-time high in April at \$674,500, amid record-low inventory, heralding even more intense bidding wars ahead in the typically busy summer home-buying season. Due to the region's dramatic increase in pricing and scarcity of available houses for sale, renting continues to be a viable option for many.

* The foregoing information provided courtesy of ARA Newmark.



Limited Liability Company Agreement of Capitol Hill Partners, LLC,

a Washington Limited Liability Company

THIS LIMITED LIABILITY COMPANY AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____ 2017, by and between Mayfield Capitol Hill, LLC, as member and manager (the "Manager"), and those persons who may, from time to time, become Members by executing a counterpart signature page to this Agreement (the "Members").

SECTION 1

Definitions

The following terms, when used in this Agreement, shall have the meaning set forth in this section.

- 1.1. **Act** shall mean the Washington Limited Liability Company Act.
- 1.2. **Adjusted Invested Capital** shall mean the invested capital of a Member provided that adjusted invested capital shall not be reduced below zero.
- 1.3. **Affiliate** shall mean (i) any person who is a member of the immediate family of the principals of the Manager; (ii) any entity for which the Manager acts in the capacity of an officer, director, or Member in which the Manager holds more than ten percent equity interest; or (iii) any person or entity directly or indirectly controlling, controlled by or under common control with the Manager through the possession, direct or indirect, of the power to direct or cause the direction of the management, policy or actions of such person or entity
- 1.4. **Certificate** shall mean the Certificate of Formation of the Company as filed with the Washington Secretary of State on January 18, 2017, and as the same may be amended or restated from time to time.
- 1.5. **Bankruptcy** shall mean the institution of any proceedings under federal or state laws for relief of debtors, including filing of a voluntary or involuntary

petition in bankruptcy or the adjudication as insolvent or bankrupt, or the assignment of the person's property for the benefit of creditors, or the appointment of a receiver, trustee or a conservator of any substantial portion of the person's assets or the seizure by a sheriff, receiver, trustee or conservator of any substantial portion of the person's assets, and the failure, in the case of any of these events, to obtain the dismissal of the proceedings or the removal of the conservator, receiver or trustee within thirty days of the event.

- 1.6. **Bankruptcy Action** shall mean with respect to any Person (a) such Person filing a voluntary petition under the Bankruptcy Code or any other Federal, state, local or foreign bankruptcy or insolvency law; (b) the filing of an involuntary petition against such Person under the Bankruptcy Code or any other Federal, state, local or foreign bankruptcy or insolvency law or soliciting or causing to be solicited petitioning creditors for any involuntary petition against such Person; (c) such Person filing an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other Federal, state, local or foreign bankruptcy or insolvency law; (d) such Person consenting to or acquiescing in or joining in an application for the appointment of a custodian, receiver, trustee, or examiner for such Person or any portion of the Property; or (e) such Person making an assignment for the benefit of creditors, or admitting, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due or to take action in furtherance of any of the foregoing.
- 1.7. **Capital Account** is defined in Section 5.1.
- 1.8. **Cash Available for Distribution** shall mean the Company's allocable share of the total cash revenues generated by the Property less cash expenditures including fees to the Manager or any Affiliate of the Manager, operating expenses, and less amounts set aside for reserves as determined by the Manager.
- 1.9. **Code** shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent revenue laws.

- 1.10. **Company** shall mean the Company formed by this Agreement.
- 1.11. **Distributions** shall mean any cash or property distributed to Members arising from their interests in the Company, other than payments to Members for services or as repayment of loans.
- 1.12. **Membership Interest** shall mean a Member's Percentage Interest as set forth on Exhibit A, as adjusted from time to time, of the Profits, Losses, capital and distributions of Company property pursuant to the Act, the Certificate and this Agreement.
- 1.13. **Invested Capital** shall mean the money, services rendered, or promissory note contributed to the Company as capital by any Member, including contributions when this Company is formed and any subsequent contributions.
- 1.14 **Lender** shall have the meaning set forth in Section 16.19 hereof.
- 1.15 **Loan** shall have the meaning set forth in Section 16.19 hereof.
- 1.16. **Loan Agreement** shall have the meaning set forth in Section 16.19 hereof.
- 1.17. **Loan Documents** shall have the meaning set forth in Section 16.19 hereof.
- 1.18. **Manager** shall mean Mayfield Capitol Hill, LLC, or any person or entity succeeding Mayfield Capitol Hill, LLC as the Manager.
- 1.19. **Member** shall mean any Member to this Agreement, including the original Members and any Person who becomes a Member by substitution after receiving an assignment from one of the original Members and the consent of the Manager.
- 1.20. **Majority** shall mean the Members collectively holding more than 50 percent of the Membership Interests of all the Members.
- 1.21. **Membership Interest** shall mean a Member's entire Percentage Interest in the Company, as set forth on Exhibit A, as it may be adjusted from time to time. A Member's voting rights, if any, and rights to distributions shall be based on the Member's Percentage Interest.
- 1.22. **Net Income and Net Loss** shall mean the net income or net loss of the Company for federal income tax purposes, as determined by the Company's accountants.
- 1.23. **Member** shall mean any person or entity who is a Member in this Company.
- 1.24. **Percentage Interest** shall mean the quotient obtained by dividing a Member's total capital contributions by the total capital contributions of all the Members. Each Member's initial percentage interest is set forth on the signature page of this Agreement.
- 1.25. **Person** shall mean any individual or legal entity and the heirs, executors, administrators, legal representatives, successors and assigns of such "Person" where the context so permits.
- 1.26. **Transferee** shall mean the successor in ownership of the Percentage Interest of another Member.
- 1.27. **Transfer** shall mean, as a noun, any voluntary or involuntary transfer, sale or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell or otherwise dispose of.

SECTION 2

Formation

- 2.1. **Organization.** A Certificate of Formation was filed with the Washington Secretary of State on January 18, 2017. All expenses incurred in the connection with the organization of the Company will be paid by the Company.
- 2.2. **Principal Office.** The principal office of the Company shall initially be at 1424 4th Avenue, Ste #905, Seattle, Washington 98101. The Manager may relocate the principal office or establish additional offices from time to time.

- 2.3 **Principal Place of Business.** The Company's principal place of business shall be: 1424 4th Avenue, Ste #905, Seattle, Washington 98101.
- 2.4. **Registered Office and Registered Agent.** The Company's initial registered office shall be at 1424 4th Avenue, Ste #905, Seattle, Washington 98101, and the name of its initial registered agent at such address shall be Mayfield Investment Company, Inc.
- 2.5. **Purpose.** The purpose of the Company is to acquire, own, develop, hold, sell, lease, transfer, exchange, manage and operate the real property and improvements thereon located at 305-311 Bellevue Avenue East, Seattle, Washington (the "Property"), enter into and perform its obligations under the Loan Documents with Lender, refinance the Property in connection with a permitted repayment of the Loan, and transact lawful business that is incident, necessary and appropriate to accomplish the foregoing.
- 2.6. **Rights of Creditors and Third Parties.** This Agreement is entered into among the Company and the Members for the exclusive benefit of the Company, its Members, and their successors and assigns. The Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under the Agreement or any other agreement between the Company and any Members with respect to any contribution or otherwise.

