

SUBSCRIPTION BOOKLET

(for Founding Members)

CAL NEVA LODGE, LLC

SUBSCRIPTION INSTRUCTIONS

EACH POTENTIAL INVESTOR WHO WISHES TO SUBSCRIBE FOR FOUNDERS UNITS MUST COMPLETE, EXECUTE AND RETURN TO THE COMPANY THE FOLLOWING DOCUMENTS CONTAINED IN THIS SUBSCRIPTION BOOKLET (AS APPLICABLE):

- (1) A Subscription Agreement;
- (2) A Member Signature Page and Power of Attorney;
- (3) A Certificate of Nonforeign Status (for Members who are individuals);
- (4) A Certificate of Nonforeign Status (for Members who are entities);
- (5) Investor's Instructions to Escrow and Wire Transfer Information; and
- (6) IRS Form W-9.

ALSO, IF APPLICABLE, PLEASE DELIVER THE FOLLOWING:

IF THE POTENTIAL INVESTOR IS A TRUST, INCLUDE A COPY OF THE TRUST AGREEMENT.

IF THE POTENTIAL INVESTOR IS A PARTNERSHIP, INCLUDE A COPY OF THE SIGNED PARTNERSHIP AGREEMENT, **AND** A COMPLETED SUBSCRIPTION AGREEMENT FOR **EACH** PARTNER.

IF THE POTENTIAL INVESTOR IS A CORPORATION, INCLUDE A COPY OF THE BOARD RESOLUTION DESIGNATING THE CORPORATE OFFICER AUTHORIZED TO SIGN ON BEHALF OF THE CORPORATION AND AUTHORIZING THE INVESTMENT **AND** THE CORPORATION'S MOST RECENT FINANCIAL STATEMENTS.

IF POTENTIAL INVESTOR IS A LIMITED LIABILITY COMPANY, INCLUDE A COPY OF THE SIGNED OPERATING AGREEMENT AND THE ARTICLES OF ORGANIZATION OR CERTIFICATE OF FORMATION, AS FILED, **AND** A COMPLETED SUBSCRIPTION AGREEMENT FOR **EACH** MEMBER AND **EACH** MANAGER.

SUBSCRIPTION AGREEMENT

TO: **CAL NEVA LODGE, LLC**,
a Nevada limited liability company
c/o CR Cal Neva, LLC
1336-D Oak Street
St. Helena, California 94574

Potential Investor:

The undersigned (the "**Purchaser**"), by completing and executing this Subscription Agreement and the Member Signature Page and Power of Attorney, hereby tenders this subscription and applies for the purchase of the number of Founders Units (the "**Founders Units**") of **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the "**Company**"), set forth below the Purchaser's signature hereto, at a price of \$1,000,000 per Founders Unit (the "**Purchase Price**"). The Purchaser hereby acknowledges receipt of a copy of the Company's Confidential Private Placement Memorandum, dated **March 11, 2014** (the "**Memorandum**").

The Purchaser (or, if the Purchaser is signing in a fiduciary capacity, the person or persons for whom the fiduciary is signing) hereby represents and warrants to the Company that:

(a) The Purchaser is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"). The specific category or categories of "accredited investor" applicable to the Purchaser are as follows:

A. AND B. ARE APPLICABLE TO INDIVIDUALS (Please **INITIAL** applicable blanks):

- A. _____ The Purchaser is a natural person and has a net worth, either alone or with the Purchaser's spouse, of more than \$1,000,000 (**excluding** the value of Purchaser's primary residence).
- B. _____ The Purchaser is a natural person and had income in excess of \$200,000 (\$300,000 including income of spouse) during each of the previous two years and expects to have income in excess of such amounts during the current year.

C. THROUGH F. ARE APPLICABLE TO NON-INDIVIDUALS (Please **INITIAL** applicable blanks):

- C. _____ The Purchaser is a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Founders Units, and the purchase is directed by a person meeting the criteria described in Subsection (g) below.
- D. _____ The Purchaser is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 that either (i) has its investment decisions made by a plan fiduciary, as defined by Section 3(21) of such Act, which is a bank, savings and loan association, insurance company or a registered investment adviser, or (ii) has 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 as described herein.
- E. _____ The Purchaser is an entity (**excluding a trust UNLESS it is a revocable grantor trust**) in which all of the equity owners are accredited investors within categories A and B above.

F. _____ The Purchaser is a corporation, or a partnership, not formed for the specific purpose of acquiring the Founders Units, with total assets in excess of \$5,000,000.

(b) The Purchaser understands that the Company has not registered the Founders Units under the Securities Act, or qualified the Founders Units under the applicable securities laws of any state, in reliance on exemptions from registration and qualification, and the Purchaser understands that such exemptions depend in large part on the Purchaser's investment intent at the time the Purchaser acquires the Founders Units;

(c) The Founders Units subscribed for herein will be acquired for the Purchaser's own account, for investment and not for resale or distribution to any person, corporation, or other entity, and the Purchaser has no intention of distributing or reselling the Founders Units;

(d) The Purchaser acknowledges that any disposition of the Founders Units is subject to restrictions imposed by federal and state law and that the certificates representing the Founders Units will bear a restrictive legend. The Purchaser also recognizes that the Founders Units cannot be disposed of by the Purchaser, absent registration and qualification, or an available exemption from registration and qualification, and that no undertaking has been made with regard to registering or qualifying the Founders Units in the future. The Purchaser understands that the availability of an exemption in the future will depend in part on circumstances outside the Purchaser's control and that the Purchaser may be required to hold the Founders Units for a substantial period. The Purchaser recognizes that no public market exists with respect to the Founders Units and no representation has been made to the Purchaser that such a public market will exist at a future date. The Purchaser understands that no state securities administrator or commissioner has made any finding or determination relating to the fairness for investment of the Founders Units and that no such administrator or commissioner has or will recommend or endorse the Founders Units;

(e) The Purchaser has not seen or received any advertisement or general solicitation with respect to the sale of the Founders Units;

(f) The Purchaser believes, by reason of the Purchaser's business or financial experience, that the Purchaser is capable of evaluating the merits and risks of this investment and of protecting the Purchaser's interest in connection with this investment;

(g) The Purchaser acknowledges that prior to acquiring the Founders Units, the Purchaser has been provided with financial and other written information about the Company and the terms and conditions of the offering. The Purchaser has been given the opportunity by the Company to obtain such information and ask such questions concerning the Company, the Founders Units and the Purchaser's investment as the Purchaser felt necessary, and to the extent the Purchaser took such opportunity, the Purchaser received satisfactory information and answers. If the Purchaser requested any additional information which the Company possessed or could acquire without unreasonable effort or expense which was necessary to verify the accuracy of the financial and other written information furnished to the Purchaser by the Company, such additional information was provided to the Purchaser and was satisfactory. In reaching the conclusion to acquire the Founders Units, the Purchaser has carefully evaluated the Purchaser's financial resources and investment position and the risks associated with this investment, and the Purchaser acknowledges that the Purchaser is able to bear the economic risks of this investment. The Purchaser further acknowledges that the Purchaser's financial condition is such that the Purchaser is not under any present necessity or constraint to dispose of the Founders Units to satisfy any existing or contemplated debt or undertaking;

(h) The Purchaser hereby accepts full and sole responsibility for all state and federal tax consequences which may result from the Purchaser's acquisition of the Founders Units;

(i) The Purchaser, if subject to the Employee Retirement Income Security Act of 1974 ("**ERISA**"), has taken into consideration the diversification requirements of ERISA prior to making an investment in the Founders Units;

(j) The Purchaser, if executing this Subscription Agreement and the Member Signature Page and Power of Attorney in a representative or fiduciary capacity, has full power and authority to execute and deliver this Subscription Agreement, the Operating Agreement and the Member Signature Page and Power of Attorney on behalf of the subscribing individual, partnership, trust, estate, corporation, or other entity for whom the Purchaser is executing such

documents, and such individual, partnership, trust, estate, corporation, or other entity has full right and power to perform pursuant to such documents and to become a member in the Company pursuant to the Operating Agreement;

(k) The Purchaser has thoroughly read the Memorandum and all documents attached thereto, and understands the contents of such documents. The Purchaser is familiar with the Company's business objectives and financial arrangements in connection therewith and believes the Founders Units that the Purchaser is purchasing are the kind of securities that the Purchaser wishes to hold for investment and that the nature and purchase price of the Founders Units are consistent with the Purchaser's investment program. No representations or warranties have been made to the Purchaser regarding this investment contrary to those contained in the Memorandum and attached documents, and the Purchaser agrees to inform the Company if the Purchaser learns that any statements made to the Purchaser in connection with the Purchaser's investment in the Company are untrue. The information set forth herein is true and correct;

(l) The Purchaser acknowledges and agrees that the Purchaser is not entitled to cancel, terminate or revoke this Subscription Agreement or any of the Purchaser's agreements hereunder and that this Subscription Agreement and any other agreements made hereby shall survive Purchaser's death or disability; and

(m) The Purchaser has such knowledge and experience in financial and business matters and in investments to be capable of evaluating the merits and risks of the investment in the Founders Units.

In addition, the Purchaser:

(1) Understands that the Founders Units being acquired will be governed by the Operating Agreement;

(2) Understands that the Company shall have the right to accept or reject this subscription in whole or in part in its sole and absolute discretion;

(3) Understands that no public market for the Founders Units exists, or is likely to develop, and that it may not be possible to liquidate this investment readily, if at all, in the case of an emergency or for any other reason;

(4) Understands that the Founders Units are subject to transfer restrictions as set forth in the Operating Agreement;

(5) Acknowledges that to extent desired the Purchaser has consulted with the Purchaser's financial, business and tax advisers before executing this Subscription Agreement;

(6) Acknowledges and agrees that a breach by the Purchaser of any of the Purchaser's representations made herein which results in a loss by the Company of the exemptions from registration and qualification requirements under applicable federal and state securities laws will cause the Purchaser to be liable to the Company for all damages and losses caused thereby;

(7) If the consideration to be delivered is cash, Purchaser agrees to deliver the Purchase Price via bank wire transfer to the Company (or directly to the designated third-party escrow for the benefit of the Company, as applicable), see wire transfer instructions attached hereto, no later than three days after delivery of email notice by the Company to the Purchaser (the "Funding Notice") and acknowledges that the Purchaser's failure to timely deliver the Purchase Price will materially and adversely affect the Offering, the other investors and the Company and that the Purchaser will be responsible for all damages and losses that result from the Purchaser's failure to timely deliver the Purchase Price; and

(8) Acknowledges and agrees that any funds delivered by the Purchaser to a designated third-party escrow for the benefit of the Company will be delivered to the Company (not Purchaser) upon either the termination or successful closing of the Offering, and that such funds will be returned to Purchaser by the Company only if the Company at the time of termination has not accepted subscriptions of at least \$14,000,000 (the "Offering Minimum").

This Subscription Agreement and all rights hereunder, shall be governed by, and interpreted in accordance with, the laws of the State of Nevada.

[Signature Page Follows]

IN WITNESS WHEREOF, the Purchaser has duly executed and delivered this Subscription Agreement effective as of the date set forth below.

Date: _____, 2014

[CORPORATION/TRUST]

“PURCHASER”

By: _____

Title: _____

By: _____

Title: _____

Address: _____

EMAIL ADDRESS: _____

Taxpayer ID No.: _____

Subscription Amount: \$ _____

Number of Founders Units (\$1,000,000 Each): _____

I hereby confirm that the trust named above is a revocable grantor trust in which each of the grantors is an individually accredited investor as described in Sections (a) A. or B. of this Subscription Agreement.

By: _____

Title: _____

IN WITNESS WHEREOF, the Purchaser has duly executed and delivered this Subscription Agreement effective as of the date set forth below.

Date: _____, 2014

“PURCHASER”

[INDIVIDUAL]

(Signature)

(Print Name)

(Signature)

(Print Name)

Address: _____

EMAIL ADDRESS: _____

Soc. Sec. #s: _____

Subscription Amount: \$ _____

Number of Founders Units (\$1,000,000 Each): _____

ACCEPTANCE OF SUBSCRIPTION

THE FOREGOING SUBSCRIPTION IS HEREBY ACCEPTED FOR _____ FOUNDERS UNITS.

DATED: _____, 2014

CAL NEVA LODGE, LLC

By: **CR CAL NEVA, LLC**, a Nevada limited liability
company, Manager

By: _____

Title: _____

MEMBER SIGNATURE PAGE AND POWER OF ATTORNEY

CAL NEVA LODGE, LLC,
a Nevada limited liability company

The undersigned, desiring to become a Member of **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the “**Company**”) hereby agrees to all of the terms and conditions of the Amended and Restated Operating Agreement of the Company (the “**Operating Agreement**”) referred to, described in, and attached as an Exhibit to, the Company’s Confidential Private Placement Memorandum dated **March 11, 2014** (the “**Memorandum**”), and agrees to be bound thereby. Any capitalized term contained herein that is not defined herein shall have the meaning set forth in the Operating Agreement.

The undersigned further grants to the Manager of the Company (the “**Manager**”), a special Power of Attorney irrevocably making, constituting and appointing the Manager as the undersigned’s attorney-in-fact with full power of substitution with power and authority to act in the undersigned’s name and on the undersigned’s 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 Operating Agreement of the Company, any amendments to the foregoing which, under the laws of the State of California or the laws of any other state, are required to be executed or filed or which the Company deems to be advisable to execute or file;
- (b) Any other instrument or document which may be required to be filed by the Company under the laws of any state or by any governmental agency;
- (c) Any instrument or document which may be required to effect the continuation of the Company, the admission of an additional or substituted Members, or the dissolution and termination of the Company (provided the continuation, admission or dissolution and termination are in accordance with the terms of the Operating Agreement) or to reflect any reduction in the amount of capital contributions of the Members; and
- (d) Any other documents deemed by the Manager to be necessary for the business of the Company.

The Power of Attorney granted hereby is a special Power of Attorney coupled with an interest, is irrevocable, shall survive the death or incapacity of the undersigned and is limited to the matters set forth herein. This special Power of Attorney may be exercised by the Manager, acting for the undersigned by a facsimile signature of the Manager; this Power of Attorney shall survive an assignment by the undersigned of all or any portion of the undersigned’s Founders Units, but only until the assignee of the Founders Units is recognized as the owner of the Founders Units as set forth in the Operating Agreement.

[Signature Page Follows]

THIS SUBSCRIPTION IS FOR _____FOUNDERS UNITS (\$1,000,000.00 EACH).

TOTAL INVESTMENT AMOUNT: \$ _____

Executed on _____, 2014, at _____, _____.

Signature of Subscriber

Signature of Subscriber

Social Security Nos.: _____

Driver's License Nos. _____

Email Address: _____

Home Address: _____

City: _____ State: _____

Zip: _____

Home Phone: (____) _____

Business Address: _____

City: _____ State: _____

Zip: _____

Business Phone: (____) _____

=====

REGISTRATION:

PLEASE PRINT YOUR NAME(S) EXACTLY AS YOUR FOUNDERS UNITS ARE TO BE REGISTERED:

=====

TITLE REGISTRATION PREFERENCE

CHECK ONE

- A. _____ Individual Ownership
B. _____ Joint Tenants with Right of Survivorship (**ALL MUST SIGN**)
C. _____ Trust (Date Trust Established _____)
D. _____ Partnership
E. _____ Community Property
F. _____ Tenants in Common (**ALL MUST SIGN**)
G. _____ Corporation
H. _____ Limited Liability Company
I. _____ Other _____
- =====

CERTIFICATE OF NONFOREIGN STATUS

Members Who Are Individuals

Section 1446 of the Internal Revenue Code provides that a limited liability company which is taxed as a partnership must pay a withholding tax to the Internal Revenue Service with respect to a member's allocable share of such limited liability company's effectively connected taxable income, if the member is a foreign person. To inform **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the "Company"), that the provisions of Section 1446 does not apply, the undersigned hereby certifies the following:

1. I am not a nonresident alien for purposes of U.S. income taxation and I am not a nonresident of California for the purposes of California income taxation;

2. My U.S. taxpayer identification number (social security number(s)) is/are: _____
_____; and

3. My home address is _____.

I hereby agree that if I become a nonresident alien, I will notify the Company within 60 days of doing so. I understand that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement I have made here could be punished by fine, imprisonment, or both.

I agree to execute a new Certificate of Nonforeign Status from time to time as required by the Company..

Under penalty of perjury, I declare that I have examined this certification to the best of my knowledge and belief it is true, correct, and complete.

Dated: _____, 20____

Signature

Print Name

Signature

Print Name

CERTIFICATE OF NONFOREIGN STATUS

Members That Are Entities

Section 1446 of the Internal Revenue Code provides that a limited liability company taxed as a partnership must pay a withholding tax to the Internal Revenue Service with respect to a member's allocable share of such limited liability company's effectively connected taxable income, if the member is a foreign person. To inform **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the "Company") that the provisions of Section 1446 do not apply, the undersigned hereby certifies on behalf of _____ (name of entity) (the "Member") the following:

1. The Member is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. The Member's U.S. employer identification number is: _____; and
3. The Member's principal office address is: _____.

The Member hereby agrees to notify the Company within 60 days of the date the Member becomes a foreign person and agrees to execute a new Certificate of Nonforeign Status from time to time as required by the Company. The Member understands that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalty of perjury, I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the Member.

Dated: _____, 20 ____

(Please print name of Member)

By: _____

Title: _____

(Please print name and title of person signing this Certificate)

INVESTOR'S INSTRUCTION TO ESCROW AND WIRE TRANSFER INFORMATION

I hereby instruct Powell Coleman & Arnold LLP ("**Escrow Holder**") to accept the sum of \$_____. This sum is my investment in Cal Neva Lodge, LLC (the "**Company**"). I direct that this sum be placed in an escrow (the "**Escrow**") and retained by Escrow Holder until such time as either subscriptions for 14 Units are accepted and deposited into the Escrow representing a total sum of \$14,000,000 or the subscription period sooner expires by its terms under the Subscription Agreement, now scheduled for expiration on April 30, 2014 (unless extended for up to 90 days by the Company) (the "**Termination Date**"). Escrow Holder's wire transfer information is set forth below.

In the event that the total amount held in the Escrow reaches \$14,000,000, I further instruct Escrow Holder to disburse my funds deposited into the Escrow to the Company or its designated representative or agent. I acknowledge having read the Subscription Agreement and Confidential Private Placement Memorandum copies of which I received from the Company.