SECTION 3

Term

- 3.1. **Commencement.** The Company term begins on the date of filing of the Certificate of Formation.
- 3.2. **Dissolution.** The Company shall dissolve upon:

- 3.2.1. The election by the Manager to dissolve; or
- 3.2.2. The sale of all or substantially all of the assets of the Company and distribution of the proceeds to the Members.
- 3.3. **Distribution on Dissolution.** Upon dissolution, the business of the Company shall be wound up by the Manager, or, if none, by the Members, the assets shall be liquidated and the proceeds applied to payment of the Company's indebtedness and expenses of the liquidation. The remaining proceeds shall be distributed to the members provided, that any remaining proceeds representing previously undistributed cash available for distribution shall be distributed in the manner provided for distribution of cash available for distribution. After passage of reasonable time and payment of any contingencies arising in that time, the balance remaining in the trust account shall be distributed to the Members in the same manner.
- 3.4. **Certificate of Dissolution.** In the event of a Dissolution of the Company, the Manager shall have the sole discretion whether to file a Certificate of Dissolution and such filing shall not be a condition to dissolving the Company. If filed, the Certificate of Dissolution shall be filed in the Office of the Washington Secretary of State.
- 3.5. **General.**
 1. **Initial Manager.** The Company shall have one Manager. The Company's initial Manager shall be Mayfield Capitol Hill, LLC.
 2. **Qualifications.** The Manager need not be a resident of Washington or a Member.
 3. **Appointment.** Any duly appointed Manager may appoint as its successor any legal entity that is controlled by the same Person or Persons who control Mayfield Capitol Hill, LLC as of the date the successor is appointed without vote of the Members. For this purpose, "control" shall mean the possession, direct or indirect, of the power to

direct or cause the direction of the management and policies of Mayfield Capitol Hill, LLC, through the ownership of voting securities. If a Manager is removed as provided herein, a successor Manager may be appointed at a meeting called expressly for that purpose, by the vote of Members holding, in the aggregate, eighty percent (80%) of the Membership Interests in the Company (excluding that number of Membership Units held by the Manager).

4. **Resignation.** Any Manager may resign at any time by giving written notice to the Members. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal as a Member.
5. **Removal.** The Manager may be removed, with or without cause, at a meeting called expressly for that purpose, by the vote of Members holding, in the aggregate, eighty percent (80%) of the Membership Interests in the Company (excluding the Membership Interest held by the Manager). The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

SECTION 4

MANAGEMENT

- 4.1 **Control in Manager.** Except as otherwise expressly stated in this Agreement or required by law, the Manager shall have exclusive control over the business of the Company, including the power to assign duties,

to assume direction of business operations, to borrow money on behalf of the Company and pledge the Company's property, including the Property, as collateral therefor, to sell or exchange the Company's property, including the Property, and to sign deeds, notes, deeds of trust, contracts and leases, and shall have all rights, power and authority generally conferred by law or necessary, advisable or consistent with accomplishing the purpose of the Company. Without limiting the generality of the foregoing, the Manager has the right:

- a. To manage the Property, collect all payments derived therefrom, enter into agreements on behalf of the Company (including but not limited to limited liability company agreements and subordination agreements) and enforce the Company's rights and remedies relative to the Property;
- b. To borrow money on behalf of the Company and to pledge as collateral for loans any property owned by the Company, including the Property, on terms and conditions in Manager's sole discretion;
- c. To sell, exchange or otherwise transfer all or substantially all of the Company's property, including the Property;
- d. To pay all organization expenses incurred in the creation of the Company, and all operation expenses incurred in the operation of this Company;
- e. To pay collect, comprise, arbitrate, or otherwise adjust any and all claims or demands of or against the Company;
- f. To execute, acknowledge, and deliver any and all instruments to effectuate the foregoing, including any instrument purporting to convey or encumber an interest of the Company. Such instruments shall be signed by the Manager on behalf of the Company. No other signatures shall be required;
- g. To assume the overall duties imposed on the Manager by the Act;

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- h. To directly perform or have performed by third parties (including Affiliates or employees thereof) any or all other services involved in the operation, management and conduct of the Company and the property owned by the Company, at reasonable rates for such services (which may include a reasonable profit to such Affiliates);
- i. To manage the affairs of the Company, including, but not limited to, preparation of Company financial and operating statements, preparation of tax returns and preparation of periodic reports to the Members; and
- j. Pay reasonable fees from the revenue and/or assets of the Company to third parties and/or to the Manager (including Affiliates) for the following types of services, which is a representative, but not exhaustive, list of services required from time to time by the Company or its property.
 - i. Asset Management and Company Administration;
 - ii. Preparation of financial reports, audits, and tax returns for the property and the Company.

The above list is not exhaustive, but is only representative. It is understood that the above services may be bundled or unbundled in the judgment of the Manager. The Manager shall have the full power to the fullest extent permitted by law and authority to do and perform all and every act and thing whatsoever as is reasonably and/or incidentally necessary to manage, operate and conduct the business and affairs of the Company and the property of the Company on such terms and conditions as the Manager deem reasonable and fair to the Company under the circumstances then existing.

- 4.2. The Manager shall perform the duties of Manager in good faith, in a manner it reasonably believes to be in the best interests of the Company and its Members, and with such care as an ordinarily prudent person in a like position

would use under similar circumstances. In discharging these duties, a Manager shall be fully protected in relying in good faith upon the records required to be maintained under this Agreement and upon such information, opinions, reports or statements by any other Manager, Member or agent, or by any other Person, as to matters the Manager reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to required preservation of the Company's property, the value and amount of the assets, liabilities, Profits and Losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to the Members might properly be paid.

4.3. Right to Rely on Manager.

- a. Any Person dealing with the Company may rely (without duty of further inquiry) upon a Certification signed by the Manager as to:
 - i. The identity of the Manager or any Member;
 - ii. The existence or non-existence or any fact or facts which constitute a condition precedent to acts by a Manager or which are in any other manner germane to the affairs of the Company;
 - iii. The Persons who are authorized to execute and deliver any instrument or document of the Company; or
 - iv. Any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.
- b. The signature of the Manager shall be necessary and sufficient to convey title to any Company property or to execute any promissory notes, trust deeds, mortgages or other instruments of hypothecation, and all of the Members agree that a copy of this Agreement may be shown to the appropriate parties in order to confirm the same, and further agree

that the signature of any Manager shall be sufficient to execute any “statement of company” or other documents necessary to effectuate this or any other provision of this Agreement. Each of the Members do hereby appoints the Manager as their attorney-in-fact for the execution of any or all of the documents described in this subsection.

4.4. **Section 754 Election.** The Manager may, at its sole discretion, make or revoke (as permitted by applicable IRS Regulations) the election referred to in Section 754 of the Code or any similar provision enacted in lieu thereof. Each of the Members will upon request supply the information necessary to properly give effect to such election.

4.5. Limitations on Manager's Authority.

A. The Manager shall cause the Company to:

- i. intend to remain solvent and pay its debts and liabilities (including, a fairly-allocated portion of any personnel and overhead expenses that it shares with any Affiliate) from its assets as the same shall become due and maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;
- ii. maintain its bank accounts, books of account, books and records separate from those of any other Person and, to the extent that it is required to file tax returns under applicable law, file its own tax returns, except to the extent that it is required by law to file consolidated tax returns;
- iii. maintain its own records, books, resolutions and agreements;
- iv. hold its assets in its own name;
- v. conduct its business in its name or in a name franchised or licensed to it by an entity other than an Affiliate, except for business conducted on behalf of itself by another Person under a business management services agreement that is on commercially-reasonable terms, so long as the manager, or equivalent thereof, under such business management services agreement holds itself out as an agent of the Company;
- vi. (A) maintain its financial statements, accounting records and other entity documents separate from those of any other Person and (B) show, in its financial statements, its asset and liabilities separate and apart from those of any other Person;
- vii. pay its own liabilities and expenses, including the salaries of its own employees, out of its own funds and assets, and maintain a sufficient number of employees in light of its contemplated business operations;
- viii. observe all limited liability company formalities;
- ix. allocate fairly and reasonably any overhead expenses that are shared with any of its Affiliates, constituents, or principals, or any guarantors of any of their respective obligations, or any Affiliate of any of the foregoing (individually, a “Related Party” and collectively, the “Related Parties”), including, but not limited to, paying for shared office space and for services performed by any employee of an Affiliate;
- x. maintain and use separate stationery, invoices and checks bearing its name and not bearing the name of any other entity unless such entity is clearly designated as being the Company's agent;

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- xi. hold itself out and identify itself as a separate and distinct entity under its own name or in a name franchised or licensed to it by an entity other than an Affiliate of the Company and not as a division or part of any other Person;
 - xii. maintain its assets in such a manner that it shall not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;
 - xiii. comply with all of the terms and provisions contained in this Agreement;
 - xiv. continue to be duly formed, validly existing, and in good standing in the state of its incorporation or formation and in all other jurisdictions where it is qualified to do business.
- B. So long as any Obligation is outstanding, the Manager shall not cause or permit the Company to:
- i. engage in any business unrelated to the acquisition, development, ownership, management or operation of the Property;
 - ii. own any real property other than, in the case of Borrower, the Property;
 - iii. have any assets other than the Property and personal property necessary or incidental to its ownership and operation of the Property;
 - iv. engage in, seek, consent to or permit (A) any dissolution, winding up, liquidation, consolidation or merger or (B) any sale or other transfer of all or substantially all of its assets or any sale of assets outside the ordinary course of its business, except as permitted by the Loan Documents;
 - v. (1) dissolve, merge, liquidate, consolidate; (2) sell all or substantially all of its assets; (3) amend this Agreement with respect to the matters set forth in Sections 1.6, 1.7, 2.5, 4.5, or 16.9 hereof without the consent of Lender; or (4) without the consent of the Manager (whose consent shall require the affirmative vote of Manager's Independent Manager (as such term is defined in the Loan Agreement)) take any Bankruptcy Action;
 - vi. fail to correct any known misunderstanding regarding the separate identity of such entity or identify itself as a division of any other Person;
 - vii. commingle its funds or assets with those of any other Person or participate in any cash management system with any other Person;
 - viii. permit its assets to be listed as assets on the financial statement of any of its Affiliates except as required by GAAP; provided, however, that any such consolidated financial statement contains a note indicating that the Company's separate assets and credit are not available to pay the debts of such Affiliate and that the Company's liabilities do not constitute obligations of the consolidated entity;
 - ix. incur any Indebtedness other than (i) the Loan, (ii) liabilities incurred in the ordinary course of business relating to the ownership and operation of the Property and the routine administration of the Company, in amounts not to exceed two percent (2%) of the amount of the Loan which liabilities are not more than sixty (60) days past the date incurred, are not evidenced by a note and are paid when due, and which amounts are normal and reasonable under the circumstances, and (iii) such other liabilities that are permitted pursuant to the Loan Agreement;

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- x. assume or guarantee or become obligated for the debts of any other Person, hold out its credit as being available to satisfy the obligations of any other Person or pledge its assets for the benefit of any other Person, in each case except as permitted pursuant to the Loan Agreement;
 - xi. acquire obligations or securities of its partners, members or shareholders or any other owner or Affiliate;
 - xii. pledge its assets to or for the benefit of any other Person;
 - xiii. make loans to any Person or hold evidence of indebtedness issued by any other Person or entity (other than cash and investment-grade securities issued by an entity that is not an Affiliate of or subject to common ownership with such entity);
 - xiv. identify its members or any Affiliate of any of them as a division or part of it or identify itself as a division of any other Person;
 - xv. other than capital contributions and distributions permitted under the terms of this Agreement, enter into or be a party to any transaction with any of its members or Affiliates except in the ordinary course of its business and on terms which are commercially reasonable terms comparable to those of an arm's-length transaction with an unrelated third party;
 - xvi. indemnify its members, unless such an obligation or indemnification is fully subordinated to the Debt (as such term is defined in the Loan Agreement) and shall not constitute a claim against it in the event that its cash flow is insufficient to pay the Debt;
 - xvii. have any of its obligations guaranteed by any Affiliate except as provided by the Loan Documents;
 - xviii. form, acquire or hold any subsidiary, without the prior consent of Lender in its sole discretion; and
 - xix. permit any Affiliate or constituent party independent access to its bank accounts, other than Orcal Management, Inc., a California corporation, in connection with its duties as property manager of the Property.
- 4.6. **Devotion of Time.** The Manager is not obligated to devote full time to the affairs of the Company. The Manager may become involved in other businesses and occupations and other Companies, including, but not limited to, acting as a Member in other Companies formed for the purpose of investing in real estate, which may compete, directly or indirectly, with the business of the Company. Neither the Company nor any Member shall have any rights or claims against the Manager as a result of such activities. The Manager shall devote a reasonable amount of time, as necessary, to managing the Company business and performing the Manager's duties.
- 4.7. **Indemnification of Manager.** The Company, its receiver or its trustee, shall indemnify, hold harmless and pay all judgments and claims against the Manager, employees, agents, and assigns, from any liability, loss, or damage incurred by them by reason of any act performed or omitted to be performed by them in connection with the Company business, including costs and attorneys' fees and any amounts expended in the settlements of any claims of liability, loss, or damage unless the liability, loss, or damage was caused by the gross negligence, fraud or criminal act of the indemnified person, provided, however, that so long as the Loan remains outstanding, any indemnification obligations arising under this Section 4.7 shall be fully subordinate to the Loan and shall not constitute a claim against the Company in the event that the Company's cash flow is insufficient to pay all of the Company's obligations under the Loan.

4.8. **Investment Opportunities/Duty of Loyalty.** Neither the Manager nor any affiliate of the Manager shall be obligated to present any particular investment opportunity to the Company, even if the opportunity is of a character which, if presented to the Company, could be taken by the Company, and the Manager shall have the right to take any investment opportunity for its own account or to recommend any investment opportunity to others.

4.9. **Other Self-Interest.** A Member or Manager does not violate a duty or obligation to the Company merely because the conduct furthers the interest of the Member or Manager. A Member or Manager, or Affiliate, may lend money to and transact other business with the Company. The rights and obligations of a Member or Manager, or Affiliate, who lends money to or transacts business with the Company are the same as those of a Person who is not a Member or Manager, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member or Manager, or Affiliate, has a direct or indirect interest in the transaction if the transaction is approved herein or ratified as provided for herein or in the Certificate, or is fair and reasonable to the Company.

4.10. **Exculpation.** To the fullest extent permitted by law, no Member or Manager of this Company shall be personally liable to the Company or the other Members or Manager for monetary damages for conduct as a Member or Manager so long as the conduct was not a violation of Law or of this Agreement or the Act. No amendment or repeal of this Article nor the adoption of any provision of the Certificate inconsistent with this Article shall adversely affect any right or protection of a Member or Manager based upon this Article and existing at the time of such amendment or repeal. No change in the law shall reduce or eliminate the rights and protections applicable at the time this provision shall become effective unless the change in the law shall specifically require such reduction or elimination. If the Act is amended, after this Article shall become effective, to authorize action further eliminating or limiting the personal liability of Members, Manager, officers, employees or

agents, then the liability of Members, Manager, officers, employees or agents of this Company shall be eliminated or limited to the fullest extent permitted by the Act, as so amended.

SECTION 5

CAPITAL CONTRIBUTIONS

5.1. **Capital Account.** Each Member shall have a capital account equal to that Member's invested capital plus the Member's allocations of net income and minus the Member's allocation of net loss and share of distributions.

5.2. **Capital Contributions.** Each Member, including the Manager, if the Manager is a Member, has contributed, or will contribute, the amount as agreed in each Member's subscription agreement.

SECTION 6

DISTRIBUTIONS AND ALLOCATIONS

6.1. **Net Income and Net Loss.** The Net Income and Net Losses of the Company shall be determined each year in accordance with methods followed by the Company for federal income tax purposes, and shall be allocated among the Members as their interest appears at the end of the Company tax year.

6.2. **Distributions.** Cash Available for Distribution, subject to Section 6.3, shall be distributed to the Members:

1. First, according to their respective Percentage Interest until each Member has received distributions totaling 100% of their respective contribution of capital to the Company, after deduction of any amount previously received by each Member, whether from operations or from refinancing of real property assets of the Company.