If, before the Termination Date, the amount deposited into the Escrow has not reached \$14,000,000, I direct Escrow Holder to return my investment of \$_____ by check directly to me at the following address:

By my signature below I agree that Escrow Holder has no duty to me other than to disburse the funds contained in the Escrow as instructed when one or the other of the above described events occurs. I further advise Escrow Holder that I have given the Manager of the Company a power of attorney to act for me in all matters related to the Escrow with the exception of modifying or canceling all Escrow Instructions, which modification or cancellation must be in a writing signed by all of the Investors unless all of the monies deposited into the Escrow are returned to the respective investor in connection with such modification or cancellation.

Date: _____, 2014

Investor Signature

SSN: _____

Telephone No.: _____

Investor Signature

SSN: _____

Telephone No.: _____

Escrow Holder's Wire Transfer Information:

BBVA Compass Bank
8080 N. Central Expressway
Dallas, Texas 75206

Powell Coleman & Arnold LLP
IOLTA Account No.: 75103816
ABA No.: 111907445

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
	Address (number, street, and apt. or suite no.) City, state, and ZIP code	Requester's name and address (optional)
	List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number										
				-				-		
Employer identification number										
				-						

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign
Here

Signature of
U.S. person ▶

Date ▶

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at www.irs.gov/w9. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

SUBSCRIPTION BOOKLET

(for Preferred Members)

CAL NEVA LODGE, LLC

SUBSCRIPTION INSTRUCTIONS

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IF THE POTENTIAL INVESTOR IS A CORPORATION, INCLUDE A COPY OF THE BOARD RESOLUTION DESIGNATING THE CORPORATE OFFICER AUTHORIZED TO SIGN ON BEHALF OF THE CORPORATION AND AUTHORIZING THE INVESTMENT **AND** THE CORPORATION'S MOST RECENT FINANCIAL STATEMENTS.

IF POTENTIAL INVESTOR IS A LIMITED LIABILITY COMPANY, INCLUDE A COPY OF THE SIGNED OPERATING AGREEMENT AND THE ARTICLES OF ORGANIZATION OR CERTIFICATE OF FORMATION, AS FILED, **AND** A COMPLETED SUBSCRIPTION AGREEMENT FOR **EACH** MEMBER AND **EACH** MANAGER.

SUBSCRIPTION AGREEMENT

TO: **CAL NEVA LODGE, LLC**,
a Nevada limited liability company
c/o CR Cal Neva, LLC
1336-D Oak Street
St. Helena, California 94574

Potential Investor:

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- B. _____ The Purchaser is a natural person and had income in excess of \$200,000 (\$300,000 including income of spouse) during each of the previous two years and expects to have income in excess of such amounts during the current year.

C. THROUGH F. ARE APPLICABLE TO NON-INDIVIDUALS (Please **INITIAL** applicable blanks):

- C. _____ The Purchaser is a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Preferred Units, and the purchase is directed by a person meeting the criteria described in Subsection (g) below.
- D. _____ The Purchaser is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 that either (i) has its investment decisions made by a plan fiduciary, as defined by Section 3(21) of such Act, which is a bank, savings and loan association, insurance company or a registered investment adviser, or (ii) has 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 as described herein.
- E. _____ The Purchaser is an entity (*excluding a trust UNLESS it is a revocable grantor trust*) in which all of the equity owners are accredited investors within categories A and B above.

F. _____ The Purchaser is a corporation, or a partnership, not formed for the specific purpose of acquiring the Preferred Units, with total assets in excess of \$5,000,000.

(b) The Purchaser understands that the Company has not registered the Preferred Units under the Securities Act, or qualified the Preferred Units under the applicable securities laws of any state, in reliance on exemptions from registration and qualification, and the Purchaser understands that such exemptions depend in large part on the Purchaser's investment intent at the time the Purchaser acquires the Preferred Units;

(c) The Preferred Units subscribed for herein will be acquired for the Purchaser's own account, for investment and not for resale or distribution to any person, corporation, or other entity, and the Purchaser has no intention of distributing or reselling the Preferred Units;

(d) The Purchaser acknowledges that any disposition of the Preferred Units is subject to restrictions imposed by federal and state law and that the certificates representing the Preferred Units will bear a restrictive legend. The Purchaser also recognizes that the Preferred Units cannot be disposed of by the Purchaser, absent registration and qualification, or an available exemption from registration and qualification, and that no undertaking has been made with regard to registering or qualifying the Preferred Units in the future. The Purchaser understands that the availability of an exemption in the future will depend in part on circumstances outside the Purchaser's control and that the Purchaser may be required to hold the Preferred Units for a substantial period. The Purchaser recognizes that no public market exists with respect to the Preferred Units and no representation has been made to the Purchaser that such a public market will exist at a future date. The Purchaser understands that no state securities administrator or commissioner has made any finding or determination relating to the fairness for investment of the Preferred Units and that no such administrator or commissioner has or will recommend or endorse the Preferred Units;

(e) The Purchaser has not seen or received any advertisement or general solicitation with respect to the sale of the Preferred Units;

(f) The Purchaser believes, by reason of the Purchaser's business or financial experience, that the Purchaser is capable of evaluating the merits and risks of this investment and of protecting the Purchaser's interest in connection with this investment;

(g) The Purchaser acknowledges that prior to acquiring the Preferred Units, the Purchaser has been provided with financial and other written information about the Company and the terms and conditions of the offering. The Purchaser has been given the opportunity by the Company to obtain such information and ask such questions concerning the Company, the Preferred Units and the Purchaser's investment as the Purchaser felt necessary, and to the extent the Purchaser took such opportunity, the Purchaser received satisfactory information and answers. If the Purchaser requested any additional information which the Company possessed or could acquire without unreasonable effort or expense which was necessary to verify the accuracy of the financial and other written information furnished to the Purchaser by the Company, such additional information was provided to the Purchaser and was satisfactory. In reaching the conclusion to acquire the Preferred Units, the Purchaser has carefully evaluated the Purchaser's financial resources and investment position and the risks associated with this investment, and the Purchaser acknowledges that the Purchaser is able to bear the economic risks of this investment. The Purchaser further acknowledges that the Purchaser's financial condition is such that the Purchaser is not under any present necessity or constraint to dispose of the Preferred Units to satisfy any existing or contemplated debt or undertaking;

(h) The Purchaser hereby accepts full and sole responsibility for all state and federal tax consequences which may result from the Purchaser's acquisition of the Preferred Units;

(i) The Purchaser, if subject to the Employee Retirement Income Security Act of 1974 ("**ERISA**"), has taken into consideration the diversification requirements of ERISA prior to making an investment in the Preferred Units;

(j) The Purchaser, if executing this Subscription Agreement and the Member Signature Page and Power of Attorney in a representative or fiduciary capacity, has full power and authority to execute and deliver this Subscription Agreement, the Operating Agreement and the Member Signature Page and Power of Attorney on behalf of the subscribing individual, partnership, trust, estate, corporation, or other entity for whom the Purchaser is executing such

documents, and such individual, partnership, trust, estate, corporation, or other entity has full right and power to perform pursuant to such documents and to become a member in the Company pursuant to the Operating Agreement;

(k) The Purchaser has thoroughly read the Memorandum and all documents attached thereto, and understands the contents of such documents. The Purchaser is familiar with the Company's business objectives and financial arrangements in connection therewith and believes the Preferred Units that the Purchaser is purchasing are the kind of securities that the Purchaser wishes to hold for investment and that the nature and purchase price of the Preferred Units are consistent with the Purchaser's investment program. No representations or warranties have been made to the Purchaser regarding this investment contrary to those contained in the Memorandum and attached documents, and the Purchaser agrees to inform the Company if the Purchaser learns that any statements made to the Purchaser in connection with the Purchaser's investment in the Company are untrue. The information set forth herein is true and correct;

(l) The Purchaser acknowledges and agrees that the Purchaser is not entitled to cancel, terminate or revoke this Subscription Agreement or any of the Purchaser's agreements hereunder and that this Subscription Agreement and any other agreements made hereby shall survive Purchaser's death or disability; and

(m) The Purchaser has such knowledge and experience in financial and business matters and in investments to be capable of evaluating the merits and risks of the investment in the Preferred Units.

In addition, the Purchaser:

(1) Understands that the Preferred Units being acquired will be governed by the Operating Agreement;

(2) Understands that the Company shall have the right to accept or reject this subscription in whole or in part in its sole and absolute discretion;

(3) Understands that no public market for the Preferred Units exists, or is likely to develop, and that it may not be possible to liquidate this investment readily, if at all, in the case of an emergency or for any other reason;

(4) Understands that the Preferred Units are subject to transfer restrictions as set forth in the Operating Agreement;

(5) Acknowledges that to extent desired the Purchaser has consulted with the Purchaser's financial, business and tax advisers before executing this Subscription Agreement;

(6) Acknowledges and agrees that a breach by the Purchaser of any of the Purchaser's representations made herein which results in a loss by the Company of the exemptions from registration and qualification requirements under applicable federal and state securities laws will cause the Purchaser to be liable to the Company for all damages and losses caused thereby;

(7) If the consideration to be delivered is cash, Purchaser agrees to deliver the Purchase Price via bank wire transfer to the Company (or directly to the designated third-party escrow for the benefit of the Company, as applicable), see wire transfer instructions attached hereto, no later than three days after delivery of email notice by the Company to the Purchaser (the "Funding Notice") and acknowledges that the Purchaser's failure to timely deliver the Purchase Price will materially and adversely affect the Offering, the other investors and the Company and that the Purchaser will be responsible for all damages and losses that result from the Purchaser's failure to timely deliver the Purchase Price; and

(8) Acknowledges and agrees that any funds delivered by the Purchaser to a designated third-party escrow for the benefit of the Company will be delivered to the Company (not Purchaser) upon either the termination or successful closing of the Offering, and that such funds will be returned to Purchaser by the Company only if the Company at the time of termination has not accepted subscriptions of at least \$14,000,000 (the "Offering Minimum").

This Subscription Agreement and all rights hereunder, shall be governed by, and interpreted in accordance with, the laws of the State of Nevada.

[Signature Page Follows]

IN WITNESS WHEREOF, the Purchaser has duly executed and delivered this Subscription Agreement effective as of the date set forth below.

Date: _____, 2014

[CORPORATION/TRUST]

“PURCHASER”

By: _____

Title: _____

By: _____

Title: _____

Address: _____

EMAIL ADDRESS: _____

Taxpayer ID No.: _____

Subscription Amount: \$ _____

Number of Preferred Units (\$1,000,000 Each): _____

I hereby confirm that the trust named above is a revocable grantor trust in which each of the grantors is an individually accredited investor as described in Sections (a) A. or B. of this Subscription Agreement.

By: _____

Title: _____

IN WITNESS WHEREOF, the Purchaser has duly executed and delivered this Subscription Agreement effective as of the date set forth below.

Date: _____, 2014

“PURCHASER”

[INDIVIDUAL]

(Signature)

(Print Name)

(Signature)

(Print Name)

Address: _____

EMAIL ADDRESS: _____

Soc. Sec. #s: _____

Subscription Amount: \$ _____

Number of Preferred Units (\$1,000,000 Each): _____

ACCEPTANCE OF SUBSCRIPTION

THE FOREGOING SUBSCRIPTION IS HEREBY ACCEPTED FOR _____ PREFERRED UNITS.

DATED: _____, 2014

CAL NEVA LODGE, LLC

By: **CR CAL NEVA, LLC**, a Nevada limited liability
company, Manager

By: _____

Title: _____

MEMBER SIGNATURE PAGE AND POWER OF ATTORNEY

CAL NEVA LODGE, LLC,
a Nevada limited liability company

The undersigned, desiring to become a Member of **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the “**Company**”) hereby agrees to all of the terms and conditions of the Amended and Restated Operating Agreement of the Company (the “**Operating Agreement**”) referred to, described in, and attached as an Exhibit to, the Company’s Confidential Private Placement Memorandum dated **March 11, 2014** (the “**Memorandum**”), and agrees to be bound thereby. Any capitalized term contained herein that is not defined herein shall have the meaning set forth in the Operating Agreement.

The undersigned further grants to the Manager of the Company (the “**Manager**”), a special Power of Attorney irrevocably making, constituting and appointing the Manager as the undersigned’s attorney-in-fact with full power of substitution with power and authority to act in the undersigned’s name and on the undersigned’s 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 Operating Agreement of the Company, any amendments to the foregoing which, under the laws of the State of California or the laws of any other state, are required to be executed or filed or which the Company deems to be advisable to execute or file;
- (b) Any other instrument or document which may be required to be filed by the Company under the laws of any state or by any governmental agency;
- (c) Any instrument or document which may be required to effect the continuation of the Company, the admission of an additional or substituted Members, or the dissolution and termination of the Company (provided the continuation, admission or dissolution and termination are in accordance with the terms of the Operating Agreement) or to reflect any reduction in the amount of capital contributions of the Members; and
- (d) Any other documents deemed by the Manager to be necessary for the business of the Company.

The Power of Attorney granted hereby is a special Power of Attorney coupled with an interest, is irrevocable, shall survive the death or incapacity of the undersigned and is limited to the matters set forth herein. This special Power of Attorney may be exercised by the Manager, acting for the undersigned by a facsimile signature of the Manager; this Power of Attorney shall survive an assignment by the undersigned of all or any portion of the undersigned’s Preferred Units, but only until the assignee of the Preferred Units is recognized as the owner of the Preferred Units as set forth in the Operating Agreement.

[Signature Page Follows]

THIS SUBSCRIPTION IS FOR _____PREFERRED UNITS (\$1,000,000.00 EACH).

TOTAL INVESTMENT AMOUNT: \$ _____

Executed on _____, 2014, at _____, _____.

Signature of Subscriber

Signature of Subscriber

Social Security Nos.: _____

Driver's License Nos. _____

Email Address: _____

Home Address: _____

City: _____ State: _____

Zip: _____

Home Phone: (____) _____

Business Address: _____

City: _____ State: _____

Zip: _____

Business Phone: (____) _____

=====

REGISTRATION:

PLEASE PRINT YOUR NAME(S) EXACTLY AS YOUR PREFERRED UNITS ARE TO BE REGISTERED:

=====

TITLE REGISTRATION PREFERENCE

CHECK ONE

- A. _____ Individual Ownership
B. _____ Joint Tenants with Right of Survivorship (**ALL MUST SIGN**)
C. _____ Trust (Date Trust Established _____)
D. _____ Partnership
E. _____ Community Property
F. _____ Tenants in Common (**ALL MUST SIGN**)
G. _____ Corporation
H. _____ Limited Liability Company
I. _____ Other _____
- =====

CERTIFICATE OF NONFOREIGN STATUS

Members Who Are Individuals

Section 1446 of the Internal Revenue Code provides that a limited liability company which is taxed as a partnership must pay a withholding tax to the Internal Revenue Service with respect to a member's allocable share of such limited liability company's effectively connected taxable income, if the member is a foreign person. To inform **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the "Company"), that the provisions of Section 1446 does not apply, the undersigned hereby certifies the following:

1. I am not a nonresident alien for purposes of U.S. income taxation and I am not a nonresident of California for the purposes of California income taxation;

2. My U.S. taxpayer identification number (social security number(s)) is/are: _____
_____; and

3. My home address is _____.

I hereby agree that if I become a nonresident alien, I will notify the Company within 60 days of doing so. I understand that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement I have made here could be punished by fine, imprisonment, or both.

I agree to execute a new Certificate of Nonforeign Status from time to time as required by the Company..

Under penalty of perjury, I declare that I have examined this certification to the best of my knowledge and belief it is true, correct, and complete.

Dated: _____, 20____

Signature

Print Name

Signature

Print Name

CERTIFICATE OF NONFOREIGN STATUS

Members That Are Entities

Section 1446 of the Internal Revenue Code provides that a limited liability company taxed as a partnership must pay a withholding tax to the Internal Revenue Service with respect to a member's allocable share of such limited liability company's effectively connected taxable income, if the member is a foreign person. To inform **CAL NEVA LODGE, LLC**, a Nevada limited liability company (the "Company") that the provisions of Section 1446 do not apply, the undersigned hereby certifies on behalf of _____ (name of entity) (the "Member") the following:

1. The Member is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. The Member's U.S. employer identification number is: _____; and
3. The Member's principal office address is: _____.

The Member hereby agrees to notify the Company within 60 days of the date the Member becomes a foreign person and agrees to execute a new Certificate of Nonforeign Status from time to time as required by the Company. The Member understands that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalty of perjury, I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the Member.

Dated: _____, 20 ____

(Please print name of Member)

By: _____

Title: _____

(Please print name and title of person signing this Certificate)

INVESTOR'S INSTRUCTION TO ESCROW AND WIRE TRANSFER INFORMATION

I hereby instruct Powell Coleman & Arnold LLP ("**Escrow Holder**") to accept the sum of \$_____. This sum is my investment in Cal Neva Lodge, LLC (the "**Company**"). I direct that this sum be placed in an escrow (the "**Escrow**") and retained by Escrow Holder until such time as either subscriptions for 14 Units are accepted and deposited into the Escrow representing a total sum of \$14,000,000 or the subscription period sooner expires by its terms under the Subscription Agreement, now scheduled for expiration on April 30, 2014 (unless extended for up to 90 days by the Company) (the "**Termination Date**"). Escrow Holder's wire transfer information is set forth below.

In the event that the total amount held in the Escrow reaches \$14,000,000, I further instruct Escrow Holder to disburse my funds deposited into the Escrow to the Company or its designated representative or agent. I acknowledge having read the Subscription Agreement and Confidential Private Placement Memorandum copies of which I received from the Company.

If, before the Termination Date, the amount deposited into the Escrow has not reached \$14,000,000, I direct Escrow Holder to return my investment of \$_____ by check directly to me at the following address:

By my signature below I agree that Escrow Holder has no duty to me other than to disburse the funds contained in the Escrow as instructed when one or the other of the above described events occurs. I further advise Escrow Holder that I have given the Manager of the Company a power of attorney to act for me in all matters related to the Escrow with the exception of modifying or canceling all Escrow Instructions, which modification or cancellation must be in a writing signed by all of the Investors unless all of the monies deposited into the Escrow are returned to the respective investor in connection with such modification or cancellation.