2. Seventy five percent (75%) of the remaining Distributable Cash will be distributed pro-rata to the Members according to their respective Percentage Interest.
3. The remaining twenty five percent (25%) of Distributable Cash will be paid to Mayfield Capitol Hill LLC. as the Manager's Profit Incentive.
- 6.3. **Dissolution.** Notwithstanding the foregoing, upon dissolution of the Company the remaining assets shall be liquidated and the proceeds of the liquidation shall be distributed to the Members in accordance with their capital account balances. If after the liquidation and distribution, any Member or Members would have a negative capital account, net income, if any, resulting from the liquidation shall be first allocated to that Member or those Members on a pro rata basis in the amount of the deficit and the remaining Net Income to the Members in proportion of their receipt of the proceeds from the liquidation. If after that allocation the Member still has a negative capital account, the Member shall contribute cash to the Company in the amount of the remaining deficit.
- 6.4. **Apportionment Among Members.** The Net Income, Net Loss, and distributions allocated to the Members and Transferees shall be apportioned among them pro-rata as their Percentage Interest.
- 6.5. **Return of Capital.** No Member shall be entitled to the return of any Percentage Interest contributed to the Company until the full and complete winding up and liquidation of the business and the affairs of the Company.
- 6.6. **Mayfield Compensation.** This provisions of this Section 6 are subject to the terms and condition of Section 7 below.

SECTION 7

COMPENSATION TO THE MANAGER AND AFFILIATES

- 7.1. **Limits on Compensation.** The Manager shall receive compensation as specified in this Agreement.

- 7.2. **Reimbursement for Funds Advanced.** At such time as the Company's business will not be jeopardized, the Manager shall be reimbursed for funds advanced to the Company. Said funds shall accrue interest at an annual rate which is 2 percent over the prime rate of interests or such other similar rate then in use by the Bank of America.
- 7.3. **Distributions to Manager.** The Manager, if also a Member, shall also receive distributions as a Member as set forth in Section 6.
- 7.4. **Additional Compensation.** The Manager will receive the following compensation:
 - a. A property acquisition and LLC organization fee in an amount equal to four percent (4%) of the total amount of capital raised.
 - b. An amount equal to six percent (6%) of the gross rentals from the Property by and through a property management agreement.
 - c. The Manager shall receive the payments described in Section 6.2
 - d. In the event of a sale of the Property, Mayfield Capitol Hill, LLC will be entitled to a fee equal to two percent (2%) of the sale price, provided the total costs of sale upon disposition of the property, including the Manager's fee, brokers fees and customary closing costs, before taxes, shall not exceed 2.5% of the sale price.
 - e. In the event of a refinance of any debt relative to the Property, Mayfield Capitol Hill, LLC will be entitled to a fee equal to one percent (1%) of the new loan amount, provided the total costs of the refinance transaction, including the Manager's fee, loan brokers fees and customary closing costs, before taxes, shall not exceed 2.0% of the balance refinanced.
 - f. The foregoing notwithstanding, if the sales or refinance costs stated in 7.4.c and 7.4.d above shall exceed the limits stated therein, the Manager's transaction fee shall be reduced as necessary to keep the transaction costs within such limits.

SECTION 8

COMPANY EXPENSES

The Company shall reimburse the Manager or its affiliates or its actual cost of goods and materials used by or for the Company and for all funds advanced by them to the Company, including, without limitation, all organization expenses incurred to form the Company. Such organization expenses shall include, but are not limited to, legal and accounting fees.

SECTION 9

BOOKS, RECORDS AND ACCOUNTING

9.1. Books and Records. At the expense of the Company, the Company shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

1. A current list of the full name and last known business, residence or mailing address of current Members;
2. A copy of the Certificate of Formation and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
3. Copies of the Company's federal, state and local income tax returns and reports, if any, for the three most recent years;
4. Copies of the Company's currently effective written Limited Liability Company Agreement and all amendments thereto, copies of any prior Limited Liability Company Agreement no longer in effect, copies of any writings permitted or required under the Act, and copies of any financial statements of the Company for the three most recent years;
5. Minutes of every meeting of the Members and any written consents obtained from Members for actions taken without a meeting; and

6. A written statement of the amount of cash and a description of the other property or services contributed by each Member, and which each Member has agreed to contribute.

9.2. Reports. The fiscal year of the Company shall be the calendar year. The Company shall provide financial and operating reports at least semi-annually to the Members. The Company books and records shall be made available to any Member or the representative of any Member during ordinary business hours. In addition, if the Company indemnifies or advances expenses to a Member in connection with a proceeding by or in the right of the Company, the Company shall report the indemnification or advance in writing to the Members. Within one-hundred twenty (120) days after the end of each fiscal year of the Company, the Company shall furnish each Member with copies of financial statements of the Company. Each Member shall have the right to receive the reports and information required to be provided by this Agreement. Upon reasonable request, each Member, and the Member's agent and attorney, shall have the right, during ordinary business hours, to inspect and copy, at the Member's expense, the books and records which the Company is required by the Act and this Agreement to keep.

9.3. Banking. Bank accounts shall be in the name of the Company at such banking institutions as the Manager determines.

9.4. Tax Matters Member. The Manager is hereby designated and approved as Tax Matters representative for the Company; in such capacity, is authorized to participate in any audit of the Company's federal income tax return, and in connection therewith, to negotiate, settle, and make arrangements and adjustments with respect to the Company's federal income tax return that will be binding on all the Members. Manager, as Tax Matters representative, must notify all Members of any final Company audit adjustments.

9.5. **Audit.** At any time, any Member may request an audit or review of the accounting books of the Company, which audit or review shall be performed by an accountant acceptable to the Manager. The Company, Manager and all Members shall fully cooperate with the accountant. If the audit or review reveals a total variance in the Company's sources and uses of funds statement which is less than five percent (5%) of the total sources and uses of funds, then the Member requesting the audit or review shall pay the expense of the audit or review; otherwise the expense shall be an expense of the Company.

9.6. **Tax Returns.** The Tax Matters representative shall cause to be prepared and, upon the review and approval of them by the Members, shall timely file with the appropriate authorities as necessary all federal and state income tax returns of the Company. Within 90 days after the end of each taxable year, or such lesser time if prescribed by the Internal Revenue Service, each Member shall be furnished with a statement that may be used by the Member in the preparation of the Member's income tax returns, showing the amounts of any distributions, gains, profits, losses, deductions, or credits allocated to the Member during the fiscal year.

SECTION 10

ASSIGNMENT

10.1. **Assignments Prohibited.** No Member may assign, transfer, sell, pledge, or hypothecate all or any part of its interest in the Company other than set forth below.

10.2. **Prohibited Assignments Void.** Any assignment made in violation of this Section 10 shall be void.

10.3. **Assignments.** A Transferee is not a Member, and is not entitled to vote or to the other rights of a Member, other than the right to receive allocations and distributions, unless the Transferee is admitted as a Member as provided in Section 10.4. A Member remains a Member upon assignment of all or

part of his rights hereunder, subject to the Transferee becoming a Member pursuant to Section 10.4 below.

10.4. **Substituted Member.** A transferee of a Member's interest may become a Member only upon satisfaction of the following conditions:

- a. Filing with the Company a duly executed and acknowledged written instrument of an assignment in a form approved by the Manager specifying the interest being assigned and setting forth the intention of the assignor that the Transferee succeed to the assignor's interest as a Member;
- b. Execution and acknowledgment by the assignor and Transferee of any other instruments required by the Manager, including the acceptance and adoption by the Transferee of the provisions of this Company Agreement and execution, acknowledgment and delivery to the Manager of a special power of attorney, in substantially the form in Section 13;
- c. Obtaining the written consent of the Manager, the granting or denial of which shall be within the sole and absolute discretion of the Manager; and
- d. Payment by the assignor Member of a transfer fee to the Company.

10.5. **Binding on Successors.** Subject to the provisions of this Section 10, the rights and obligations of the Members shall inure to and be binding upon the heirs, successors, and assignees of the Members.

10.6. **New Members.** New Members shall be admitted to this Company only under Section 10.4 of this Agreement or upon the approval of the Manager pursuant to the terms of this Agreement.

10.7. **Involuntary Assignment.** A Member's heirs, successors, estate and creditors taking by foreclosure or receivership, shall be treated as Transferees upon compliance with the requirements of Section 10.3.

10.8 **Assignee's Capital.** Transferee shall have a Capital Account and shall have Adjusted Invested Capital in the same amount as attributed to the assigned Membership Interest when held by the assignor Member.