Date: _____, 2014

Investor Signature
SSN: _____
Telephone No.: _____

Investor Signature
SSN: _____
Telephone No.: _____

Escrow Holder's Wire Transfer Information:

BBVA Compass Bank
8080 N. Central Expressway
Dallas, Texas 75206

Powell Coleman & Arnold LLP
IOLTA Account No.: 75103816
ABA No.: 111907445

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
	Address (number, street, and apt. or suite no.) City, state, and ZIP code	Requester's name and address (optional)
	List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number										
				-				-		
Employer identification number										
				-						

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign
Here

Signature of
U.S. person ▶

Date ▶

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at www.irs.gov/w9. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

April 7, 2014

**SUPPLEMENT NO. 1
TO
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
DATED MARCH 11, 2014**

CAL NEVA LODGE, LLC,
a Nevada limited liability company

This Supplement No. 1 to Confidential Private Placement Memorandum relates to the private offering of up to 20 units (\$20,000,000) of membership interest (individually, a “Unit” and collectively, the “Units”) in and to the net profits, net losses, cash flow, distributions and capital of Cal Neva Lodge, LLC, a Nevada limited liability company (the “Company”) which are being offered and sold by the Company to certain “accredited investors” pursuant to the terms and conditions of the Confidential Private Placement Memorandum dated March 11, 2014 (the “Private Placement Memorandum”).

The Private Placement Memorandum is hereby amended as follows:

- The cover page, the “Summary of the Offering” and the “Offering” sections of the Private Placement Memorandum are being revised to eliminate all references to Founding Members and Founders Units. All 20 Units offered by the Company will be Preferred Units and all investors acquiring Units will be Preferred Members. In addition to the Preferred Return, the Company will be granting (for each Preferred Unit acquired) an option to purchase one of the condominiums that the Company intends to build at a purchase price that is discounted by \$500,000 below list price (the “Condo Purchase Option”). The Condo Purchase Option is a one-time option that may be exercised by a Preferred Member at any time prior to commencement of (and in lieu of) Preferred Return payments. Preferred Members that exercise the Condo Purchase Option will not receive a Preferred Return.
- All references in the Operating Agreement to Founding Members and Founders Units are similarly being revised and the Condo Purchase Option described above is being added.

If the above information is inconsistent with any information contained in the Private Placement Memorandum or in other documents previously delivered in connection therewith (collectively, the “Prior Documents”), the Private Placement Memorandum and/or any Prior Documents, as applicable, shall be deemed superseded by this Supplement. In all other ways, the Private Placement Memorandum shall remain unchanged.

This Supplement No. 1 to Private Placement Memorandum should be read in conjunction with, and may not be delivered or utilized without, the Private Placement Memorandum.

This Supplement No. 1 to Private Placement Memorandum is dated April 7, 2014.

RA0154

April 30, 2014

**SUPPLEMENT NO. 2
TO
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
DATED MARCH 11, 2014**

CAL NEVA LODGE, LLC,
a Nevada limited liability company

This Supplement No. 2 to Confidential Private Placement Memorandum relates to the private offering of up to 20 units (\$20,000,000) of membership interest (individually, a “Unit” and collectively, the “Units”) in and to the net profits, net losses, cash flow, distributions and capital of Cal Neva Lodge, LLC, a Nevada limited liability company (the “Company”) which are being offered and sold by the Company to certain “accredited investors” pursuant to the terms and conditions of the Confidential Private Placement Memorandum dated March 11, 2014 (the “Private Placement Memorandum”).

The Private Placement Memorandum is hereby amended as follows:

- The term of the Offering is extended from April 30, 2014 to May 31, 2014.
- The Private Placement Memorandum originally set forth that the Minimum Offering Amount shall be 14 Units (\$14,000,000). The Company has project commitments that it wishes to satisfy that requires immediately available funds. Accordingly, the Company has elected to lower the Minimum Offering Amount from 14 Units (\$14,000,000) to 8.5 Units (\$8,500,000).
- All references in the Memorandum to the Minimum Offering Amount of 14 Units (\$14,000,000) are hereby changed to 8.5 Units (\$8,500,000).

If the above information is inconsistent with any information contained in the Private Placement Memorandum or in other documents previously delivered in connection therewith (collectively, the “Prior Documents”), the Private Placement Memorandum and/or any Prior Documents, as applicable, shall be deemed superseded by this Supplement. In all other ways, the Private Placement Memorandum shall remain unchanged.

This Supplement No. 2 to Private Placement Memorandum should be read in conjunction with, and may not be delivered or utilized without, the Private Placement Memorandum and Supplement No. 1 dated April 7, 2014.

This Supplement No. 2 to Private Placement Memorandum is dated April 30, 2014.

July 15, 2014

**SUPPLEMENT NO. 3
TO
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
DATED MARCH 11, 2014**

CAL NEVA LODGE, LLC,
a Nevada limited liability company

This Supplement No. 3 to Confidential Private Placement Memorandum relates to the private offering of up to 20 units (\$20,000,000) of membership interest (individually, a “Unit” and collectively, the “Units”) in and to the net profits, net losses, cash flow, distributions and capital of Cal Neva Lodge, LLC, a Nevada limited liability company (the “Company”) which are being offered and sold by the Company to certain “accredited investors” pursuant to the terms and conditions of the Confidential Private Placement Memorandum dated March 11, 2014 (the “Private Placement Memorandum”).

The Private Placement Memorandum, as previously amended on April 7, 2014 and April 30, 2014, is hereby further amended to extend the term of the Offering to October 31, 2014.

If the above information is inconsistent with any information contained in the Private Placement Memorandum or in other documents previously delivered in connection therewith (collectively, the “Prior Documents”), the Private Placement Memorandum and/or any Prior Documents, as applicable, shall be deemed superseded by this Supplement. In all other ways, the Private Placement Memorandum shall remain unchanged.

This Supplement No. 3 to Private Placement Memorandum should be read in conjunction with, and may not be delivered or utilized without, the Private Placement Memorandum, Supplement No. 1 dated April 7, 2014 and Supplement No. 3 dated April 30, 2014.

This Supplement No. 3 to Private Placement Memorandum is dated July 15, 2014.

RA0156

CAL NEVA LODGE, LLC
AMENDED AND RESTATED
OPERATING AGREEMENT

Dated: May 1, 2014

CAL NEVA LODGE, LLC

**AMENDED AND RESTATED
OPERATING AGREEMENT**

This Amended and Restated Operating Agreement (this "Agreement") is made and entered into as of the 1st day of May, 2014 (the "Effective Date"), by and among the parties on the signature pages of this Agreement. Such parties and their respective permitted assignees are herein sometimes referred to individually as a "Member" and collectively as the "Members". All references to the Members will also include their successors and assigns pursuant to Article 12.

BACKGROUND FACTS:

A. On March 13, 2013, CR Cal Neva, LLC, a Nevada limited liability company ("CR"), formed a limited liability company named Cal Neva Lodge, LLC (the "Company") by filing certain Articles of Organization with the Secretary of State of the State of Nevada pursuant to the limited liability company laws of the State of Nevada and entering into an Operating Agreement for the Company.

B. The Members desire to amend and restate the existing Operating Agreement of the Company and admit new Members on the terms set forth herein.

C. Each Member represents that it has sufficient right and authority, without violating or breaching any provisions of law or contract, to execute this Agreement and is not acting on behalf of any undisclosed or partially disclosed principal by such action.

NOW, THEREFORE, in consideration of agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

As used in this Agreement and the attached Exhibits, the following capitalized terms have the meanings stated below and include the plural as well as the singular number.

1.1 "Accountants" means the independent certified public accountants selected by the Company.

1.2 "Act" means the limited liability company law of the State of Nevada, and all amendments to the Act.

1.3 "Act of Insolvency" will be deemed to have occurred if (a) a Member files in any court, in accordance with any statute of the United States or of any state, a petition in bankruptcy or insolvency, or files for the appointment of a receiver or trustee of all or a portion of the Member's property, or makes an assignment for the benefit of creditors or admits in writing its/his/her inability to pay its/his/her debts generally as they become due; or (b) there is filed

against a Member in any court in accordance with any statute of the United States or of any state, a petition in bankruptcy or insolvency, or for reorganization, or for appointment of a receiver or a trustee of all or a portion of the Member's property, and any order or decree is not vacated, or such appointment is not revoked or terminated and such receiver or trustee discharged, within ninety (90) days after entry or appointment, as the case may be.

1.4 **"Additional Capital Contribution"** means, with respect to the Members, any amounts the Members mutually agree to contribute to the Company as capital contributions pursuant to Section 4.4.

1.5 **"Additional Member"** means any person or entity who acquires an Interest in the Company after the date hereof.

1.6 **"Adjusted Capital Account"** means, with respect to any Member as of the end of any fiscal year, such Member's Capital Account reduced by those anticipated allocations, adjustments and distributions described in Section 1.704-1(b)(2)(ii)(d)(4)-(6) of the Treasury Regulations and increased by an amount that such Member would be obligated to restore pursuant to this Agreement or would be deemed obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations.

1.7 **"Affiliate"** means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such Person, (iii) any officer, director or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee or holder of ten percent (10%) or more of the voting securities of any Person described in clauses (i) through (iii) of this sentence.

1.8 **"Agreement"** means this Amended and Restated Operating Agreement as originally executed and as subsequently amended or supplemented in accordance with the terms herein.

1.9 **"Allocation Regulations"** means Section 1.704-1 and 1.704-2 of the Treasury Regulations as such regulations may be amended and in effect from time to time (whether Temporary or Final form) and any corresponding provisions of succeeding Treasury Regulations.

1.10 **"Articles"** means the Articles of Organization of the Company as properly adopted and amended from time to time by the Members and filed with the Secretary of State of the State of Nevada.

1.11 **"Business Day"** means any day that the national banks in Reno, Nevada, are open for business.

1.12 **"Capital Account"** means, with respect to any Member, the Capital Account maintained for such Person in accordance with the following provisions:

1.12.1 To each Member's Capital Account there will be credited such Member's Capital Contributions and Additional Capital Contributions (if any), such Member's distributive

share of Profits and the amount of Company liabilities that are assumed by such Member or that are secured by any Company Assets distributed to such Member.

1.12.2 To each Member's Capital Account there will be debited the amount of cash and the Gross Asset Value of any Company Assets distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

In the event any Interest in the Company is transferred in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest.

In the event the Gross Asset Values of Company Assets are adjusted pursuant to subsection 1.25.2 hereof, the Capital Accounts of all Members will be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with the Allocation Regulations and will be interpreted and applied in a manner consistent with such Allocation Regulations. In the event the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with the Allocation Regulations, the Manager may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Section 13.4 hereof upon the dissolution of the Company. The Manager will adjust the amounts debited or credited to Capital Accounts with respect to any property contributed to the Company by or distributed to a Member and any liabilities that are secured by such contributed or distributed property or that are assumed by the Company or the Member, in the event the Manager determines such adjustments are necessary or appropriate pursuant to the Allocation Regulations. The Manager also will make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Allocation Regulations.

1.13 "Capital Contribution" means the total amount of cash or other property contributed to the Company by a Member as capital in accordance with this Agreement; such term includes the Capital Contributions described in Sections 4.2, 4.3 and 4.4. The total amount of Capital Contributions made by the Preferred Members is sometimes referred to herein as the "Preferred Equity."

1.14 "Code" means the Internal Revenue Code of 1986, as it may be amended, or any subsequent federal law concerning income tax that is enacted in substitution for, or that corresponds with, such Code.

1.15 "Company" means Cal Neva Lodge, LLC.

1.16 "Company Assets" means any and all property contributed to or acquired by the Company in accordance with this Agreement, including but not limited to the Property or an interest in Seller, and both tangible and intangible property.

1.17 **"Company Minimum Gain"** has the meaning set forth in Section 1.704-2(d) of the Treasury Regulations for Partnership minimum gain.

1.18 **"Construction Contract"** means the contract with the Contractor to construct the Project on the Property, as approved by the Executive Committee.

1.19 **"Construction Lender"** means the lender who makes a construction loan/mini-permanent loan for construction of the Project.

1.20 **"Construction Loan"** means the construction loan/mini-permanent loan made by the Construction Lender to construct the Project on terms approved by the Executive Committee.

1.21 **"Contractor"** means the general contractor reasonably approved by the Executive Committee engaged by the Company for construction of the Project.

1.22 **"Depreciation"** means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager.

1.23 **"Fiscal Year"** or **"Year"** means a calendar year (or portion thereof) ending on December 31 of such year.

1.24 **"Governmental Authorities"** means any federal, state, county, municipal or other governmental department or entity, or any authority, commission, board, bureau, court or agency having jurisdiction over the Company Assets, or any portion thereof, and whose approval is necessary for the development of the Property.

1.25 **"Gross Asset Value"** means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.25.1 The initial Gross Asset Value of any asset contributed by a Member to the Company will be the gross fair market value of such asset, as determined by the contributing Member and the Manager;

1.25.2 The Gross Asset Values of all Company assets will be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a "de minimis" Capital Contribution; (ii) the distribution by the Company to a Member of more than a "de minimis" amount of Company Assets other than money as consideration for an interest in the Company; and (iii) the liquidation of the Company

within the meaning of the Allocation Regulations; provided, however, that adjustments pursuant to clauses (i) and (ii) above will be made only if the Manager reasonably determine that such adjustments are necessary and appropriate to reflect the relative economic interests of the Members in the Company; and

1.25.3 If the Gross Asset Value of an asset has been determined or adjusted pursuant to subsection 1.25.1 or 1.25.2, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

1.26 **"Initial Capital Contributions"** shall have the meaning given in Section 4.2 hereof.

1.27 **"Interest"** shall mean a member's entire ownership interest in the Company, including without limitation, its right to distributions of Net Cash from Operations and Net Cash from Sales or Refinancings.

1.28 **"Lender"** means the Construction Lender, and any third party lender(s) subsequently refinancing such indebtedness.

1.29 **"Manager"** means the one (1) Person, who need not be a Member, to whom all or part of the management duties of the Company's business is delegated as provided in Article 9. The initial Manager shall be CR.

1.30 **"Member"** means each of the parties who has executed this Agreement and each of the parties who may hereafter become Additional or Substitute Members as provided in the Articles and in this Agreement.

1.31 **"Member Minimum Gain"** means an amount with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt was treated as Nonrecourse Liability, determined in accordance with Section 1.704-2(g)(3) of the Treasury Regulations.

1.32 **"Member Nonrecourse Debt"** has the meaning set forth in Section 1.704-2(b)(4) of the Treasury Regulations for partner nonrecourse debt.

1.33 **"Member Nonrecourse Deductions"** has the meaning set forth in Section 1.7042(i)(2) of the Treasury Regulations for partner nonrecourse deductions. The amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a Fiscal Year of the Company equals the excess, if any, of the net increase, if any, in the amount of Member Minimum Gain attributable to such Member Nonrecourse Debt during such Fiscal Year over the aggregate amount of any distributions during such Fiscal Year to the Member that bears the economic risk of loss for such Member Nonrecourse Debt to the extent such distributions are from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in Member Minimum Gain attributable to such Member Nonrecourse Debt determined in accordance with Section 1.704-2(i)(2) of the Treasury Regulations.

1.34 **"Net Cash From Operations"** means the gross cash proceeds from the Company operations less the portion thereof used to pay or establish reserves for all Company expenses in an amount set forth in the Operating Budget, reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves (including interest and operating expenses), capital improvements, replacements, contingencies, working capital, and other cash requirements, all as set out in the Operating Budget or the Project Budget or as may otherwise be determined by the Manager. "Net Cash From Operations" will not be reduced by depreciation, amortization, cost recovery deductions or similar allowances.

1.35 **"Net Cash From Sales or Financings"** means the net cash proceeds from all sales and other dispositions (other than sales and dispositions of personal property in the ordinary course of business), and all financings of the Property after the repayment of third party indebtedness required in connection with such sale, disposition or financing, less any portion thereof used to pay established reserves for Company obligations and expenses in an amount to be determined by the Manager, but, which shall include reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves (including interest and operating expenses), capital improvements, replacements, contingencies, working capital, and other cash requirements, all as set out in the Operating Budget or Project Budget. "Net Cash From Sales or Financings" will include all principal and interest payments with respect to any note or other obligation received by the Company in connection with sales and other dispositions (other than in the ordinary course of business) of the Property.

1.36 **"Nonrecourse Deductions"** has the meaning set forth in Section 1.704-2(b)(1) of the Treasury Regulations. The amount of Nonrecourse Deductions for a Fiscal Year equals the net increase, if any, in the amount of Company Minimum Gain during that Fiscal Year, determined according to the provisions of Section 1.704-2(b)(1) of the Treasury Regulations.

1.37 **"Nonrecourse Liability"** has the meaning set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

1.38 **"Operating Budget"** means the annual operating budget for the Property prepared by the Manager and reasonably approved by the Executive Committee. The Operating Budget for each fiscal year shall be prepared by the Manager and submitted to the Executive Committee for approval no later than November 1 of the preceding fiscal year. In the event that the Executive Committee fails to timely approve an Operating Budget for any given year, the Operating Budget for the preceding year shall remain in effect until the new Operating Budget is approved.

1.39 **"Percentage Interest"** means the percentage of the Company owned by each Member as set forth in Schedule 4.1 attached hereto. The Manager shall cause Schedule 4.1 to be amended and updated to reflect the aggregate Percentage Interests of the Members whenever there are transfers of Interests, Capital Contributions or other events that cause the Percentage Interests to Change.

1.40 **"Person"** means a natural person, corporation, trust, partnership, joint venture, association or other business or other legal entity.

1.41 **"Preferred Members"** means those Members labeled as such on Schedule 4.1 attached hereto.

1.42 **"Preferred Return"** means a simple annual return on the amount invested by the Preferred Members at the rate of ten percent (10%) per annum from the date the Company receives such investment from a Preferred Member. The Preferred Return shall be cumulative and non-compounded and shall be paid quarterly as available out of Net Cash from Operations and Net Cash from Sales or Financings.

1.43 **"Profits" and "Losses"** means, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss), with the following adjustments:

1.43.1 any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.43 will be added to such taxable income or loss;

1.43.2 any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705 (a)(2)(B) expenditures pursuant to Section 1.704-1 (b)(2)(iv)(i) of the Treasury Regulations, and not otherwise taken into account in computing Profits or Losses pursuant to this subsection 1.44 will be subtracted from such taxable income or loss;

1.43.3 any gain or loss resulting from any disposition of Company assets with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.43.4 in lieu of the depreciation, amortization and other cost recovery deductions taken in computing such taxable income or loss, there will be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with Section 1.22; and

1.43.5 any items of income, gain, loss or deduction specifically allocated pursuant to Sections 5.2 and 5.3 will not be taken into account in determining Profits or Losses.

1.44 **"Project"** has the meaning set forth in Section 3.1.

1.45 **"Project Budget"** means the budget to be prepared by the Manager and approved by the Executive Committee for the development and construction of the Project. Such budget shall be developed in collaboration with the design and construction team selected to work on the Project.

1.46 **"Property"** means the Cal Neva Resort & Spa located at 2 Stateline Road, Crystal Bay, Nevada 89402, together with any and all land and improvements owned in connection therewith.

1.47 "Seller" means Canpartners Realty Holding Company IV Cal-Neva LLC.

1.48 "Sponsor Member" means CR.

1.49 "Substitute Member" means any transferee of a Member's Interest who is admitted as a Member in the Company pursuant to Article 12.

1.50 "Treasury Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE 2 ORGANIZATION AND TERM

2.1 **Formation.** The Members formed the Company under and pursuant to the provisions of the Act by filing the Articles on March 13, 2013. The rights and liabilities of the Members will be as provided under the Act, the Articles and this Agreement. The fact that the Articles are on file in the office of the Secretary of State, State of Nevada, will constitute notice that the Company is a limited liability company.

In order to maintain the Company as a limited liability company under the laws of the State of Nevada, the Company will from time to time take appropriate action, including the preparation and filing of such amendments to the Articles and such other fictitious name certificates, documents, instruments and publications as may be required by law, including, without limitation, action to reflect:

2.1.1 a change in the Company name;

2.1.2 a correction of false or erroneous statements in the Articles or the desire of the Members to make a change in any statement therein in order that it will accurately represent the agreement among the Members; or

2.1.3 a change in the time for dissolution of the Company as stated in the Articles and in this Agreement.

2.2 **Name.** The business and affairs of the Company will be conducted solely under the name of "Cal Neva Lodge, LLC". The Company will execute and file all assumed or fictitious name certificates required to be filed in the applicable public records of the county in which the Property is located or in any other county in which the Company is doing business.

2.3 **Term.** The term of the Company commenced on March 13, 2013, and will continue in full force and effect until the earliest of the following:

2.3.1 December 31, 2063;

2.3.2 dissolution of the Company approved as a Major Decision pursuant to Section 8.3.2; or

2.3.3 entry of a decree of judicial dissolution.

2.4 **Registered Agent and Office.** The Company's registered agent and office in Nevada will be Capitol Corporate Services, Inc., 202 S. Minnesota Street, Carson City, Nevada 89703. At any time, the Company may designate another registered agent and/or office.

2.5 **Principal Place of Business.** The principal place of business of the Company will be 2 Stateline Road, Crystal Bay, Nevada 89703. At any time, the Company may establish additional offices. The following items will at all times be maintained at the Company's principal office:

2.5.1 a current list of the full name and last known business, residence or mailing address of each Member and each Manager, both past and present;

2.5.2 a copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

2.5.3 copies of the Company's federal, state and local income tax returns and reports, if any, for the three most recent years;

2.5.4 copies of this Agreement with all amendments and copies of any writings permitted or required under the Act regarding the obligation of a Member to perform any enforceable promise to contribute cash or property or to perform services as consideration for such Member's Capital Contribution;

2.5.5 minutes of every annual and special meeting and any meeting ordered pursuant to Section 10.4;

2.5.6 unless contained in this Agreement, a statement prepared and certified as accurate by the Manager of the Company which describes:

(a) the amount of cash and a description and statement of the agreed value of the other property or services contributed by each Member and which each Member has agreed to contribute in the future;

(b) the times at which or events on the happening of which any additional contributions agreed to be made by each Member are to be made;

(c) if agreed upon, the time at which or the events on the happening of which a Member may terminate his membership in the Company and the amount of, or the method of determining, the distribution to which he may be entitled respecting his membership interests and the terms and conditions of the termination and distribution;

(d) any right of a Member to receive distributions which include a return of all or any part of a Member's contribution;

2.5.7 any written consents obtained from Members pursuant to the Act regarding action taken by Members without a meeting.

Such records are subject to inspection and copying at the reasonable request and at the expense of any Member during ordinary business hours.

2.6 **Other Instruments.** Each Member hereby agrees to execute and deliver to the Company within five (5) days after receipt of a written request therefor, such other and further documents and instruments, statements of interest and holdings, designations, powers of attorney and other instruments and to take such other action as the Company deems necessary, useful or appropriate to comply with any laws, rules or regulations as may be necessary to enable the Company to fulfill its responsibilities under this Agreement.

ARTICLE 3 PURPOSES AND POWERS OF THE COMPANY

3.1 **Purposes.** The overall business, purpose and scope of the Company is to acquire all membership interests of Seller in New Cal-Neva Lodge, LLC, a Nevada limited liability company ("New Cal Neva"). The Company shall purchase the interest of Seller in New Cal Neva with a portion of the Capital Contributions to be raised by the Company. New Cal Neva owns the Property, and it intends to rehabilitate and redevelop the Cal Neva Resort & Spa (the "Project"), and thereafter hold, mortgage, manage, maintain, lease, sell and otherwise use the Project for the production of income and profit. The Company shall serve as the managing member of New Cal Neva.

3.2 **Authority of Company.** In furtherance of its purpose, but consistent with and subject to the provisions of this Agreement and all applicable laws, the Company is empowered and authorized to do any and all acts and things incidental to, or necessary, appropriate, proper, advisable, or convenient for, the furtherance and accomplishment of the purposes described in Section 3.1 and for the protection and benefit of the Company, including, without limitation:

3.2.1 acquiring fee and leasehold estates in real and personal property and the rights therein or appurtenant thereto, necessary, appropriate or incidental to the ownership, management and maintenance of the Property, including real property adjacent to the Property;

3.2.2 entering into, performing and carrying out contracts and agreements of any kind, and entering into any kind of activity, in connection with, or incidental to, the accomplishment of the purposes of the Company;

3.2.3 securing approvals, permits and consents necessary, appropriate or incidental to the accomplishment of the purposes of the Company, including operating a casino on the Property;

3.2.4 developing and constructing improvements to the Property and dedicating or otherwise conveying portions of the Company Assets as may further the purposes of the Company;

3.2.5 borrowing money and issuing evidences of indebtedness in furtherance of the Company business and securing any Company indebtedness by mortgage, pledge, security interest or other lien, and otherwise financing or refinancing (defined for purposes of this Agreement to include recast, modified, extended or increased) the Project;

3.2.6 leasing, mortgaging, selling or otherwise disposing of all or any part of the Property for cash, stock, other securities or other property, or any combination thereof;

3.2.7 entering into partnerships, ventures and other business arrangements, and contributing all or any portion of the Company Assets as consideration for same;

3.2.8 to sue and be sued, complain and defend, and participate in administrative or other proceedings, in its name;

3.2.9 to appoint agents of the Company, and define their duties and fix their compensation, if any;

3.2.10 to indemnify a Member or Manager or former Member or Manager, and to make any other indemnification that is authorized by the Articles or by this Agreement in accordance with the Act;

3.2.11 at the end of the term hereof as provided in Section 2.3, to cease its activities and surrender its certificate of organization;

3.2.12 to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Company is organized;

3.2.13 to become a member of a general partnership, limited partnership, joint venture or similar association or any other limited liability company; and

3.2.14 doing and performing all other acts and things which may be necessary, appropriate or incidental to the carrying out of the business and purposes of the Company.

3.3 Certain Transactions. The Company is expressly permitted in the normal course of its business to enter into transactions with any or all Members or with any Affiliate of any or all Members provided that the Member seeking such a related party transaction receives the prior written approval of the price and other terms of such transaction by all members of the Executive Committee who are not involved in the proposed transaction. Any executory contracts between the Company and Affiliates must be approved by the unanimous vote of the Executive Committee. All Members hereby acknowledge their approval of the Development Services Agreement described in Section 7.4 herein.

3.4 Adjacent Property. No Member and no Affiliate of any Member may acquire real property adjacent to the Property unless the Company has been offered the opportunity to acquire such Property and has elected in writing not to do so.

3.5 Future Phases. The Members agree that the current definition of the "Project" herein refers to the initial phase involving the repair and rehabilitation of the existing main hotel

building, tower and several ancillary buildings, including the spa, terrace units and chalet units. It is anticipated that the Company may wish to convert the cabin units on the Property into condo hotel units as part of phase two work ("Phase Two"), if the necessary entitlements for such work can be obtained. If Phase Two is pursued by the Company, the existing Members shall have the right of first offer to provide the necessary equity for Phase Two in the same proportions as the Capital Contributions made by each Member for the phase one work on the Property. Any equity requested of the Members for Phase Two would not be considered to be requested pursuant to a capital call in accordance with Section 4.4. If the Members do not wish to make equity contributions required for Phase Two, they agree to cooperate in the search to find new sources of equity required for such work, as well as new lender financing. Any Capital Contributions that the existing Members elect to make for Phase Two, if any, shall be treated the same as the existing Capital Contributions pursuant to Section 6.2 herein. If it is necessary to bring in new Members to make such Capital Contributions for Phase Two, such admission of new Members shall be in accordance with an amendment to this Agreement approved as a Major Decision pursuant to Section 8.3.12. Development Fees shall be payable to Developer with respect to Phase Two in accordance with Section 7.4 hereof and the Development Services Agreement referenced therein.

ARTICLE 4

MEMBERS, DUTIES, CAPITAL CONTRIBUTIONS AND LOANS

4.1 Members; Obligation to Update. All Members of the Company, past and present, their last known business, residence or mailing address, and their Percentage Interests in the Company will be listed on the attached Schedule 4.1. The Manager will be required to update Schedule 4.1 from time to time as necessary to accurately reflect the information therein.

4.2 Initial Capital Contributions. The Initial Capital Contributions of the Members are set forth on the attached Schedule 4.2, and the Company acknowledges receipt of such Initial Capital Contributions for the purposes set forth on such Schedule.

4.3 Future Targeted Capital Contributions. The Company has raised \$8,500,000.00 in Initial Capital Contributions as of the date hereof. The Company desires to raise a total of \$20,000,000.00 from current Members and Additional Members, meaning that it will attempt to raise \$11,500,000.00 over and above the Initial Capital Contributions (such amount being referred to as the "Future Targeted Capital Contributions"). The Company shall attempt to raise the Future Targeted Capital Contributions by the date specified in the Private Placement Memorandum for the Company dated March 11, 2014, as it may be amended from time to time (the "Future Funding Deadline"). Notwithstanding the foregoing, the minimum amount of Capital Contributions to be raised shall be \$8,500,000.00, and the Company shall begin accepting Future Targeted Capital Contributions at such time as total Capital Contributions to the Company would be \$8,500,000.00 or more. The Executive Committee further reserves the right to accept mezzanine debt in the approximate amount of \$6,000,000.00 plus interest (the "Mezzanine Loan") from a lender (the "Mezzanine Lender") in addition to the Future Targeted Capital Contributions. The terms of any such Mezzanine Loan must be approved by at least four of the five members of the Executive Committee. The Executive Committee may at its discretion elect to raise an amount equal to the Mezzanine Loan through Capital Contributions from Additional Members in lieu of obtaining the Mezzanine Loan. Each new investor who provides any portion of the Future Targeted Capital Contributions shall become a Preferred

Member of the Company upon making such Capital Contributions, and each such new Member shall execute an amendment to this Agreement to reflect its Interest in this Company. At such time, the Manager shall revise and update Schedules 4.1 and 4.2 to reflect all Interests in the Company. The Executive Committee may extend the Future Funding Deadline in its sole discretion. The proposed uses of the Capital Contributions raised by the Company pursuant to Sections 4.2 and 4.3 are set forth in Schedule 4.3 attached hereto and made a part hereof, and the Members hereby approve such uses.

4.4 Additional Capital Contributions. Subject to Section 8.3.5 below, at such time or times as the Manager reasonably determines that capital contributions in addition to the Initial Capital Contributions and the Future Targeted Capital Contributions are necessary or desirable in order to fulfill the contemplated objectives of the Company, the Manager shall notify the Members, which notice shall set forth the aggregate amount of the requested contributions, and the Members may, but shall not be obligated to, deposit such amount with the Company within the time period specified in such notice, which shall be based on the reasonably anticipated timing of the capital requirement, in proportion to their respective Capital Account balances. Each such contribution shall be treated the same as any other Capital Contribution to the Company. No Member shall be required to make any Additional Capital Contributions, but if any Member elects not to make its full share of such Additional Capital Contributions, the other Members shall have the option to make the Additional Capital Contribution that such non-funding Member was entitled to make, in proportion to their respective Capital Account balances.

4.5 Liability of Member. Upon the payment by a Member of the Capital Contributions required of it hereunder, such Member will have no further liability or responsibility to the Company or any creditor except to the extent specifically set forth herein.

4.6 Duties and Obligations of the Members with Respect to Equity and Loans. The following will be the general rights, duties and obligations applicable to the Members with respect to equity and loans for the Company:

4.6.1 CR will use its diligent efforts to obtain the Construction Loan.

4.6.2 Any and all documents relating to the Construction Loan and to be executed by the Company will be subject to the prior approval of the Executive Committee.

4.7 Withdrawals and Interest. No Member will have the right to:

4.7.1 withdraw his/its Capital Contribution;

4.7.2 receive any return or interest on any portion of his/its Capital Contribution except as otherwise provided herein; or

4.7.3 withdraw from the Company except by transfer of his/its Interest to another party in accordance with Article 13, by resignation in accordance with Section 8.7, or upon the dissolution of the Company.

4.8 Return. No Member will be entitled to the return of all or any part of its Capital Contribution unless and until there remains Company Assets after:

4.8.1 all current liabilities of the Company (except liabilities to Members on account of their Capital Contributions) have been paid;

4.8.2 all amounts due to Members in respect of their share of profits and other gains have been paid; and

4.8.3 the Company has been dissolved without reformation in accordance with Article 13 and Articles of Dissolution have been filed with the Nevada Secretary of State.

For purposes of Section 4.8.1, permanent financing on the Property shall not be deemed a "current liability" of the Company, and the return of all or part of a Member's Capital Contributions pursuant to other provisions of this Agreement may be made prior to full repayment of the permanent financing, as long as such permanent financing is not in default.

ARTICLE 5 ALLOCATIONS OF PROFITS AND LOSSES

5.1 Profits and Losses. Profits and Losses for any Fiscal Year will be allocated among the Members so that the Capital Account of each Member, increased by his/its share of Company Minimum Gain and his/its share of Member Minimum Gain is, as nearly as possible, positive in an amount equal to the cash that the Company would distribute to such Member, or negative in an amount equal to the cash that such Member would contribute to the Company, as the case may be, if (i) the Company liquidated by selling all of its assets for their respective Gross Asset Values, (ii) the proceeds of such sales, and any other cash of the Company, were used to satisfy the Company's debts in accordance with, and to the extent required by, their terms and in the order of priority prescribed by the applicable laws governing creditors' rights, and (iii) either (A) the Company distributed any remaining cash to the Members pursuant to Section 6.2 hereof or (B) the Members contributed to the Company cash in the amount of any remaining Recourse Liabilities of the Company; provided, however, that no Losses will be allocated to any Member for any Fiscal Year to the extent that such Losses would create or increase a deficit in such Member's Adjusted Capital Account.

5.2 Special Gross Allocation. If, after giving effect to the allocations set forth in Section 5.3 hereof, an allocation of Profits or Losses pursuant to Section 5.1 (determined as though no items were allocable pursuant to this Section 5.2) for any Fiscal Year would leave the Capital Account(s), increased by the share(s) of Company Minimum Gain and share(s) of Member Minimum Gain, of any Member(s) short of (less than) the aggregate amount that would be distributed to such Member(s) under the hypothetical circumstances described in Section 5.1 while leaving the Capital Account(s), increased by the share(s) of Company Minimum Gain and share(s) of Member Minimum Gain, of any other Member(s) above (more than) the aggregate amount that would be distributed to such other Member(s) under such circumstances, then items of income or gain will be allocated to the former Member(s), and items of loss or expense will be allocated to the latter Member(s), until either (i) Profits or Losses (determined pursuant to Section 1.43, without regard to the items of income, gain, expense or loss allocated pursuant to this Section 5.2) can be allocated so as to cause each Member's Capital Account, increased by

such Member's share of Company Minimum Gain and share of Member Minimum Gain to equal the amount that would be distributed to such Member under the hypothetical circumstances described in Section 5.1 or (ii) there are no more items to allocate.