SECTION 11

POWERS OF APPROVAL AND RIGHTS OF THE MEMBERS

11.1. **No Management or Control.** Members shall take no part in the control, conduct or operation of the Company and shall have no right or authority to act for or bind the Company, including during the winding up period following dissolution of the Company; provided, however, if the Company has not been dissolved and there is no remaining Manager, the Members may act for and bind the Company during the winding up period, as approved by a Majority of the Members.

11.2. **Approval.** Members shall have the right to approve or disapprove only the following enumerated matters which affect the basic structure of the Company:

- a. Election of a successor Manager, except as provided in Section 3.5.3; and
- b. Removal of the Manager as provided in Section 3.5.5.

11.3. **Limitations.** No Member shall have the right or power to: (i) withdraw or reduce invested capital except as a result of the dissolution of the Company (or as otherwise provided by law); (ii) bring an action for partition against the Company or its assets; (iii) cause the termination and dissolution of the Company, except as set forth in this Agreement; (iv) demand or receive property other than cash in return for his Invested Capital. No Member shall have priority over any other Member either as to the return of Invested Capital or as to Net Income or distributions. Other than upon the dissolution of the Company as provided by this Agreement, there has been no time agreed upon when the contribution of each Member may be returned.

11.4. Actions of Members.

- a. **Meetings;** Meetings of the Members may be held at such time as shall be determined by the Manager for the purpose of the transaction of such business as may properly come before the meeting. Members shall have voting rights at any duly called meeting only with regard to the removal of the Manager and the appointment of a replacement Manager. Meetings of the Members, for any purpose permitted by this Agreement, may be called by any Member or Members holding at least fifty-one percent (51%) of the total Percentage Interest of all Members in the Company.
- b. **Place of Meetings.** The Manager may designate any place, either within or outside of Washington, as the location for any meeting of the Members. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Company in Palo Alto, CA.
- c. **Notice of Meetings.** Except as provided in this Agreement, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the person calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at the Member's address as it appears on the books of the Company, with postage thereon prepaid.
- d. **Meeting of all Members.** If all of the Members shall meet at any time and place, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

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- e. **Record Date.** For the purpose of determining the Members and Percentage Interest of any Members for any purpose, the date on which any required notice is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of the Members.
- f. **Quorum.** Members represented in person or by proxy, with Membership Interests totaling in excess of fifty percent (50%) shall constitute a quorum at any meeting of the Members. In the absence of a quorum at any such meeting, the Members so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.
- g. **Manner of Acting.** If a quorum is present, the Members may vote only on two issues: the removal of the Manager, and; the appointment of a new Manager. The affirmative vote of eighty percent (80%) of all Membership Interests, as provided in Section 3.5.5, is required for such removal and replacement of the Manager.
- h. **Proxies.** At all meetings of the Members, a Member may vote in person or by a proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Manager before or at the time of the meeting and may be of any duration except that a Member who shall appear in person at a meeting shall void any outstanding proxy for so long as such Member is in attendance.
- i. **Action Without a Meeting.** Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by Members sufficient to have approved the actions or resolutions at issue had a duly called meeting been held at which all Members were in attendance and delivered to the Manager for inclusion in the minutes or for filing with the Company records. Action taken in this manner is effective when the necessary number of Members has signed the consent, unless the consent specifies a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.
- j. **Waiver of Notice.** When any notice is required to be given to any Member or Manager, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.
- k. **Telephonic Meetings.** With respect to a particular meeting or generally with respect to future meetings, the Manager may permit any or all Members to participate in the meeting by, or may permit the conduct of the meeting through, use of any means of communication by which all Members participating may simultaneously hear each other, provided that the notice of such a meeting shall state that the Members may participate in such a fashion and describe how the Members may notify the Company of the Member's desire to be included at the meeting. A Member participating in such a meeting is deemed to be present in person at such meeting.

SECTION 12

RESIGNATION, REMOVAL OR BANKRUPTCY OF THE MANAGER

12.1. **Resignation of the Manager.** The resignation of the Manager shall not constitute a breach of this Agreement.

12.2. **Purchase of Interest.**

- a. On the resignation, removal or bankruptcy of the Manager, the Company shall purchase the Membership Interest of the Manager in the Net Income, Net Loss and distributions from the Company for a purchase price determined according to the provisions of Section 12.2(b).
- b. The purchase price of the Manager's Membership Interest in the Company shall be determined by agreement between the Manager and the Company, or if they cannot agree, by arbitration in accordance with the then current rules of the American Arbitration Association. For this purpose, the purchase price of the Membership Interest of the Manager will be the amount the Manager would receive upon dissolution of the Company had such dissolution occurred at the time of withdrawal.
- c. The Company shall be obligated to the Manager for the amounts, determined in Subsection 12.2(b), above. Such amounts, payable to the Manager, shall be evidenced by a promissory note due no later than two years from the withdrawal date, bearing simple interest at the rate then designated by the Bank of America, as its prime rate plus 2.0%, payable semi-annually.

SECTION 13

SPECIAL POWER OF ATTORNEY

13.1. **Attorney-in-Fact.** Each Member grants to the Manager a special power of attorney irrevocably making, constituting and appointing the Manager as

the Members' attorney-in-fact, with power and authority to act in his name and on his behalf to execute, acknowledge and swear to in the execution, acknowledgment and filing of documents which shall include, by way of illustration but not of limitation, the following:

- a. The Certificate of Limited Company, this Agreement and any amendment to the Certificate or this Agreement, which, under the laws of the State of Washington or the laws of any other state, are required to be filed or which the Manager elects to file;
 - b. Any other instrument or document required to be filed by the Company under the laws of any state or by any governmental agency, or which the Manager elects to file; and
 - c. Any instrument or document that may be required to effect the continuation of the Company, the admission of an additional or substituted Member, or the dissolution and termination of the Company (provided that the continuation, admission or dissolution and termination are in accordance with terms of this Agreement), or to reflect any reduction in amount of the Member's invested capital or reduction in the Member's capital accounts.
- 13.2. **Special Provisions.** The special power of attorney being granted by each Member (i) is a special power of attorney coupled with an interest, (ii) is irrevocable, (iii) shall survive the death or incapacity of the granting Member, (iv) is limited to the matters set forth in Section
- 13.3. **Signatures.** The Manager may exercise the special power of attorney on behalf of each Member by signature of the Manager acting as an attorney-in-fact for all of the Members.

SECTION 14

RIGHT OF FIRST REFUSAL

- 14.1. **Offer.** Before any Member assigns, transfers or sells his interest in this Company, that Member (the “**Selling Member**”) shall give notice to the other Members (the “**Offeree Members**”) that the Selling Member wants to sell his interest to the other Members. The notice shall contain a full and complete designation of the price and terms which the Selling Member is proposing for sale of his interest.
- 14.2. **Concurrence of Acceptance.** The Offeree Members, within ten (10) days of receipt of the notice described in Section 14.1 (the “**Offer Period**”), shall either accept the offer to purchase the Selling Member’s interest at the price and on the terms stated in the notice or reject the offer. If more than one of the Offeree Members elects to purchase, those electing to purchase shall purchase the Selling Member’s interest pro rata according to the relative percentage interest held by the accepting Offeree Members. If no acceptance is given during the Offer Period, the Selling Member may sell his interest for the price and on the terms described in the notice for a period of 90 days following the end of the Offer Period. If the Selling Member does not complete the sale of his interest in that 90 day period, the provisions of this Section shall apply to any further sale or offer later proposed by the Selling Member.
- 14.3. **Rights of Buyer.** A purchaser of the Selling Member’s interest, if not already a Member, shall be a Transferee, and shall become a substitute Member only upon satisfaction of the requirements of Section 10.4. If the purchaser was already, before the purchase, a Member, the purchaser will continue as a Member but without the increased interest unless the procedures of Section 10.4 are followed with respect to the purchased interest.