5.3 Special Allocations. The following special allocations will be made in the following order:

5.3.1 Items of gross income and gain will be allocated to each Member in an amount and manner sufficient to eliminate, as quickly as possible, any deficit in such Member's Adjusted Capital Account to the extent that such deficit is created or increased by any unexpected adjustments, allocations or distributions described in Section 1.704-1(b)(2)(ii)(d)(4)-(6) of the Treasury Regulations. This subsection 5.3.1 and the proviso of Section 5.1 are intended to comply with the "alternative test for economic effect" provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.2 If, for a Fiscal Year, there is a net decrease in Member Minimum Gain, then each Member will be allocated items of gross income or gain equal to such Member's share of such net decrease, determined under Section 1.704-2(i) of the Treasury Regulations. However, in accordance with Section 1.704-2(i)(4) of the Treasury Regulations, the preceding sentence will not apply to the extent that the net decrease in Member Minimum Gain results from (i) a capital contribution from such Member which is used to repay a liability of the Company or (ii) a refinancing or lapse of a guarantee of, or any other change in, a liability of the Company that causes such liability to become partially or wholly a Nonrecourse Liability. This subsection 5.3.2 is intended to comply with the minimum gain chargeback requirement of Section 1.704-2(i)(4) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.3 If, for a Fiscal Year, there is a net decrease in Company Minimum Gain, then each Member will be allocated items of income and gain equal to such Member's share of such net decrease, determined in accordance with Sections 1.704-2(f) and 1.704-2(g) of the Treasury Regulations. However, in accordance with Section 1.704-2(f)(2) of the Treasury Regulations, the preceding sentence will not apply to the extent that the net decrease in Company Minimum Gain results from (i) a Capital Contribution from such Member which is used to pay a liability of the Company or (ii) a refinancing or guarantee of, or any other change in, a liability of the Company that causes such liability to become partially or wholly a Member Nonrecourse Liability for which such Member bears the economic risk of loss. This subsection 5.3.3 is intended to comply with the minimum gain chargeback requirement of Section 1.704-2(f) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.4 Nonrecourse Deductions for any Fiscal Year will be allocated among the Members pro rata, in accordance with their Percentage Interests;

5.3.5 Member Nonrecourse Deductions for any Fiscal Year will be allocated to the Members who bear the economic risk of loss with respect to the Member Nonrecourse Liability to which such Member Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i)(1) of the Treasury Regulations;

5.3.6 The proviso at the end of Section 5.1, and the allocations set forth in this Section 5.3, other than subsection 5.3.7 (the "Regulatory Allocations") are intended to comply

with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations will be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Article V. Therefore, notwithstanding any other provision of this Article 5 (other than the Regulatory Allocations), the Manager will make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner they determine appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance, to the extent possible, is equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 5.1 (other than the proviso at the end thereof), 5.2, and subsection 5.3.7. In exercising his discretion under this subsection 5.3.6, the Manager will take into account future Regulatory Allocations under subsections 5.3.2 and 5.3.3 that, although not yet made, are likely to offset other Regulatory Allocations previously made under subsections 5.3.4 and 5.3.5;

5.3.7 It is intended that the amount to be distributed to a Member pursuant to subsection 13.4.3 of this Agreement will equal the amount such Member would receive if liquidation proceeds were instead distributed in accordance with Section 6.2 of this Agreement. This intended distribution amount for a Member is referred to as such Member's "Targeted Distribution Amount". Notwithstanding any preceding provision to the contrary in this Article 5, if upon a termination and liquidation of the Company, any Member's Capital Account balance immediately prior to the distributions to be made pursuant to subsection 13.4.3 of this Agreement (determined tentatively after allocations made for such Fiscal Year under this Article V without regard to this subsection 5.3.7) would be less than such Member's "Targeted Distribution Amount", then, for the current Fiscal Year and, if necessary and to the extent amended tax returns can be filed, for prior Fiscal Years of the Company, such Member will be specially allocated items of income or gain for such years, and items of loss or deduction for such years will be allocated away from such Member to the other Members, until Profits or Losses for the year(s) of termination and liquidation of the Company can be allocated so as to cause each Member's actual Capital Account balance to equal the Targeted Distribution Amount for such Member (and such Profits or Losses will be so allocated pursuant to Sections 5.1 and 5.2). In the event that liquidation distributions are to be made over two (2) or more Fiscal Years, the Manager will exercise their reasonable discretion to determine (i) the aggregate liquidation proceeds likely to be available for distribution pursuant to subsection 13.4.3, and accordingly, each Member's estimated Targeted Distribution Amount and (ii) the appropriate allocations to be made pursuant to this subsection 5.3.7 taking into account allocations of items of income, gain, deduction and loss likely to be made in subsequent years prior to final liquidation and dissolution of the Company. Amended returns will be prepared pursuant to this subsection 5.3.7 to the extent necessary and possible to ensure that the distributions made pursuant to subsection 13.4.3 to each Member equal, as nearly as possible, such Member's Targeted Distribution Amount.

5.4 **Varying Interests of the Members.** Anything contained in this Article V to the contrary notwithstanding, the allocation of Profits, Losses and items of income, gain, expense or loss for any Fiscal Year of the Company during which a Person acquires a Percentage Interest will take into account the Members' varying interests in the Company for such Fiscal Year pursuant to any method permissible under Section 706 of the Code that is selected by the Manager.

5.5 Tax Allocations: Code Section 704(c). In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company, solely for tax purposes, will be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subsection 1.25.1. In the event the Gross Asset Value of any Company Assets is adjusted pursuant to subsection 1.25.2 hereof, subsequent allocations of income, gain, loss and deduction with respect to such Company Assets will take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Any elections or other decisions relating to such allocations will be made by the Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.5 are solely for purposes of federal, state and local taxes and will not affect, or in any way be taken into account in computing, any Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

5.6 Tax Matters Partner

5.6.1 CR is designated a tax matters partner (the "TMP") as defined in Section 6231(a)(7) of the Code, and the Members will take such actions as may be necessary, appropriate, or convenient to effect the designation of CR as TMP. The TMP and the other Members will use their best efforts to comply with the responsibilities outlined in this section and in Sections 6222 through 6232 of the Code (including any Treasury Regulations promulgated thereunder).

5.6.2 The Members will furnish the TMP with such information as the TMP may reasonably request to permit it to provide the Internal Revenue Service with sufficient information to allow proper notice to the parties in accordance with Section 6223 of the Code.

5.6.3 These provisions will survive the termination of the Company or the termination of any Member's interest in the Company and will remain binding on the Members for a period of time necessary to resolve with the Internal Revenue Service or the Department of the Treasury any and all matters regarding the Federal income taxation of the Company and each of the Members with respect to Company matters.

5.6.4 Notwithstanding the foregoing, the TMP will not litigate or enter into any agreement concerning or settle any tax issue that will be binding on either Member without such Member's prior written consent.

5.7 Elections. Company tax elections will be made by CR as the Tax Matters Partner, subject to the prior approval of the Executive Committee. Unless the Members agree otherwise, elections will be made to maximize tax benefits under the regular income tax without regard to the alternative minimum tax under Section 55 of the Code. Notwithstanding anything contained herein to the contrary, the Members agree that no elections will be made by any Member, including the TMP, that could jeopardize the characterization of distributions pursuant to Section 6.2 as other than long term capital gains without the prior approval of all of the Members.

ARTICLE 6
DISTRIBUTIONS; BOOKS AND RECORDS; AUDITS

6.1 Frequency of Distributions. The Company will distribute any Net Cash From Operations not less frequently than quarterly, and will distribute Net Cash From Sales or Financings as promptly as possible.

6.2 Order and Priority of Distributions of Net Cash From Operations and Net Cash from Sales or Financings. Net Cash From Operations and Net Cash From Sales or Financings will be distributed in the following order and priority:

6.2.1 To the Preferred Members pro rata based upon the relative share that each Preferred Member contributed to the total of the Preferred Equity, until each such Preferred Member has received its Preferred Return on its Capital Contribution, including amounts accrued from prior periods.

6.2.2 Next, to all Preferred Members pro rata based upon the Percentage Interest owned by each such Preferred Member, until the Preferred Members have received cumulative distributions pursuant to this Section 6.2.2 equal to the Capital Contributions made by each such Preferred Member.

6.2.3 Thereafter, to all Members pro rata based upon the Percentage Interest owned by each such Member.

6.2.4 Notwithstanding the foregoing, if at the time that all accrued Preferred Returns have been paid to the Preferred Members the total amount of Preferred Returns paid to any of the Preferred Members is less than forty percent (40%) of the Capital Contributions made by such Preferred Members, each Preferred Member with such a shortfall shall be entitled to receive additional distributions of Preferred Returns, prior to any distributions pursuant to Section 6.2.2 above, in an amount equal to (i) 40% of the Capital Contributions made by such Preferred Member minus (ii) the total Preferred Returns previously received by such Preferred Member. After such additional distributions have been paid to the Preferred Members, distributions pursuant to Section 6.2.2 shall then be made. Preferred Returns to each Preferred Member shall thereafter once again begin to accrue on a quarterly basis on any unreturned Capital Contributions of the Preferred Members and be paid as a first priority to each Preferred Member until such time as all Preferred Members have received the full return of their Capital Contributions.

6.2.5 As set forth on Schedule 4.1, the Sponsor Member shall have a Percentage Interest in the Company equal to twenty percent (20%) for its role as sponsor and for its contributions to the asset value of the Project since the purchase of the Property. A 10% Percentage Interest shall be reserved for the Mezzanine Lender, as set forth on Schedule 4.1.

6.2.6 In lieu of the distribution of the Preferred Return as set forth in Section 6.2.1 above, each Preferred Member shall have the option, to be exercised prior to the receipt of any of its Preferred Return, to elect to purchase one Condominium Unit (as described below) for each \$1,000,000 of Capital Contributions made by a Preferred Member, at a discount of \$500,000 below the list price of each such Condominium Unit (the "Condo Purchase Option").

For purposes hereof, the Condominium Units are the 28 currently entitled hotel lodge units that are to be converted into for-sale managed residences as part of Phase Two. To exercise a Condo Purchase Option, a Preferred Member must deliver written notice to the Manager specifying which Condominium Unit it wishes to purchase prior to accepting any Preferred Returns. At such time the Company shall enter into a purchase agreement with such Preferred Member for the purchase of the designated Condominium Unit. If a Preferred Member does not exercise a Condo Purchase Option as set forth above, it will be deemed to have elected to receive Preferred Returns with respect to all of its Capital Contribution as set forth in Section 6.2.1 above. If a Preferred Member has made Capital Contributions in excess of \$1,000,000 (each \$1,000,000 Capital Contribution being referred to herein as an "Preferred Unit"), and such Preferred Member has exercised a Condo Purchase Option with respect to less than all of its Preferred Units, such Preferred Member shall receive a Preferred Return on any of its Preferred Units for which it has not exercised a Condo Purchase Option.

6.3 Special Distributions to Pay Taxes. Notwithstanding anything to the contrary set forth herein, the Manager shall distribute to each Member in January of each year as a "Tax Distribution" an amount equal to the sum of the following: (a) the product obtained by multiplying (i) the amount of Profits allocated to such Member in the preceding year times (ii) the greater of (A) the highest marginal federal income tax rate for individuals, or (B) the highest marginal federal income tax rate for taxable corporations, plus (b) any carryover amount from the preceding year as described below, reduced by (c) the amount of all distributions made to such Member with respect to such calendar year; provided that Profits of the Company for any year shall be net of (so as to be reduced by) all Losses of the Company for that year and all Losses of the Company for any prior years which have not then been fully set off against Profits for purposes of determining Tax Distributions under this Section 6.3. After the Company's Profits for each calendar year have been determined, if total distributions to a Member to date with respect to such year do not equal or exceed the federal income tax liability that would be accrued by that Member (assuming that such income is taxed at the greater of (A) the highest marginal federal income tax rate for individuals, or (B) the highest marginal federal income tax rate for taxable corporations) with respect to the Company's Profits for such year (determined as provided above), plus any carryover amount from the preceding year as described below (such total amount, the "Tax Distribution Amount"), then the Manager shall cause the Company to distribute any additional amounts necessary to cause the total distributions to a Member for such year to equal the Tax Distribution Amount, provided that the Company has cash available to make the distributions. If the total distributions to a Member with respect to any year do not equal or exceed the Tax Distribution Amount, the amount of the excess of the Tax Distribution Amount over the total amount of distributions to a Member for such year shall carry forward to, and add to the Tax Distribution Amount for the succeeding taxable year. Any distribution made to a Member under this Section 6.3 shall constitute an advance on distributions required to be made to such Member under Section 6.2, and distributions to a Member under Section 6.2 shall accordingly be suspended until the amount of such advance has been recouped. Notwithstanding the foregoing, no Tax Distributions shall be payable under this Section 6.3 with respect to the year in which the Company is terminated. If upon the termination of the Company, the sum of the distributions received by a Member under Section 6.2 and the Tax Distributions received under this Section 6.3 exceed the amount of the distributions a Member would have been entitled to receive under Section 6.2, the Member receiving such excess distributions shall contribute to the Company the amount of such excess. The preceding sentence is for the exclusive benefit of

the Members and their permitted assigns and no third party shall be entitled to enforce or rely on such sentence.

6.4 Books and Records. At the expense of the Company, the Manager will maintain or cause to be maintained, in accordance with generally accepted accounting principles applied in a consistent manner, and more specifically in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations, adequate and accurate books and records of account in which will be entered all matters relating to the Company, including all income, expenditures, assets and liabilities. The books and records will be maintained at the Company's principal office or at such other location designated by the Manager. The books and records together with all supporting vouchers and data will be open to examination and copying by any Member or its/his duly constituted representative during normal business hours at the Company's principal office. Any Member may at any time request that a firm of independent certified public accountants audit the books and records of the Company, provided that the cost of such audit, if separate from the annual audit described in Section 6.5, will be borne by the Member requesting such audit except that, if the new audit discloses any substantial discrepancy from any regular Company audit, the cost of the audit will be paid by the Company.

6.5 Audits. At the expense of the Company, the Manager will cause the Accountants to perform an annual audit of the Company's books and records. Each Member will be furnished with a copy of the audit report on the financial statements of the Company. The financial statements will be prepared on a generally accepted accounting principles basis and will include a balance sheet, a statement of Capital Accounts of the Members, a statement of operations and a statement of changes in financial position. The audit and financial statements will be completed as soon as reasonably practical after the close of the Company's Fiscal Year.

6.6 Fiscal Year. The Fiscal Year of the Company for both reporting and federal income tax purposes will be the Fiscal Year ending on the last day of December.

ARTICLE 7 DEVELOPMENT AND MANAGEMENT OF THE PROPERTY

7.1 Title to Property. Unless all of the Members agree otherwise, title to all real and personal property acquired in accordance with this Agreement will be held in the Company's name or in the name of its wholly owned subsidiary, New Cal Neva, as appropriate. All contracts with third parties will be executed in the name of the Company.

7.2 Construction Contract. The Construction Contract with the Contractor to perform construction on the Project shall have a guaranteed maximum price with respect to the cost of all structures and other improvements and the fees associated therewith, with all cost savings going to reduce the amount drawn on the Construction Loan. The Contractor will provide the Company with a comprehensive construction guarantee that all work performed will be free from construction defects for a period of one (1) year commencing with the issuance of the certificates of occupancy for each improvement. Additionally, the Contractor will warrant that the construction will be completed substantially in accordance with plans and specifications approved by the Manager and the Construction Lender and in compliance with all construction, environmental and land use requirements of all appropriate Governmental Authorities.

7.3 Management of the Project. Day-to-day management of the Project will be performed by an Affiliate of CR approved by the Executive Committee (the "Management Company"). The management agreement (the "Management Agreement") between the Company and the Management Company will be subject to the reasonable approval of the Executive Committee and will not be subject to change without the reasonable consent of the Executive Committee. The Executive Committee shall use reasonable efforts to complete the negotiation and execution of the Management Agreement within thirty (30) days after the date hereof. The Management Agreement shall contain industry standard provisions for a hotel management agreement and shall be for a term of twenty (20) years, terminable only for cause. All Project employees will be selected and supervised by the Management Company.

7.4 Development Services Agreement. Seller shall enter into a "Development Services Agreement" with CR or its Affiliate ("Developer") pursuant to which Developer shall agree to coordinate and oversee the development of the Project. The form of such Development Services Agreement shall be substantially the same as the form that has been provided to each Member as of the date hereof. Pursuant to the Development Services Agreement, Developer shall receive a fee (the "Development Fee") in an amount equal to \$60,000.00 per month. Such fees commenced in May, 2013 and shall continue until the grand reopening date of the hotel, subject to the cap on the Development Fee set forth therein, at which time the Management Agreement shall become applicable. CR has advanced approximately \$1,667,236.18 in costs related to the Project beginning in early 2013, and CR has received and recontributed to the Company \$480,000.00 of its Development Fee as of June 1, 2014. A total of \$2,000,000.00 out of such costs and recontributed Development Fees shall serve as the Capital Contribution of CR and shall be part of the Initial Capital Contributions described in Section 4.2 hereof. Such Capital Contribution shall be treated in the same manner as the Capital Contributions of all other Preferred Members hereunder. Any amounts in excess of such \$2,000,000.00 that have been or will be advanced to the Company by CR, or that represent Development Fees that are deferred following the June, 2014 Development Fee, shall be paid directly to CR by the Company in the future as set forth in the Development Services Agreement.

7.5 Monthly Reports. CR shall prepare and deliver to the other Members on a monthly basis an executive summary discussing all Project progress and material developments relating to the Company, and it shall also include an unaudited monthly financial statement (including a cash spending summary). CR shall schedule quarterly meetings (which may be by telephone) for the Members to discuss the Project.

ARTICLE 8 MANAGEMENT OF THE COMPANY

8.1 Management. The Members have established the Company as a manager-managed limited liability company under the Act. The Members hereby designate CR as the Manager of the Company. CR may not be removed as Manager without the unanimous consent of all Members. Except as stated below with respect to "Major Decisions," Manager may exercise all powers of the Company and may do all such lawful acts and things as are not specifically required by the Act to be exercised or done by the Members. Any Person dealing with the Company may rely on the authority of the Manager in taking any action in the name of the Company without inquiry into the provisions or compliance herewith, regardless of whether that action is actually taken in accordance with the provisions of this Agreement.

8.2 Executive Committee. The Members and Manager have agreed to designate a committee (the "Executive Committee") to make Major Decisions. The Executive Committee's power is limited to making Major Decisions, which the Executive Committee shall do in accordance with this Agreement. Notwithstanding the foregoing, Manager shall have the right to place before the Executive Committee for consideration any significant matter which is not a Major Decision but which Manager would like the Executive Committee to consider. In such cases, the majority vote of the Members of the Executive Committee present or voting by proxy at any such meeting shall decide such matter.

8.3 Major Decisions. The following constitute "Major Decisions" as such term is used herein, requiring the approval of four (4) of the five (5) members of the Executive Committee (subject to Section 8.7):

8.3.1 subject to subsections 9.1.2 and 9.4.1, removal of the Manager or election of a new Manager;

8.3.2 the dissolution of the Company;

8.3.3 acquisition of any interest in real property, other than the Company Assets, and any decision to market, sell, transfer, assign or place a lien on all or any part of the Company Assets (except as specifically provided to the contrary in this Agreement);

8.3.4 any material modification to any developmental approvals obtained from any Governmental Authorities for development of the Property or any portion thereof;

8.3.5 approving the amount, terms, conditions and provisions of the Construction Loan or any other financing of the Property or additional equity contributions to the Company, including the terms of any guarantees or recourse provisions of any kind with respect to such loans, provided that the terms of the binding letter of intent dated June 26, 2013 with Hall Structured Finance are deemed approved by the Company, and a closing of the Construction Loan pursuant thereto is hereby permitted;

8.3.6 the formation of a partnership or other venture between the Company and a third party;

8.3.7 entering into any and all third party contracts or leases, and, except as described in Sections 7.3 and 7.4, entering into any contract between the Company and a third party that is an Affiliate of a Member;

8.3.8 approval of the Operating Budget and any amendments thereto;

8.3.9 any capital expenditures in excess of One Hundred Thousand Dollars (\$100,000) per expenditure or in excess of Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate per annum, unless provided for in the Project Budget or the Operating Budget;

8.3.10 any decision concerning reconstruction or repair in the event of a casualty in excess of Two Hundred Thousand Dollars (\$200,000), or any condemnation;

8.3.11 any decision to pay a Manager, a Member or any other person a salary or other compensation and the amount of such salary or other compensation and other benefits, except as otherwise provided in Sections 7.3 or 7.4 or this Article 8, or pursuant to the Operating Budget or the Project Budget;

8.3.12 the amendment of the Articles or this Agreement. However, if any proposed amendment to the Articles or this Agreement would adversely affect the rights of any class of Member in a manner that is different from the effect on the rights of other classes of Members, then such amendment must also be approved by the Member Representative (as hereinafter defined) of the Executive Committee that was appointed by the Member of the class that will be adversely affected by such amendment; or

8.3.13 any decision to change the status of the Sponsor Member or the Mezzanine Lender into that of a Preferred Member.