SECTION 15

DEATH OR INCAPACITY OF A MEMBER

- 15.1. When a Member dies, the person or persons entitled to succeed to the deceased Member’s Membership Interest (the “**Successor**”) pursuant to the decedent’s will or the laws of intestate succession shall be a Transferee, and may become a substituted Member upon compliance with the provision of Subsection 10.4, with all the rights and obligations of the deceased Member.

SECTION 16

MISCELLANEOUS

- 16.1. **Headings.** The titles and headings of the various paragraphs of this Agreement are intended solely for convenience of reference and are not intended to explain, modify or place any interpretation upon any of the provisions of this Agreement.
- 16.2. **Time of Essence.** All times and dates in this Agreement shall be of the essence.
- 16.3. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all contemporaneous agreements, representations, and understandings of the parties with respect to such subject matter.
- 16.4. **Amendment.** This Agreement may not be amended or repealed by the Members. No Member shall have vested rights in this Agreement that cannot be changed by its amendment. The Manager may amend this Agreement without Member consent so long as a Member’s ownership, voting and distribution rights are not impaired thereby.

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- 16.5. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.
- 16.6. **Attorney's Fees.** In any dispute between the Members, whether or not resulting in litigation, the prevailing party shall be entitled to recover from the other party all reasonable costs, including but not limited to, reasonable attorney's fees. If any arbitration, mediation, or other proceeding is brought in lieu of litigation, or if suit or action is instituted to enforce or interpret any of the terms of this Agreement, or if suit or action is instituted in a Bankruptcy Court for a United States District Court to enforce or interpret any of the terms of this Agreement, to seek relief from an automatic stay, to obtain adequate protection, or to otherwise assert the interest of a Member or the Company in a bankruptcy proceeding, the party not prevailing shall pay the prevailing party's costs and disbursements, and such sums as the court may determine to be reasonable for the prevailing party's attorney fees connected with the trial and any appeal and by petition for review thereof; in addition, the Court shall award the prevailing party reasonable attorney fees for collecting any resulting judgment.
- 16.7. **Severability.** If any part of this Agreement is determined to be illegal or unenforceable all other parts shall be given effect separately and shall not be affected.
- 16.8. **Notices.**
 1. **Form of Notice Required.** Notice shall be in writing unless oral notice is specifically permitted. Notice by electronic transmission, other than voice mail, is written notice. Notice may be communicated in person, by mail or other method of delivery, by telephone or by voice mail or other electronic transmission. If these methods are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television or other form of public broadcast

communication. All notices by the Company to its Members shall be in writing. Written notice to a Member, if in a comprehensible form, is effective upon deposit in the United States mail if it is mailed postpaid and is correctly addressed to the Member's address shown in the Company's current record. Written notice to a Member is also effective when electronically transmitted to the Member in a manner authorized in writing by the Member. Notice sent by certified or registered mail shall be deemed received on the second business day after deposit of the same in the United States mail, if properly addressed and postage is fully prepaid. Notice delivered personally or by delivery service shall be deemed given when received at the recipient's address. Electronically transmitted notice shall be deemed received on the date transmitted; however, a printed confirmation must be obtained.

2. **Waiver of Notice.** Whenever notice is required, a written waiver signed by the persons entitled to notice and delivered to the Company for inclusion in the minutes or filing with Company's records shall be equivalent to notice.

A Member's attendance at any meeting waives objection to defective notice unless the Member, at the beginning of the meeting, objects to holding the meeting or transacting business. A Member's attendance also waives objection to any matter not within the purpose described in the notice unless the Member expressly objects to considering the matter.

- 16.9. **Gender and Number.** As used in this Agreement the masculine, feminine, or neuter gender, and the singular or plural number, shall each include the others whenever the context so indicates.
- 16.10. **Counterpart Copies.** This Agreement may be signed in counterpart or duplicate copies, and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.

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- 16.11. **Cross References.** All cross-references in this Agreement, unless specifically directed to another agreement or document, refer to provisions in this Agreement, and shall not be deemed to be references to the overall transaction or to any other agreements or documents.
- 16.12. **Covenant to Sign Documents.** Each Member shall execute, with acknowledgment or affidavit, if required, all documents and writings reasonably necessary or expedient in the creation of this Company and the achievement of its purpose.
- 16.13. **Other States.** If the business of the Company is carried on or conducted in other states besides Washington, the Members shall execute other documents as may be required or requested in order that the Manager legally may qualify this Company in other states. The special power of attorney granted to the Manager by each Member in Section 13 shall constitute the authority of the Manager to the ministerial duty of qualifying this Company under the laws of any state. A Company office or principal place of business in any state may be designated from time to time by the Manager.
- 16.14. **Heirs, Successors and Assigns.** Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto, and to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.
- 16.15. **Provisions for Default.** A Member shall be adjudged in default under the terms of this Agreement as set forth if such Member shall fail to perform any act or to perform any obligation required to be performed by the terms of this Agreement, or if the Member acts in contravention of the terms of this Agreement, after receiving a ten (10) day demand to perform or cure. In the event that a Member should default, or commit an act which

constitutes an act of dissolution as described in this Agreement, and the Company or the other Members shall incur damages as a result thereof, the Membership Interest of the Member responsible for such act or default shall be charged by the amount of all damages and costs incurred by the Company or Members as a result of such act of default. A Member who is in default shall not be entitled to exercise the Member's rights arising from the Member's ownership of its Percentage Interest in regard to the Company's business and property for so long as the default remains uncured. A Member who is in default shall be subject to the right of the other Members or the Company to acquire his or her Membership Interest for a price equal to 85% of the value of the Membership Interest determined under Section 16.16, and on the terms of Section 16.17, reduced by all damages and costs incurred by the Company or Members as a result of such act of default. However, any such defaulting Member shall not have the right to require the other Members or the Company to Purchase his or her Membership Interest.

- 16.16. **Determination of Purchase Price.** Whenever the purchase price of the Membership Interest of a Person and substitute a Member's Percentage Interest needs to be established, the purchase price shall be set by agreement between selling Member (or that Member's representative) and the Manager, or, if an agreement cannot be reached, then the purchase price shall be established by a board of appraisers. The board of appraisers shall consist of three (3) persons, unless the parties agree upon a single appraiser to represent all parties. One of the appraisers shall be appointed by the acquiring Members or Company, as applicable, and one of the appraisers shall be appointed by the Selling Member (or that Member's representative), and the two appraisers so selected shall appoint the third appraiser. If any person fails to appoint an appraiser, then that person's appraiser shall be selected by the presiding judge of a court of general jurisdiction for King County, Washington, upon the petition of any other

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interested party. The board of appraisers shall proceed to determine the fair market value of the Member's Percentage Interest being sold as of the date of the event triggering the need to determine the purchase price. The fair market value of a Member's Percentage Interest being sold shall be based on its proportionate share of the fair market value of the Company's property, including Property. All debts to the Company, or to the acquiring Members, of the selling Member shall be subtracted from the value of the Member's Percentage Interest being sold.

- 16.17. **Payment for Member's percentage Interest.** Unless otherwise agreed, the purchase price for a Member's percentage Interest purchased pursuant to this Article shall be paid in 84 substantially equal consecutive monthly payments, including principal and interest. Interest shall accrue at the rate in effect on the date of the event giving rise to the election to purchase as quoted by the Wall Street Journal for ten-year U.S. treasuries or, if that publication becomes unavailable, another reputable source chosen by vote of the Members. The first payment shall be made not later than 90 days following the date the purchase price is determined. The Company may prepay the remaining amount of the purchase price at any time.
- 16.18. **Effect of Purchase of Member's percentage Interest.** A Member shall cease to be a Member upon the Company's election to purchase the Member's percentage Interest. During the period in which the Company is making payments to the former Member or the Member's successors or heirs, the former Member shall have no rights as a Member in the Company.
- 16.19. **Authorization to Acquire the Property.** All Members hereby consent to the Company's acquisition of the Property on terms and conditions determined by the Manager and consent to the Company borrowing funds in the amount of \$18,500,000.00 (the "Loan") from RCC Real Estate, Inc., its successors or assigns (the "Lender") for the purpose of acquiring and improving the Property. The Manager is authorized to execute all documents in connection

with acquisition of the Property and all documents in connection with the Loan (the "Loan Documents"), including, without limitation, that certain Loan Agreement (the "Loan Agreement"), dated [as of the date hereof], between the Company and Lender, and the Members and the Company hereby ratify and adopt all actions taken on behalf of the Manager in connection therewith.