8.4 Designation of Executive Committee. The Executive Committee shall initially consist of five (5) members. CR shall have the right to designate two (2) members of the Executive Committee, the Preferred Member who has made the largest Capital Contribution of the Preferred Members shall have the right to designate one member of the Executive Committee, and the other two members of the Executive Committee shall be "at large" members and shall be selected by unanimous consent of the other members of the Executive Committee (such members of the Executive Committee being each a "Member Representative" and collectively the "Member Representatives"). The selection of the "at large" members must be approved by at least 67% of the Percentage Interests of the Members of the Company. Any Member Representative may vote by a written proxy delivered to another Member Representative in attendance at a meeting of the Executive Committee. If a member of the Executive Committee dies, resigns or is removed, the person or persons who designated such member shall have the right to designate his or her successor. If the member who dies, resigns or is removed is an "at large" member, his or her replacement shall be selected by unanimous consent of the other members of the Executive Committee, and such selection must be approved by at least 67% of the Percentage Interests of the Members of the Company. Member Representatives need not be residents of the State of Nevada or Members of the Company. Each Member may change its designated Member Representatives effective upon written notice from such Member to the other Members. The initial Member Representatives designated by the Members are set forth in Schedule 8.4 attached hereto. The Manager shall update Schedule 8.4 from time to time to reflect the current Member Representatives of the Executive Committee.

Executive Committee meetings shall be held at least monthly until the reopening of the hotel on the Property and at least quarterly thereafter. Preparatory information necessary for such meetings shall be supplied to the Member Representatives by Manager in advance of the scheduled meeting dates. In addition, all Members will receive (i) reasonable advance notice of each Executive Committee meeting (date, time and place) and (ii) copies of all written information and documentation made available to the Member Representatives of the Executive Committee as provided above. Members will be entitled to attend meetings of the Executive Committee, but only the Member Representatives of the Executive Committee shall be permitted to vote on any matters considered at such meetings by the Executive Committee.

8.5 Transactions Between a Member or Manager and the Company. Except as otherwise provided by applicable law or this Agreement, any Member or Manager may, but will not be obligated to, lend money to the Company, act as surety for the Company and transact other business with the Company and has the same rights and obligations when transacting business with the Company as a person or entity who is not a Member or a Manager.

8.6 Member Activities. Any of the Members, their Affiliates and any shareholder, officer, director, partner, employee or other Person holding a legal or beneficial interest in an entity which is a Member or an Affiliate thereof, may engage in or possess an interest in other business ventures of every nature and description, independently or with others, including but not limited to the ownership, development, construction, operation and management of residential and commercial property similar to the Property provided that no such other venture shall compete with the Project within the Lake Tahoe area.

8.7 Affiliates and Conflicts of Interest. The fact that a Member, an Affiliate, or a shareholder or partner of a Member or Affiliate is directly or indirectly interested in, owned, employed or connected with any Person employed by the Company or the Manager, to render or perform a service for the Company or from which the Company or the Manager may buy merchandise, material, services or other property, will not prohibit the Company or the Manager from employing such Person or from purchasing merchandise, material, services or other property therefrom or from otherwise dealing with the Person under reasonable terms and conditions such as would be reflected in an arms-length transaction, provided, all such dealings are communicated to the Members in writing prior to implementation. A Member shall be obligated to disclose to the other Members any potential Conflicts of Interest and must recuse himself or herself with respect to any action of the Members and from any vote on, related to or in connection with any Conflicts of Interest. A "Conflict of Interest" shall mean, with respect to any Member, any conflict of interest involving any such Member and the matter being considered by the Members, including, without limitation, any matter in which a Member or any affiliate thereof or a spouse or immediate family member of such Member (each of the foregoing being hereinafter referred to as a "Restricted Person") would (i) receive any type of compensation, whether in cash or in kind, from the Company or any affiliate of the Company, or any person with which the Company or any affiliate of the Company enters into a transaction, or (ii) acquire property from, sell property to, or enter into transactions with (A) the Company or any affiliate of the Company, or (B) any entity in which any Restricted Person has a voting interest of either ten percent (10%) or more of the total equity of such entity or ten percent (10%) or more of a class of voting equity of such entity. If a Member Representative on the Executive Committee has a Conflict of Interest, that Member Representative shall be recused from voting on the matter being considered by the Executive Committee. In such event, the vote of at least 100% of the remaining non-conflicted Member Representatives on the Executive Committee shall be required to pass any item that is being voted upon by the Executive Committee.

8.8 Reimbursements. The Company will reimburse the Members and the Manager for reasonable expenses incurred and paid by any of them in the organization of the Company and as authorized by the Company in the conduct of the Company's business, including, but not limited to, expenses of maintaining an office, telephones, travel, office equipment and secretarial and other personnel as may reasonably be attributable to the Company and any other predevelopment expenses set forth in the Project Budget. Such expenses will not include any expenses incurred in connection with a Member's or a Manager's exercise of its rights as a

Member or a Manager apart from the authorized conduct of the Company's business. Such reimbursements will be treated as expenses of the Company and will not be deemed to constitute distributions to any Member of profit, loss or capital of the Company.

8.9 Partition. While this Agreement remains in effect or is continued, each Member agrees and waives its rights to have any Company Assets partitioned, or to file a complaint or to institute any suit, action or proceeding at law or in equity to have any Company Assets partitioned, and each Member, on behalf of itself, its successors and its assigns hereby waives any such right.

8.10 Resignations; Retirement. A Member may not resign from the Company unless (i) he has contributed the full amount of money or other consideration which constitutes his Capital Contribution as required herein; and (ii) following his resignation there will be at least two (2) remaining Members of the Company. The Company may recover damages for breach of this Section 8.10 if any Member violates this Section 8.10 and may offset the Company's damages against any amount owed to a resigning Member for distributions.

ARTICLE 9 MANAGER

9.1 Manager.

9.1.1 The management of the Company's business will be vested in the Manager. The Manager will have the authority to sign agreements and other instruments on behalf of the Company.

9.1.2 CR shall serve as the initial Manager. Such entity will serve until such time as it resigns or is removed. The Manager may be removed with or without cause by a vote of 80% of the Percentage Interests of the Members other than the Manager. Upon the resignation or removal of the Manager, CR will designate the replacement Manager, subject to the approval of four of the five members of the Executive Committee.

9.1.3 The Manager may engage in other business activities as permitted by Section 8.5 and will be obliged to devote only as much of his time to the Company's business as may be reasonably required in light of the Company's business and objectives. The Manager will perform its duties as a Manager in good faith, in a manner it reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A person or entity who so performs its duties will not have any liability by reason of being or having been a Manager of the Company.

9.1.4 The number of Managers will be one (1), who may be an entity or a natural person eighteen (18) years of age or older but who need not be a Member of the Company or a resident of Nevada .

9.1.5 In performing its duties, the Manager will be entitled to rely on information, opinions, reports or statements of the following persons or groups unless it has knowledge concerning the matter in question that would cause such reliance to be unwarranted:

(a) one or more employees or other agents of the Company whom the Manager reasonably believes to be reliable and competent in the matters presented;

(b) any attorney, public accountant or other person as to matters which the Manager reasonably believes to be within such person's professional or expert competence; or

(c) a committee upon which it does not serve, duly designated in accordance with a provision of this Agreement, as to matters within its designated authority, which committee the Manager reasonably believes to merit competence.

9.1.6 The Manager is an agent of the Company for the purpose of its business, and the act of the Manager, including the execution in the Company name of any instrument for apparently carrying on in the usual way the business of the Company, binds the Company, unless such act is in contravention of the Articles or this Agreement or unless the Manager so acting otherwise lacks the authority to act for the Company and the person with whom it is dealing has knowledge of the fact that it has no such authority.

9.2 **Powers of the Manager.** Subject to the limitations set forth elsewhere in this Agreement, the Manager will have the right and authority to take all actions which the Manager deems necessary, useful or appropriate for the day-to-day management and conduct of the Company's business.

Subject to Section 8.1, the Manager may exercise all powers of the Company and do all such lawful acts and things as are not by statute, the Act, the Articles or this Agreement directed or required to be exercised or done by a majority in interest of the Members, except that no debt will be contracted or liability incurred by or on behalf of the Company by the Manager except as set forth in the Project Budget or the Operating Budget. All instruments, contracts, agreements and documents providing for the acquisition, mortgage or disposition of the Company Assets will be valid and binding on the Company if executed by the Manager. All instruments, contracts, agreements and documents of whatsoever type executed on behalf of the Company may be executed in the name of the Company by the Manager.

9.3 **Salaries.** Subject to subsection 8.3.11, the Company may not pay to any Manager, Member or other person a salary as compensation for their services rendered to the Company.

9.4 **Removal of a Manager.**

9.4.1 Subject to the provisions of the Act and subject to the satisfaction of the conditions specified in this Article 9, a vote of 80% of the Percentage Interests of the Members may remove the Manager with or without cause.

9.4.2 The removal of a Manager will become effective on such date as may be specified by CR.

9.5 Resignation of a Manager. A Manager may resign from his position as a Manager at any time by notice to the Members. Such resignation will become effective as set forth in such notice.

9.6 Vacancies. Any vacancy occurring in the position of Manager will be filled as set forth in Section 9.1.2.

9.7 Duties of the Manager. The Manager will have the following primary duties and responsibilities, with such limitations on their powers as set forth below and elsewhere in this Agreement:

9.7.1 The preparation of the Project Budget and the Operating Budget and expending the capital and revenues of the Company in accordance with such approved budgets;

9.7.2 Negotiating and arranging for all third party equity requirements, the Construction Loan and other loans, and preparing all projections, financial reports and other information or material to be furnished to the lender, in consultation with and subject to the approval of the Executive Committee;

9.7.3 Supervising construction, alterations and improvements with respect to the Project; retaining, terminating and/or hiring the services of engineers, surveyors, appraisers, accountants, attorneys, mortgage brokers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, and such other technical or administrative advisors as reasonably deemed necessary by the Manager to further the purposes of the Company; retaining agents and employees for the Company, including property managers for the Property, and to delegate any of their powers (but not their obligations) to such agents or employees and direct such agents or employees with respect to the implementation of the Manager's decisions and the conduct of day-to-day operations of the Company;

9.7.4 The negotiation, administration, review and coordination of contracts on behalf of the Company for the development of the Project, and the administration and coordination of on-site and offsite improvements, warranty claims and corrective work;

9.7.5 Entering into and executing (i) agreements and any and all documents and instruments customarily employed in the real estate industry in connection with the development and operations of Property; and (ii) all other instruments deemed to be necessary or appropriate to the proper operation of the Property or to perform effectively and properly their duties or exercise their powers hereunder;

9.7.6 Placing or investing Company assets in bank savings and checking accounts, savings and loan associations, commercial paper, government securities, certificates of deposit, bankers' acceptances and other short-term interest-bearing obligations; provided, however, that the Manager will use best efforts to cause uninvested cash reserves of the Company to be placed in interest-bearing accounts or instruments. To the extent funds of the Company are sufficient therefor, the Manager may maintain reserves for operating or other expenses to the extent contemplated in the Operating Budget;

9.7.7 The performance of other customary development functions, including seeking to obtain all local, state and federal permits, approvals and land use consents and acting as a liaison with all Governmental Authorities having jurisdiction over the development of the Property, and processing all governmental permits and approvals; and authorizing such research reports, economic and statistical data, evaluations, analysis, opinions and recommendations as may be necessary to further the purposes of the Company;

9.7.8 Subject to the other provisions of this Article 9, supervising the marketing and sales of portions of the Property and negotiating and executing contracts, or authorizing others to negotiate and execute contracts for sales of portions of the Property, in consultation with and subject to the approval of the Executive Committee;

9.7.9 Procuring and maintaining insurance policies with such coverage and in such amounts as required by this Agreement or the Loan;

9.7.10 File protests regarding property tax assessments and commence, defend, and settle litigation arising from such protests;

9.7.11 Prepare and deliver to each of the Members periodic reports not less than quarterly of the state of the business and the affairs of the Company as well as quarterly financial statements, and maintain, or cause to be maintained, the books and records;

9.7.12 Within seventy-five (75) days after the end of each Fiscal Year, or as soon as reasonably practical after the end thereof, cause the Accountants to conduct the audit required herein, and prepare and deliver to each Member a report setting forth in sufficient detail all such information and data with respect to business transactions affected by or involving the Company during such Fiscal Year as will enable the Company and Members to prepare their Federal, state and local income tax returns in accordance with the laws, rules and regulations then prevailing. The Manager will also cause such Accountants to prepare Federal, state or local tax returns required of the Company and file the same; provided, however, that the Manager shall provide all Members with a copy of the proposed tax returns at least fifteen (15) days prior to the filing date or the extended filing date, as applicable. The Manager will also furnish to each Member such other reports on the Company's operations and conditions as may be reasonably requested by any Member;

9.7.13 Collecting all revenues payable to the Company and depositing all sums collected in the Company's account or accounts in a bank or financial institution selected by the Manager;

9.7.14 Making, or causing to be made, distributions of Net Cash From Operations and Net Cash From Sales and Financings pursuant to Section 6.2; and

9.7.15 Developing, operating, managing and supervising the hotel operations which are developed as part of the Project in accordance with this Agreement.

9.8 **Expenses of Company.** Expenses to carry out the purposes and business of the Company will constitute Company expenditures and, when appropriate, will be paid by the Company from its accounts. Members will be reimbursed for reasonable expenditures made in

furtherance of Company business, including travel related costs for attending Company meetings.

ARTICLE 10 MEETINGS AND VOTES OF MEMBERS

10.1 Meetings. Meetings of the Members will be held each year at the business office of the Company or at such other place as specified from time to time by the Manager. If the Manager specifies another location such change in location will be recorded on the notice calling such meeting. Meetings of the Members may be held in person, by telephone or by video conference.

10.2 Annual Meetings. In the absence of a notice from the Manager providing otherwise, the annual meeting of Members of the Company for the transaction of such business as may properly come before the meeting, will be held on the first Wednesday in April at 4:00 p.m. in each fiscal year, if the same be not a legal holiday, and if a legal holiday, then on the next succeeding business day. Failure to hold the annual meeting at the designated time will not work a forfeiture or dissolution of the Company.

10.3 Special Meetings. Special meetings of the Members will be scheduled and presided over by the Manager. Special meetings may be called by the Manager or upon the request of Members who hold not less than ten percent (10%) of the voting rights entitled to vote at the meeting provided that requests to approve the admission of Substitute Members may be postponed until the annual meeting of the Members.

10.4 Court Ordered Meeting.

10.4.1 Any court of competent jurisdiction in the State of Nevada may summarily order a meeting to be held:

(a) on application of any Member if an annual meeting was not held within six (6) months after the end of the Company's fiscal year or fifteen (15) months after its last annual meeting, whichever is earlier; or

(b) on application of a Member who participated in a proper call for a special meeting if (i) notice of the special meeting was not given within thirty (30) days after the date the demand was delivered to the Manager; or (ii) the special meeting was not held in accordance with the notice.

10.4.2 The court may fix the time and place of the meeting, specify a record date for determining Members entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for the meeting or direct that the interests represented at the meeting constitute a quorum for the meeting, and enter other orders necessary to permit the meeting to be held.

10.5 Notice.

10.5.1 Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be delivered unless otherwise prescribed by the Act, not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Manager or person calling the meeting to each Member of record entitled to vote at such meeting.

10.5.2 Notice to Members of record, if mailed, will be deemed delivered as to any Member when deposited in the United States mail, addressed to the Member with postage prepaid, but, if three (3) successive letters mailed to the last-known address of any Member are returned as undeliverable, no further notices to such Member will be necessary until another address for such Member is made known to the Company.

10.5.3 When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting will be given to each Member entitled to vote at the meeting.

10.6 Waiver of Notice.

10.6.1 When any notice is required to be given to any Member under the provisions of the Act or under the provisions of the Articles or this Agreement, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated herein, will be equivalent to the giving of such notice.

10.6.2 By attending a meeting, a Member:

(a) waives objection to lack of notice or defective notice of such meeting unless the Member, at the beginning of the meeting, objects to the holding of the meeting or the transacting of business at the meeting;

(b) waives objection to consideration at such meeting of a particular matter not within the purpose or purposes described in the meeting notice unless the Member objects to considering the matter when it is presented.

10.7 **Proxies.** Each Member may designate up to three individuals as proxies, and any proxy designated by a Member shall be authorized to sign approvals, vote or otherwise act on behalf of that Member. Such proxies may be changed at any time upon the discretion of the Member who has named such proxies, provided any such changes shall be specified in a written notice from such Member to all other Members.

10.8 Voting Procedures.

10.8.1 The costs of calling and holding the annual meeting of the Members and special meetings called by the Manager will be paid by the Company. Such costs for all other

meetings called by the Members will be paid by the Members calling the meeting. Each Member will be responsible for its own costs associated with attending and participating in a meeting.

10.8.2 Matters not described in a meeting notice maybe discussed at a meeting if all Members or their authorized representatives are present at the meeting and may be voted upon if the Members or their authorized representatives possessing at least the required percentage of the votes to approve such matter are present at the meeting.

10.9 **Action by Members Without a Meeting.** Unless the Articles, the Act or this Agreement provide otherwise, action required or permitted by the Act to be taken at a Members' meeting, including but not limited to the annual meeting, may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote. Action taken under this Section 10.9 is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

Written consent of all of the Members entitled to vote on any matter has the same force and effect as a unanimous vote of such Members and may be stated as such in any document.

ARTICLE 11 MEMBERS' LIABILITY AND INDEMNITY

11.1 Members.

11.1.1 No Member will be liable under a judgment, decree or order of a court, or in any other manner, for the debts, liabilities or obligations of the Company. A Member will have no liability to any other Member and/or the Company when acting pursuant to its authority granted pursuant to the Articles and/or this Agreement except to the extent such Member's acts or omissions constituted willful misconduct or gross negligence of such Member, or violation of Federal, state or local laws. Additionally, a Member will be liable to the Company for any difference between its Capital Contribution actually paid in and the amount promised by any Member as stated in this Agreement or any writing signed by the Member.

11.1.2 If a Member has received the return of any part of its Capital Contribution in violation of this Agreement or the Act, it is liable to the Company for a period of six (6) years thereafter for the amount of the Capital Contribution wrongfully returned.

11.1.3 If a Member has received the return in whole or in part of its Capital Contribution without violation of this Agreement or the Act, that Member is liable to the Company for a period of six (6) years thereafter for the amount of the returned Capital Contribution, but only to the extent necessary to discharge the liabilities of the Company to those creditors who extended credit to the Company during the period the Capital Contribution was held by the Company.

11.2 **Manager.** The Manager does not in any way guarantee the return of any Members' Capital Contribution or a profit for the Members from the Company's business. The Manager will incur no liability to the Company or to any of the Members as a result of engaging in any other business or venture regardless of whether such other business or venture competes with the Company or whether the Manager is active in the management or business of such other

business or venture, provided that the Manager's involvement in such other business or venture is permitted under this Agreement and is not within 50 miles of the Project. Neither the Company nor any of the Members will have any rights by virtue of the Articles, this Agreement or any applicable law in or to the other business ventures of the Manager or to the income, gains, losses, deductions and credits derived therefrom by the Manager unless Manager is in violation of this Article 11.2.

11.3 Company's Indemnification of Members, Manager, Employees or Agents. The Company agrees to indemnify its Members, Manager, employees and agents to the fullest extent permitted by law and specifically in the Act, and may purchase insurance to protect the Company's directors, officers, employees and agents.

11.4 Force Majeure. Notwithstanding anything in this Agreement to the contrary, a Member or the Manager will not be liable (except for such Member's obligation to contribute or return its Capital Contributions under the Act or this Agreement) for any loss or damage to the Company Assets or operations caused by its failure to carry out any of the provisions of the Articles and/or this Agreement as a result of foreseeable or unforeseeable acts of God or incidents resulting from outside forces, beyond the control of such Member or Manager, such as strikes, labor troubles, riots, fires, weather, floods, acts of a public enemy, insurrections, breakdown or failure of machinery, acts, omissions or delays of governmental authorities and governmental laws, rules, regulations or orders.

11.5 Remedies. The remedies of the Members hereunder are cumulative and will not exclude any other remedies to which a Member may be lawfully entitled. The Members acknowledge that all legal remedies for any breach of this Agreement may be inadequate, and therefore they consent to any appropriate equitable remedy; provided, that any failure of a Member to abide by the terms of this Agreement, including without limitation any vote or consent that should bind a Member, or any other failure to adhere to the terms of this Agreement which cost the Company legal and court costs to enforce same will render the breaching Member liable to the Company for any such fees and costs.

11.6 Waiver. The failure of any Member to insist upon strict performance of a covenant or condition hereunder will not be a waiver of its right to demand strict compliance therewith in the future.

ARTICLE 12 TRANSFERS

12.1 Transfer Restrictions. Each Member hereby agrees that its Interests and any economic benefit therein are not transferable except as provided in this Article 12. "Economic benefit" or "benefit" of an Interest will mean an Interest share of the Company's profits or other compensation by way of income and return of contributions but will not include the Company's losses, deductions and credits.

12.2 Prohibited Transfer. Except as provided in this Article 12, no Member may sell, transfer, assign or otherwise dispose of or mortgage, hypothecate, or otherwise encumber or permit or suffer any encumbrance of all or any part of its Interests unless approved in writing by Members holding at least 67% of the Percentage Interests in the Company, acting in their

reasonable discretion, and any attempt to so transfer or encumber any such interest without such approval will be null and void and will not bind the Company or the other Members.

12.3 Requirements for Transfer. Transfers of Interests and/or economic benefits therein during any year will become effective as of the date of any required approval by all of the other Members, provided that the transferee and transferor have satisfied all of the requirements of this Article 12. Subject to satisfying the requirements of this Article 12, any such transfer requiring approval of the Members pursuant to this Article 12 will be considered by the Members at the Members' next annual or special meeting. Unless and until the transferee of a Member's Interests is accepted by a Substitute Member pursuant to this Article 12, the transferor Member will remain a Member in the Company and will retain all rights and obligations incident to such status, except to the extent that the transferor agrees to transfer the economic benefits of its Interests as permitted by this Article 12 for transfers of economic benefits without the consent of the other Members. Notwithstanding anything in this Article 12 to the contrary, any transfer by any Member of all or any portion of his or its Interests, from time to time, (i) by operation of law (for instance in the case of a merger) or (ii) to any Affiliate may be accomplished without restriction, right of first offer or consent of the Manager or the other Members. The Interests of the transferring Member will be deemed transferred when the Manager and the other Members have received written notice of such transfer along with the name and address of the transferee and number of Interests transferred.

Notwithstanding anything to the contrary, any attempted or purported transfer of any Interest or economic benefit therein (including, but not limited to, an adjustment of the right to receive profits or the return of contributions) in violation of the following restrictions will be void ab initio and of no effect:

12.3.1 No transfer may be made within the meaning of the Code or the regulations thereunder, if such transfer would result in the termination of the Company under the Code;

12.3.2 No transfer may be made except in compliance with or pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, and in compliance with or pursuant to an exemption from applicable state securities laws and rules and regulations promulgated thereunder;

12.3.3 No transfer may be made which would cause the Company to become an "investment company" under the Investment Company Act of 1940, as amended;

12.3.4 No transfer may be made which would cause the Company to be deemed to be a "publicly traded partnership" under the Code or would otherwise cause the Company to be treated as an association or corporation for tax purposes under the Code; and

12.3.5 No direct transfer may be made to a minor or incompetent in any respect unless made for their benefit to their guardian, trustee or other legal representative.

12.4 Company Review. Prior to the vote of the Members for their admission of a transferee of Interests as a Substitute Member the transferor may or oral report of the proposed transfer to the Company for its review. Subject

opinion of counsel that the restrictions provided in this Article 12 will not be violated by the transfer, the Company will notify the transferor within sixty (60) days after receipt whether or not the proposed transfer violates any of the restrictions contained in this Article 12 and whether or not the transfer consequently may be effected. Any opinion of counsel will be provided at the option of the Company by the transferring parties at their sole expense, will be satisfactory in form and substance to the Company and will be from counsel satisfactory to the Company.

12.5 Transfers of Economic Benefits Without Members' Approval. Subject to Sections 12.1 and 12.2, economic benefits in Interests may be transferred in whole or in part without the consent of the Members in the following events:

12.5.1 the transfer as a result of the death of a Member;

12.5.2 the transfer in connection with the entry of a divorce decree for or against a Member;

12.5.3 the transfer as a gift and for no consideration;

12.5.4 the sale or other transfer to related parties after which the ownership of the economic benefits will be effectively unchanged, i.e., intra-family transfers or transfers within an affiliated group;

12.5.5 the occasional accommodation transfer by a Member; or

12.5.6 the pledge to a Lender in connection with any Project financing or, after Substantial Completion, any other financing.

12.6 Transfers with Members' Approval.

12.6.1 Following satisfaction of the requirements of Sections 12.3 and 12.4, a proposed transfer of Interests requiring the Members' approval will be submitted to the Members for their approval after:

(a) the transferee has executed this Agreement and any other documents and instruments as the Company may require; and

(b) the transferring parties have paid and have agreed to pay, as the Company will determine, all reasonable expenses connected with such request and admission, including, but not limited to, any required opinion of counsel, the legal fees and costs associated with the preparation and filing of all other documents necessary to continue the Company's right to do business in the jurisdictions in which it is then doing business. The Company will not be obligated to justify such expenses and for its convenience in lieu of itemizing such expenses, may select a reasonable amount to cover such expenses.

12.6.2 Upon satisfaction of Sections 12.3, 12.4 and for Interests, 12.6.1, the request for transfer of Interests will be submitted to the Members at the Company's next annual or special meeting. The Members will vote whether or not to approve a proposed transfer of Interests and whether or not a proposed transferee of Interests should be admitted as a Substitute

Member for the transferor Member to the extent of the Interests proposed to be transferred. If a proposed transferee of Interests is not approved to be a Substitute Member, then subject to the provisions of the proposed transfer, such transferee may nevertheless receive the "economic benefits" of such Interests pursuant to the definition of "economic benefits" set forth in Section 12.1 hereof.

12.6.3 If a proposed transfer of Interests is approved by all of the Members, the transferee will be admitted as a Member and will be vested with all the rights and powers, and be subject to all the restrictions and liabilities of the transferor to the extent of the Interests transferred. Admission of a transferee as a Substitute Member will not relieve the transferor from any obligation or liability that existed on or before the effective date of admission; provided that the transferor will be relieved from obligations and liabilities arising thereafter and arising under existing agreements to the extent that such obligations are to be performed after the effective date of admission or that such liabilities arise thereafter.

12.6.4 If a proposed transfer of Interests is refused by or on behalf of any Member, the proposed transferee of the Member's Interests will not be admitted as a Member and will not have the right to participate in the management of the business and affairs of the Company, provided that such transferring parties may again apply to have the transferee admitted as a Substitute Member.

12.7 Death of Member; Other Termination of Membership.

12.7.1 In the event of the death of a Member who is an individual or if a court of competent jurisdiction adjudges a Member to be incompetent to manage his person or his property, followed by a decision by or on behalf of all of the remaining Members to continue the Company rather than allowing it to dissolve, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights for the purpose of settling his estate or administering his property. If a Member is a corporation, trust or other entity and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

12.7.2 In the event of bankruptcy or dissolution of a Member, followed by the continuation of the Company rather than a vote of the Members to dissolve the Company, any successor to the Interests of the affected Member as a result thereof will be deemed to be the transferee of the entire interest of the affected Member and may be admitted at the next annual meeting as a Substitute Member upon satisfaction of the requirements of this Article 12.

12.7.3 The provisions of Article 2 and this Section 12.7 will not cause or require the dissolution of the Company should any of the events described in such Article or Section occur to a person or entity who is not a Member but only possesses economic benefits associated with any Interests.

12.8 **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of the heirs, executors, administrators, successors and permitted assigns of the parties hereto.

ARTICLE 13
TERMINATION AND DISSOLUTION

13.1 Events Requiring Termination and Dissolution. The Company will be dissolved and terminated upon the happening of any of the following events:

13.1.1 Expiration of the term of the Company, as set forth in Section 2.3, unless extended by mutual consent all of the Members;

13.1.2 Any event as otherwise specified in this Agreement or in accordance with law;

13.1.3 By the written consent of four of the five members of the Executive Committee pursuant to Section 8.3.2; or

13.1.4 The sale or other disposition of substantially all assets of the Company such that the sole asset of the Company is cash.

13.2 Management During Liquidation. In the event of a termination, the rights and obligations of the Members with respect to management of the Company will be continued by the Manager during the period of winding up. The Company Assets will be liquidated as promptly as is consistent with obtaining the fair market value of the assets, and the liquidation will be conducted in compliance with law and sound business practice. The Manager may maintain reasonable reserves to provide for the payment of contingent claims and liabilities. The Manager will be entitled to reimbursement for out-of-pocket expenses incurred in connection with the winding-up and liquidation of the Company. Such reimbursement will be paid as an expense of the Company after all debts to all third parties have been repaid but before any repayment of loans or advances by the Members.

13.3 Members' Right to Bid for Assets. Upon the dissolution and liquidation of the Company, any Member may make a bid or tender on any of the Company Assets. Those assets as are bid upon by a Member will not be sold to a third party unless the bid made by such third party is upon more favorable terms and conditions than the highest and best bid of a Member.

13.4 Distribution of Liquidation Proceeds. Liquidation proceeds, to the extent sufficient therefor, will be applied and distributed in the following order:

13.4.1 To the expenses of such liquidation;

13.4.2 To the payment and discharge of all other Company debts and liabilities (other than those to Members), including the establishment of any necessary reserves;

13.4.3 All remaining assets of the Company will be distributed to the Members in the manner set forth in Section 6.2 hereof.

13.5 Distribution of Company Assets. The Company shall not distribute any Company Assets to its Members upon the liquidation of the Company other than cash unless all of the Members agree to the distribution by the Company of assets other than cash and the value

to be assigned to such assets. To the extent assets other than cash are distributed to the Members, such distributions shall be based on the fair market value of the assets distributed.

ARTICLE 14 DISPUTE RESOLUTION

14.1 Application of Section. Whenever either the Manager or the Members cannot mutually agree on the resolution of a matter or dispute, the provisions of this Article will apply. The rights and obligations of the Manager with respect to the management of the Company will continue until the dispute is resolved pursuant to this Article 14.

14.2 Mediation. In the event of a dispute, any dissatisfied Member will provide notice of the dispute to all of the other Members. The Members will then arrange a meeting to discuss the dispute within ten (10) days of receipt of notice of the dispute. If the dispute cannot be resolved among the Members within thirty (30) days of the meeting to discuss the dispute, then any Member may submit the dispute to mediation by notice to all of the other Members (the "Mediation Notice"). The Member sending such notice shall then have ten (10) days to make a request to a reputable and nationally recognized agency in the State of California which specializes in mediation to select a mediator to assist in resolving the dispute. The costs of the mediator will be shared equally by the Members and all decisions as to date, time and location of mediation meetings shall be made by the mediator. If the dispute cannot be resolved through mediation within ninety (90) days of the Mediation Notice, then, and only then, will the provisions of Section 14.3 apply.

14.3 Other Remedies. If the dispute cannot be resolved pursuant to Section 14.2, then either party may seek whatever remedies are available at law or in equity, subject to any limitations set forth in this Agreement, in state or Federal court situated in Washoe County, Nevada.

ARTICLE 15 AMENDMENTS

15.1 Proposal of Amendments. Any amendments to the Articles and this Agreement must be approved by four (4) of the five (5) members of the Executive Committee, subject to the terms of Section 8.3.12.

15.2 Amendments by TMP. Notwithstanding any provision of this Agreement, amendments to this Agreement which, in the opinion of counsel to the Company, are necessary to maintain the status of the Company as a tax partnership under federal or state law or for other tax purposes may be made by the TMP without the necessity of the approval of the Executive Committee or the Members.

ARTICLE 16 MISCELLANEOUS

16.1 Notice. All notices, requests, consents and other communications required or permitted under this Agreement must be in writing and must be (as elected by the Person giving

such notice) hand delivered by messenger or courier service, telecommunicated, or mailed by registered or certified mail (postage prepaid), return receipt requested, addressed to:

If to CR: CR Cal Neva, LLC
c/o Criswell Radovan, L.L.C.
1336-D Oak Street
St. Helena, California 94574
Attn: Robert Radovan
Facsimile: 707/963-0513

With copy to: Powell Coleman & Arnold LLP
8080 North Central Expressway, Suite 1380
Dallas, Texas 75206
Attn: Bruce Coleman, Esq.
Facsimile: 214/373-8768

If to other Members: At the addresses set forth on Schedule 4.1

16.1.1 Each such notice will be deemed delivered (a) on the date delivered if by personal delivery, (b) on the date of a receipt of a clear copy if by telecopy, (c) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the carrier as not deliverable, as the case may be, if sent by overnight courier service such as Federal Express, and (d) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed.

16.1.2 By giving to the other parties at least fifteen (15) days written notice thereof, the parties hereto and their respective successors and assigns will have the right at any time during the term of this Agreement to change their respective addresses and each will have the right to specify as its address any other address within the United States of America.

16.1.3 A transferee of an interest by any Member will be entitled to receive copies of notices hereunder, provided such transferee will have given notice to the Company and all Members of its designated address for purposes of this Section and further provided that such transferee has otherwise complied with the terms and conditions of this Agreement in acquiring its interest hereunder.

16.2 **Governing Law.** This Agreement has been executed and delivered within the State of California, is a contract made under the laws of the State of California, and will be governed by and interpreted in accordance with the laws of the State of California, without regard to conflict of law principles thereunder.

16.3 **Successors.** Except as otherwise specifically provided herein, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

16.4 **Pronouns.** Wherever from the context it appears appropriate, each term stated in either the singular or the plural will include the singular and the plural, and pronouns stated in

either the masculine, the feminine or the neuter gender will include the masculine, feminine and neuter.

16.5 Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

16.6 Severability. If any provision of this Agreement, or the application of such provision to any Person or circumstance, is held invalid, the remainder of the Agreement, or the application of such provision to Persons or circumstances other than those to which it is held invalid, will not be affected hereby.

16.7 Counterparts. This Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument. In addition, this Agreement may contain more than one counterpart of the signature page, and this Agreement may be executed by the affixing of the signatures of each of the Members to one of such counterpart signature pages, all of which will have the same force and effect as though all of the signatories had signed a single signature page.

16.8 Entire Agreement; Amendment. This Agreement embodies and constitutes the entire understandings of the parties with respect to the transactions contemplated herein, and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement unless specifically agreed to by the Members. Except as set forth in Article 15, neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing executed by the Members; provided, however, that if an amendment to this Agreement has been approved as a Major Decision pursuant to Section 8.3.12 above, such amendment may be executed pursuant to powers of attorney previously granted by each Member in the event any of the Members fail to execute such amendment personally.

16.9 Attorneys' Fees. If any Member or Manager commences an action against the other Members and/or Manager to interpret or enforce any of the terms of this Agreement or as the result of a breach by the other Member(s) or Manager(s) of any terms hereof, the losing (or defaulting) Member(s) or Manager(s) will pay to the prevailing Member(s) or Manager(s) reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action (including at the appellate level), whether or not the action is prosecuted to a final judgment.

16.10 Further Assurances. Each Member agrees to execute and deliver any and all such other and additional instruments and documents and do any and all such other acts and things as may be necessary or expedient to more fully effectuate this Agreement and to carry on the business contemplated hereunder.

16.11 Equitable Remedies. Each of the parties hereto acknowledges and agrees that, in the event of a breach or threatened breach of this Agreement by any Member or the failure of a Member to perform in accordance with the specific terms hereof, the other parties hereto will be irreparably damaged and that monetary damages would not provide an adequate remedy. Accordingly, it is agreed that, in addition to any and all other rights which may be available, at

law or in equity, the non-breaching parties will be entitled to injunctive relief and/or specifically to enforce the terms and provisions hereof in any action instituted in accordance with Section 16.12.