- 16.20. **Exhibits.** The following exhibits and any others referred to in this Agreement as being attached are being incorporated in their entirety by reference:

Exhibit A - Member Names and Membership Percentages

In witness whereof, the Members and Manager have signed this Agreement effective as of the date first set forth above.

The undersigned hereby agrees to be a Member of Capitol Hill Partners, LLC, a Washington limited liability company and to become a party to the Limited Liability Company Agreement of Capitol Hill Partners, LLC, dated the effective date as shown on the Agreement, which by this reference is incorporated herein, and hereby agrees to be bound by the terms and provisions set forth therein. This signature page may be executed separately, and then attached to and made a part of the Agreement.

Accepted and agreed this ____ day of _____, 2017

by: _____

Name: _____

Appendix H — Subscription Agreement

THIS SUBSCRIPTION AGREEMENT ("Agreement") is entered into and made effective this _____ day of _____ 2017 (the "Effective Date") by and between _____, ("Purchaser") and Capitol Hill Partners, LLC, a Washington limited liability company (the "Company"), for the purchase and sale of a Membership Interest of the Company.

It is understood that, upon the acceptance of this subscription by the Company, the Purchaser will receive an executed counterpart of this Subscription Agreement.

1. Subscription. Subject to the terms and conditions hereof, the Purchaser hereby irrevocably subscribes for and agrees to purchase a Membership Interest in the Company at the total price of \$_____ (the "Purchase Price"). Purchaser acknowledges that the Membership Interest represents a Percentage Interest in the Company as defined in the Company's Limited Liability Company Agreement. Purchaser further agrees to become a Member in the Company and execute the Company's Limited Liability Company Agreement and any schedules or exhibits thereto.

2. Conditions of Subscription. Purchaser understands and agrees that:

- a. The Company shall have the right to reject this subscription, in whole or in part, and shall have no obligation to accept subscriptions in the order received; and
- b. The Membership Interest acquired pursuant to this subscription will only be in the name of the Purchaser.
- c. The Company's acceptance of this subscription is expressly conditioned on the Purchaser delivering to the Company contemporaneously with this Agreement, funds in the amount of the Purchase Price.

3. Representations and Warranties of the Purchaser. Purchaser represents, warrants, and agrees as follows:

- a. Purchaser understands that the Membership Interests are being offered and sold under the exemptions from registration provided for in Rule 506 of Regulation D under the Securities Act of 1933 (the "Act") and a similar exemption from the provisions of the Washington Securities Act, that Purchaser is purchasing the Membership Interest after having been provided a Confidential Private Placement Offering Memorandum ("PPM"), that this transaction has not been scrutinized by the United States Securities and Exchange Commission or by any administrative agency charged with the administration of the securities laws of any state, and that the books and records of the Company are and will be available upon reasonable notice for inspection by investors during reasonable business hours at its principal place of business;
- b. If a natural person, Purchaser (i) is a citizen of the United States, and at least 21 years of age, and (ii) is a bona fide resident and domiciliary (not a temporary or transient resident) of the state indicated on the signature page hereof;
- c. Purchaser acknowledges receiving the PPM and has, to the extent Purchaser believes such discussion necessary, discussed with Purchaser's professional legal, tax and financial advisors the suitability of an investment in the Company for the particular tax and financial situation of Purchaser and that Purchaser and/or Purchaser's advisors have determined that the Membership Interests are a suitable investment for Purchaser;
- d. Purchaser understands and has fully considered for purposes of this investment the associated risks of investment and the restricted transferability of the Membership Interests, and that (i) the Membership Interests are a speculative investment which involve a degree of risk of loss by Purchaser of his or her investment therein, and (ii) there are

Appendix H — Subscription Agreement

substantial restrictions on the transferability of, and there will be no public market for, the Membership Interests, and accordingly, it may not be possible for Purchaser to liquidate Purchaser's investment in the Membership Interests;

- e. Purchaser, in making his, her or its decision to purchase the Membership Interests, has relied solely upon
 - Information or representations contained in the PPM (including all attachments and exhibits thereto);
 - Independent investigations made by Purchaser, Purchaser's representatives and/or Purchaser's advisors;
 - Purchaser's knowledge of the Company or knowledge of Purchaser's representatives and/or advisers.
- f. Purchaser is not relying on any other written or oral statements or representations made by any person, including but not limited to Members or Managers of the Company or persons acting on behalf of the Company and acknowledges that no representations or agreements other than those set forth herein or in the PPM have been made to the Purchaser with respect to an investment in the Company;
- g. Purchaser is able (i) to bear the economic risk of Purchaser's investment for an indefinite period, and (ii) to afford the complete loss of Purchaser's investment;
- h. The Membership Interests are being acquired by Purchaser in good faith solely for Purchaser's own personal account, for investment purposes only, and not with a view to or for the resale, distribution, subdivision, or fractionalization thereof; Purchaser has no contract, undertaking, understanding, agreement, or arrangement, formal or informal, with any person to sell, transfer, or pledge to any person the

Membership Interests, or any part thereof; Purchaser has no present plans to enter into any such contract, undertaking, agreement, or arrangement; and he or she understands that the legal consequences of the foregoing representations and warranties to mean that Purchaser must bear the economic risk of the investment for an indefinite period of time because the Membership Interests have not been registered under applicable securities laws, and, therefore, cannot be sold unless they are subsequently registered under such laws (which the Company is not obligated to do) or an exemption from such registration is available;

- i. Purchaser understands that the Company, in offering the Membership Interests for sale to Purchaser without having first registered the same under the Act; is relying on the truth and accuracy of the representations, declarations, and warranties herein made by Purchaser.
- j. Purchaser agrees that it will not resell any Membership Interests unless such resale transaction is in accordance with Regulation S and/or Rule 144 under the Act, pursuant to registration under the Act, or pursuant to an available exemption from registration. With regard to the restrictions on resales of the Membership Interests or any security underlying or into which the Membership Interests are or may be convertible, Purchaser is aware (i) of the limitations and applicability of Rule 144, (ii) that the Company does not intent to certificate the Membership Interests; (iii) that if the Membership Interests are certificated, the Company will issue stop transfer orders to its transfer agent in the event of attempts to improperly transfer any such securities; and (iv) that a restrictive legend will be placed on certificates representing the Membership Interests and any security underlying or into which any of the Membership Interests are or will be convertible, which legend will read substantially as follows:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE LAW, AND NO INTEREST THEREIN MAY BE SOLD, DISTRIBUTED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE TRANSFERRED UNLESS (A) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS COVERING ANY SUCH TRANSACTION INVOLVING SAID SECURITIES OR (B) THIS LIMITED LIABILITY COMPANY RECEIVES AN OPINION OF LEGAL COUNSEL FOR THE HOLDER OF THESE SECURITIES (CONCURRED IN BY LEGAL COUNSEL FOR THIS LIMITED LIABILITY COMPANY) STATING THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION OR THIS LIMITED LIABILITY COMPANY OTHERWISE SATISFIES ITSELF THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION. NEITHER THE OFFERING OF THE SECURITIES NOR ANY OFFERING MATERIALS HAVE BEEN REVIEWED BY ANY ADMINISTRATOR UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE LAW.

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHTS OF FIRST REFUSAL AS SET FORTH IN THE OPERATING AGREEMENT OF THE COMPANY, AS IT MAY BE AMENDED FROM TIME TO TIME;

- k. The Purchaser further consents to the placing of a stop transfer order on the books of the Company, and with any transfer agents, against the Membership Interests, in accordance with the restrictions set out in the above legend; and
- l. If Purchaser is a corporation, partnership, or other entity, Purchaser and the individual representative of Purchaser who is executing this Agreement each hereby represents and warrants that the purchase of the Membership Interests pursuant to this Subscription Agreement has been duly authorized by all necessary corporate, partnership, or other action; that such individual is duly authorized to bind Purchaser to this Agreement; and that Purchaser was not organized for the purpose of investing in the Company.

- m. Accredited Investor. This offering is limited to Purchasers who are “accredited investors,” as defined in Rule 501 under the Act. Purchaser is an “Accredited Investor” as such term is defined in Regulation D under the Act, specifically, Purchaser qualifies under the category or categories of “Accredited Investor” indicated below (Purchaser must indicate the applicable category or categories by initialing in the space(s) provided):
- Category 1 A bank, as defined in Section 3(a)(2) of the Act, whether acting in its individual or fiduciary capacity; or
 - Category 2 A savings and loan association or other institution as defined in Section 3(a) (5) (A) of the Act, whether acting in its individual or fiduciary capacity; or
 - Category 3 A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; or
 - Category 4 An insurance company as defined in Section 2(13) of the Act; or
 - Category 5 An investment company registered under the Investment Company Act of 1940; or
 - Category 6 A business development company as defined in Section 2 (a) (48) of the Investment Company Act of 1940; or
 - Category 7 A small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; or
 - Category 8 A plan established and maintained by a state, its political subdivision or any agency or instrumentality of a state or its political subdivisions, for the benefit of its associates, with assets in excess of \$5,000,000; or

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- ____ Category 9 An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment advisor, or an employee benefit plan with total assets in excess of \$5,000,000 or, if a self-directed plan, the investment decisions are made solely by persons who are accredited investors; or
 - ____ Category 10 A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; or
 - ____ Category 11 An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Membership Interests, with total assets in excess of \$5,000,000; or,
 - ____ Category 12 A director or executive officer of the Company; or
 - ____ Category 13 Purchaser is a natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000. For purposes of calculating net worth under this paragraph: (i) The person's primary residence shall not be included as an asset; (ii) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.
 - ____ Category 14 A natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
 - ____ Category 15 A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii); or
 - ____ Category 16 An entity in which all of the equity owners are accredited investors.
- n. All information which Purchaser has provided concerning Purchaser himself, herself, or itself is correct and complete as of the date set forth below, and if there should be any material change in such information prior to the acceptance of this Agreement, Purchaser will immediately provide such information to the Company.

The foregoing representations, and warranties, and undertakings are made by Purchaser with the intent that they be relied upon in determining his, her or its suitability as a purchaser of Membership Interests and Purchaser hereby agrees that such representations and warranties shall survive the Company's acceptance of this Subscription.

4. Further Limitations on Disposition. Without in any way limiting its representations set forth above, Purchaser further agrees that he, she or it shall in no event make any disposition of all or any portion of the Membership Interests that Purchaser is purchasing unless:

- a. There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or
- b. (1) Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a reasonably detailed statement of the circumstances surrounding the proposed disposition; (2) Purchaser shall have furnished the Company with an opinion of his, her, or its counsel to the effect that such disposition will not require registration under the Act; and (3) such opinion shall be in form and substance acceptable to the Company and the Company shall have advised Purchaser of such acceptance.

5. Revocation. Purchaser agrees that he, she or it may not cancel, terminate, or revoke this Agreement or any agreement of Purchaser made hereunder and that this Agreement shall survive the death or disability of Purchaser and shall be binding upon Purchaser's heirs, executors, administrators, successors, and assigns.

6. Miscellaneous.

- a. **Notices.** All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed

electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. The occurrence of the events set forth in subsections (i) through (iv) above shall constitute "Delivery" of notice. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 6).

- b. **Further Instruments and Actions.** The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement. Purchaser agrees to cooperate affirmatively with the Company to enforce rights and obligations pursuant hereto.
- c. **Entire Agreement.** This Agreement, together with PPM, the Company's LLC Agreement and any of their respective exhibits thereto contain the entire understanding of the parties to this Agreement with respect to the subject matter hereof and supersedes all other agreements between or among any of the parties with respect to the subject matter hereof. In the event of any conflict between this Agreement or the PPM on the one hand, and the Company's LLC Agreement on the other hand, with respect to the terms and provisions of the Company's LLC Agreement, the LLC Agreement shall control.
- d. **Severability.** If one or more provisions of this Agreement is held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

Appendix H — Subscription Agreement

e. **Choice of Law; Attorneys' Fees.** This Agreement will be governed and interpreted by the laws of the State of Washington as it applies to contracts executed and performed within the State of Washington by parties domiciled in the State of Washington, without reference or regard to Washington's choice of law or conflict of laws provisions of any jurisdiction. The Parties hereby irrevocably and unconditionally agree to submit any legal action or proceeding relating to this Agreement to the non-exclusive general jurisdiction of the courts of the State of Washington located in King County and the courts of the United States located in the Western District of Washington and, in any such action or proceeding, consent to jurisdiction in such courts and waive any objection to the venue in any such court. Unless otherwise agreed, the prevailing party in any litigation relating to the interpretation or enforcement of this Agreement shall be entitled to reasonable costs and attorneys' fees, including such amounts incurred on appeal.

7. Continuing Effect of Representations and Warranties; Joint and Several.

The representations and warranties of Purchaser contained in Paragraph 3 are true and accurate as of the date of this Subscription Agreement and shall be true and accurate as of the date of delivery of the Purchase Price, and shall survive such delivery. If in any respect, such representations and warranties shall not be true and accurate prior to the issuance of Membership Interests to Purchaser, Purchaser shall give immediate written notice of such fact to the Company specifying which representations and warranties are not true and accurate and in what respects they are not accurate. If more than one person is signing this Agreement, each representation, warranty and undertaking made herein shall be a joint and several representation, warranty or undertaking of each person.

8. **Indemnification.** Purchaser acknowledges that he, she or it understands the meaning and legal consequences of the representations and warranties contained in Paragraph 3 and Purchaser hereby agrees to defend, indemnify and hold harmless the Company and its officers, directors, employees, and agents, and their successors and assigns from and against any and all loss, damage, liability or expense, including without limitation, attorneys' fees due to or arising out of the inaccuracy of any representation or acknowledgment, or the breach of any agreement, warranty, or undertaking of Purchaser contained in this Subscription Agreement.

Appendix H — Subscription Agreement

THE UNDERSIGNED PURCHASER IS ADVISED, PRIOR TO THE PURCHASE OF THE SECURITIES, THAT NEITHER THE OFFERING OF THE SECURITIES NOR ANY OFFERING MATERIALS HAVE BEEN REVIEWED BY ANY ADMINISTRATOR UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE SECURITIES ACT (THE “ACTS”) AND THAT THE SECURITIES HAVE NOT BEEN REGISTERED UNDER ANY OF THE ACTS AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE ACTS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Signature of Purchaser(s):

Date:

Date:

Signature of Purchaser

Signature of Co-Purchaser (if any)

Name of Purchaser (Please Print)

Name of Co-Purchaser (if any) (Please Print)

Appendix H — Subscription Agreement

Indicate ownership as:

- (a) Individual
- (b) Community Property (if Purchaser is a resident of a Community Property State, then ownership of Membership Interests will likely be deemed Community Property, unless designated otherwise and a Separate Property Agreement exists)
- (c) Joint Tenants with Right of Survivorship
- (d) Tenants in Common
- (e) Limited liability company, LLC, limited partnership or other entity

Purchaser is a resident of the State of _____.

Purchaser Name

Co-Purchaser Name

Mailing Address

Address for Sending Notices (if different)

City, State and Zip Code

City, State and Zip Code

Telephone Number

Telephone Number

Facsimile Number

Facsimile Number

Purchaser's Taxpayer ID (SSN or EIN)

Purchaser's Taxpayer ID (SSN or EIN)

Email Address

Email Address

Citizen of:

Citizen of:

The Company hereby accepts the foregoing subscription subject to the terms and conditions hereof as of the Effective Date.

CAPITOL HILL PARTNERS, LLC

By Mayfield Capitol Hill, LLC, Its Manager

By:

Manager