16.12 Indemnities.

16.12.1 The Manager will not be liable for errors in judgment, whether or not disclosed, unless due to gross negligence, willful neglect or intentional misconduct. From and after the Effective Date, the Company will and does hereby indemnify and hold harmless the Manager from and against any and all claims, actions, suits, liabilities, judgments, obligations, losses, penalties, demands, expenses and damages (and all expenses associated therewith, including court costs and attorney's fees at all negotiations, trial and appellate levels) incurred by the Manager in respect of any act or omission to act by the Manager, whether or not such act or omission to act was negligent, including without limitation any such act or omission by them when acting in the good faith belief that they were acting or refraining from acting within the scope of their authority under this Agreement on behalf of the Company or in furtherance of their interests, provided that the foregoing will not entitle the Manager to indemnification for gross negligence, willful neglect or intentional misconduct.

16.12.2 Notwithstanding subsection 16.12.1, a Member will not be liable to the Company or any other Member arising from any act or omission to act, even if involving gross negligence, willful neglect or intentional misconduct, unless claim, action, right of action, suit, investigation, liability, judgment, obligation, loss, penalty, demand, expense or damage therefor is made or otherwise instituted before such Member ceases to be a Member of the Company or before the date of dissolution, winding up and termination of the Company.

16.13 Contributions. In the event that one Member is held severally liable for the debts of the Company, and such liability did not arise out of such Member's assumption of such liability or its negligent or willful act, such Member will be entitled to contribution from the other Members.

16.14 No Third Party Rights. The provisions of this Agreement are for the exclusive benefit of the Company and the Members and no other party (including without limitation any creditor of the Company or any Member) will have any right or claim against the Company or any Member by reason of those provisions or be entitled to enforce any of those provisions against the Company or any Member.

16.15 Reliance on Experts. For purposes of this Agreement, whenever one of the Members reasonably requires or retains the use of an expert in order to discharge a duty hereunder, such Member's sole responsibility in connection with such duties will be the reasonable reliance upon the advice of the experts, and no Member will be liable on account of any duty or obligation imposed hereunder in the event of a reliance upon professional advice.

16.16 Submission to Jurisdiction. Subject to the provisions of Article 14 hereof, each of the Members irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Agreement will be brought in the courts of record of the State of California in Placer County or the courts of the United States with jurisdiction over Placer County, California; (b) consents to the jurisdiction of each such court in any such suit,

action or proceeding; (c) waives any objection which he/she may have to the laying of venue of any such suit, action or proceeding in any of such courts; (d) consents to service of any court paper by mail, as provided in Section 16.1 hereof, or in such other manner as may be provided under applicable laws or court rules in California. Notwithstanding the provisions of this Section 16.16, the Members acknowledge that before a Member may file legal action against one or more Members, such Member must have complied with the remedies available pursuant to Article 14 of this Agreement.

16.17 Remedies Cumulative. The rights and remedies given in this Agreement to a non-defaulting Member or the Company are deemed cumulative, and the exercise of one of such remedies will not operate to bar the exercise of any other rights and remedies reserved to a non-defaulting Member under the provisions of this Agreement or given to a non-defaulting Member by law.

16.18 No Waiver. One or more waivers of a breach of any provision of this Agreement by any Member will not be construed as a waiver of a subsequent breach of the same or any other provision, nor will any delay or omission by a non-defaulting Member to seek a remedy for any breach of any provision of this Agreement by a Member be construed as a waiver by the non-defaulting Member of the right to exercise its/his/her remedies and rights with respect to such breach or any subsequent breach, whether similar or not.

16.19 Confidentiality. Except as required in the normal conduct of a Member's business or as required by law, no Member, without the written approval of all Members, whether during continuance of the Company or after its termination, will divulge to any Person not a Member other than its/his/her attorneys, accountants, employees and professional advisers, any information concerning the business of the Company or the content of this Agreement or any other contract or agreement entered into by the Company. A Member may, however, disclose to third parties the existence of the Company and the names of the Members.

16.20 Construction. This Agreement will be interpreted without regard to any presumption or rule requiring construction against the party causing this Agreement to be drafted.

16.21 Accounts. In no case will funds of the Company be commingled with funds not belonging to the Company. Withdrawals from any such account or accounts will be made upon the signature or signatures of such Persons as the Manager may designate.

16.22 Time of the Essence. Time is of the essence of this Agreement.

16.23 Time Devoted to Venture. No Member will be required to devote its/his/her entire time or attention to the business of the Venture, or more time or attention than reasonably required to carry out its/his/her obligations under this Agreement.

16.24 Exhibits. All Exhibits, and documents attached thereto, referred to in this Agreement are deemed incorporated herein by reference as if fully set forth in length.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first set forth above.

CR CAL NEVA, LLC

By: William T. Criswell
William T. Criswell, President

IMC INVESTMENT GROUP CNR, LLC,
a Nevada limited liability company

By: 
Brandon Chaney, Manager

MUNNERLYN REVOCABLE TRUST dated
September 17, 1997

By: Charles R. Munnerlyn, Trustee
Charles R. Munnerlyn, Trustee

By: Judith G. Munnerlyn, Trustee
Judith G. Munnerlyn, Trustee

PAUL AND EVY PAYE, LLC,
a California limited liability company

By: 
John Paye, Manager

CEA VENTURES, LP


By: CEA Holdings, LLC,
General Partner

By: 
Donna M. Gibson, Managing Member

OAKDALE AVENUE PARTNERS, LP

By: Oakdale Avenue Management, LLC,
General Partner

By: 
John F. Miller, Manager

 - TRUSTEE
LESLIE P. BUSICK, Trustee of that certain Trust
Agreement dated June 11, 1974, as amended

THE ERICKSON FAMILY TRUST dated
August 3, 2006

By: 
Philip L. Erickson, Trustee

Sep 04 14 06:50a Dixon Financial Services

5305500695

p.1

Sep 03 14 05:59p D F S

825 283 3524

p.1

DIXON FAMILY TRUST
DATED NOVEMBER 1, 1994

By: *Michael A. Dixon*, Trustee
Michael A. Dixon, Trustee

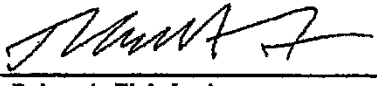
By: *Sharon L. Dixon*
Sharon L. Dixon, Trustee

MARTIN FAMILY TRUST
DATED APRIL 20, 2000

By: *CAROL E. MARTIN*
CAROL E. MARTIN, Trustee


By: *DAVID C. MARTIN*
DAVID C. MARTIN, Trustee

SINATRA FAMILY CAL NEVA INVESTORS


By: 
Robert A. Finkelstein,
Trustee/Managing Member

THORPE INVESTMENTS, LP

By: 
Allen R. Thorpe, General Partner



ARTHUR PRIESTON

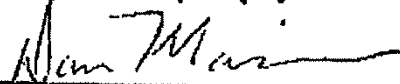

MOLLY KINGSTON

MARIUCCI LIVING TRUST UNDER
AGREEMENT DATED JULY 5, 1989,
AS AMENDED


By:  Trustee
Stephen Ray Mariucci, Trustee

By:  Trustee
Gayle Elaine Mariucci, Trustee

MARRINER REAL ESTATE, LLC,
a Nevada limited liability company

By: 
Dave Marriner, Manager

LADERA DEVELOPMENT, LLC

By: 
Name: James Pickett
Title: Managing Member

Schedule 4.1

MEMBERS AND INTERESTS

As of November 24, 2014

<u>Members</u>	<u>Business, Residence or Mailing Address</u>	<u>Percentage Owned</u>
1. PREFERRED MEMBERS		
(a) IMC Investment Group CNR, LLC	880 Northwood Blvd. Suite 2 Incline Village, NV 89451	20.49%
(b) CR Cal Neva, LLC	1336-D Oak Street St. Helena, CA 94574	6.83%
(c) Charles R. Munnerlyn and Judith K. Munnerlyn, Trustees of the Munnerlyn Revocable Trust dated September 17, 1997	1731 Marseilles Court San Jose, CA 95138	6.83%
(d) Paul and Evy Paye, LLC	c/o John Paye 15291 Red Dog Road Nevada City, CA 95959	6.19%
(e) CEA Ventures, LP	2000 Brookhill Manor Court Chesterfield, MO 63017	3.41%
(f) Oakdale Avenue Partners, LP	P. O. Box 945 Ross, CA 94957 (Street address: 46 Upper Road Ross, CA 94957)	3.41%
(g) Leslie P. Busick, Trustee	P. O. Box 4150 Incline Village, NV 89450	3.41%
(h) The Erickson Family Trust dated August 3, 2006	1013 Lakeshore Blvd. Incline Village, NV 89451	3.41%
(i) Dixon Family Trust dated November 1, 1994	12778 Lookout Loop Truckee, CA 96161	3.41%

(j) Martin Family Trust dated April 20, 2000	8 Ladbrook Grove Coto de Caza, CA 92679	3.41%
(k) Sinatra Family Cal Neva Investors	8573 W. Olympic Blvd. Los Angeles, CA 90035	1.71%
(l) Thorpe Investments, LP	390 Park Avenue, 21 st Floor New York, New York 10022	1.71%
(m) Arthur Prieston	4503 Great Bear Truckee, CA 96161	1.71%
(n) Molly Kingston	529 Fallen Leaf Way Incline Village, NV 89451	1.71%
(o) Mariucci Living Trust Under Agreement dated July 5, 1989, as amended	15940 Romita Court Monte Sereno, CA 95030	1.71%
(p) Marriner Real Estate, LLC	1545 Debra Lane Incline Village, NV 89450	0.65%
2. SPONSOR MEMBER		
CR Cal Neva, LLC	1336-D Oak Street St. Helena, CA 94574	20%
3. MEZZANINE LENDER		
Ladera Development, LLC	16475 Bordeaux Drive Reno, Nevada 89511	10%

Schedule 4.2

CAPITAL CONTRIBUTIONS OF PREFERRED MEMBERS
As of November 24, 2014

IMC Investment Group CNR, LLC	\$ 6,000,000
CR Cal Neva, LLC	2,000,000
Charles R. Munnerlyn and Judith K. Munnerlyn, Trustees of the Munnerlyn Revocable Trust dated September 17, 1997	2,000,000
Paul and Evy Paye, LLC	1,812,500
CEA Ventures, LP	1,000,000
Oakdale Avenue Partners, LP	1,000,000
Leslie P. Busick, Trustee	1,000,000
The Erickson Family Trust dated August 3, 2006	1,000,000
Dixon Family Trust dated November 1, 1994	1,000,000
Martin Family Trust dated April 20, 2000	1,000,000
Sinatra Family Cal Neva Investors	500,000
Thorpe Investments, LP	500,000
Arthur Prieston	500,000
Molly Kingston	500,000
Mariucci Living Trust Under Agreement dated July 5, 1989, as amended	500,000
Marriner Real Estate, LLC	<u>187,500</u>
TOTAL	\$20,500,000

Schedule 4.3

USES OF CAPITAL CONTRIBUTIONS

1. Repayment of bridge loan note in the amount of \$6,000,000.00, plus accrued interest, due on or before April 30, 2014.
2. Payment to Seller of approximately \$10,000,000.00 to redeem its equity interest in New Cal Neva.
3. Provide additional development capital for the Project.

1. \$7.3 MM
2. \$11.0 MM

\$18.3

Schedule 8.4

EXECUTIVE COMMITTEE
As of October 7, 2014

<u>Member</u>	<u>Member Representative</u>
CR	William T. Criswell
CR	Robert Radovan
Preferred Member	Brandon Chaney
At Large	Leslie P. Busick
At Large	Troy Gillespie

From: Brandon Chaney <brandon1536@gmail.com>
Sent: Thursday, December 17, 2015 9:33 PM
To: Tim Racich; Jeremy Page; Paul Jameson; Anthony Zabit; Molly Kingston; Phil Busick; Leslie Peter Busick; Stuart Yount; Troy Gillespie; James Davis; jcddx@yahoo.com
Subject: DropBox of Cal Neva Information

Fellow Investors,

I have created a DropBox with information I received from CR and other documents obtained from other sources for our eyes only. If you have a document I am missing, please send my way so I can post.

You should receive a request from DropBox to access the folder. Please let me know if you have any problems.

Thanks,

--

Brandon Chaney
880 Northwood Blvd, Ste. 2
Incline Village, NV 89451
brandon1536@gmail.com
(775) 800-8888

CONFIDENTIALITY NOTICE: This e-mail transmission, and any documents, files or previous e-mail messages attached to it, may contain confidential and/or legally privileged information. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or use of any of the information contained in or attached to this transmission is STRICTLY PROHIBITED. If you have received this transmission in error, please immediately notify us by reply e-mail, or by telephone and please destroy the original transmission and its attachments without reading or saving in any manner. THANK YOU.

From: Paul Jameson <pjameson@elevateig.com>
Sent: Tuesday, December 22, 2015 10:25 AM
To: Phil Busick; Molly Kingston; Brandon Chaney; Jeremy Page
Cc: Stuart Yount; Tim Racich; Paul Jameson
Subject: CalNeva investor action list - please review
Attachments: Investor Action List 151221.xlsx

Team,

Here is an excel and PDF file reflecting the actions that some of us discussed yesterday. Most of these tie into what was expressed to Robert and Bill as our 'divide and conquer' approach, and many are already underway. Obviously, some of these are not to be shared with CR until we have a better balance of power between them and the investors and other EC members.

Please review and let's press as many of these as we can this week. As progress is made, I would suggest sending me (and can be just me) your updates and I can incorporate into the sheet and recirculate periodically.

Thank you,

Paul Jameson

ELEVATE INVESTMENT GROUP

6770 S. McCarran Blvd #202, Reno NV 89509

880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com



	A	B	C	D	E	F
1						
2		category	item	lead	priority	status
3		Accounting Detail	AP aging report on 3.8MM as of 10/31/15	Paul	2	In Progress
4		Accounting Detail	Detail of CR ("CNL" on balance sheet) advance of 900k as of 10/31/15	Paul	2	In Progress
5		Accounting Detail	Detail of CR management fees paid	Paul	3	
6		Accounting Detail	Check register and wire confirms	Paul	3	
7		Accounting Detail	Bank statements and expense reports	Paul	3	
8		Accounting Detail	Jeff Pickett requests of CR [to be detailed]	Paul	3	
9		Accounting Detail	Sources & Uses detail and monthly financials since inception that are owed	Paul	3	
10						
11		Agreements and Docs	Docs for all loans including their related party 'due to' on balance sheet	Brandon	3	
12		Agreements and Docs	Fairwinds purchase and sale agreement and Pickett terms of 2nd	Brandon	3	
13		Agreements and Docs	Executed Starwood contract and confirmation of terms being satisfied so far	Brandon	3	
14		Agreements and Docs	Inspections, permits, engineering documents and plan sets	Brandon	3	
15						
16		Diligence Initiatives	Talk to Hall	[Jeremy?]	1	
17		Diligence Initiatives	Talk to Penta	[Jeremy?]	1	
18		Diligence Initiatives	Get Picketts the email ok from EC for them to talk to financing parties	Paul	1	In Progress
19		Diligence Initiatives	Confirm deadlines of Penta and Hall to avoid liens, defaults and foreclosure	[Jeremy?]	2	
20		Diligence Initiatives	Explore potential buyer and lender partners	Molly	3	In Progress
21		Diligence Initiatives	Map out legal path to complete removal of CR from project	Paul	3	In Progress
22						
23		Financial Projections	Penta schedule and costs to complete project	[Jeremy?]	3	
24		Financial Projections	Copy of working financial model and sensitivities	Paul	3	In Progress
25		Financial Projections	Detail of forward looking draw schedule they claim to have with Hall	Paul	3	
26						
27		Organizational Changes	Audited financials engagement with third party firm	Brandon	1	In Progress
28		Organizational Changes	Handoff of bookkeeping responsibilities	Brandon	1	In Progress
29		Organizational Changes	Signed Operating Agreement Amendments	Phil	1	In Progress
30		Organizational Changes	Talk to Munnerlin re: EC position interest	Paul	2	In Progress
31		Organizational Changes	Appoint two new EC members from preferred member group	Phil	2	In Progress
32						
33		Refinancing Efforts	Revision of Mosaic terms if possible to work for investors	Molly	1	
34		Refinancing Efforts	Talk to Pickett re: refi structure with equity partners on board	Paul	1	Done
35		Refinancing Efforts	Develop win-win structure concepts with potential refi partners	EVERYONE	2	In Progress
36		Refinancing Efforts	Correspondence to date with Mosaic re: amended term sheet that works	Molly	3	
37		Refinancing Efforts	Clarify CPs of bridge lender 5MM that is needed ASAP	Molly	3	

GSY000297

	G
1	
2	next step
3	Have Lisa provide asap
4	Have Lisa provide asap
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	Brandon to confirm his support in writing to Picketts
19	
20	Phil to introduce to his contacts
21	Continue discussion with Andy re: strategy
22	
23	
24	Get introduced to third party analyst
25	
26	
27	Get CR and Darsi to connect
28	Get CR and Darsi to connect
29	Get confirmation from CR counsel of approval
30	Munnerlyns need to confirm interest and schedule time
31	Talk to Munnerlin and get amendment signed
32	
33	
34	Talk to Hall
35	Discussed ideas with Picketts, need to continue dialogue
36	
37	

GSY000298

From: Brandon Chaney <brandon1536@gmail.com>
Sent: Sunday, January 24, 2016 9:32 PM
To: Stuart Yount
Subject: Tomorrow

Stuart,

Hi, it's Brandon Chaney.

Are you around tomorrow afternoon or evening in Tahoe?

I have something to discuss with you about Robert.

Thanks,

Brandon
775-800-8888

Sent from my iPhone



From: Paul Jameson <pjameson@elevateig.com>
Sent: Tuesday, January 26, 2016 9:20 PM
To: Stuart Yount
Cc: Geri Yount
Subject: Re: CR

Agreed - at the 10am we would not counter any objections they have, we would just wrap up like we discussed today.

On the 2pm call, however, we would need to defend the position that they have mismanaged the project into a state of collapse and to have them complete the last 50% would be foolish... especially in light of still not having financing options that would complete the project, or a budget, or a schedule, or, or, or...

The 2pm call will be difficult unless they agree. It may even need to go the route of the Socratic method... asking them questions that reveal the truth without us saying it ourselves.

Paul Jameson

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6770 S. McCarran Blvd #202, Reno NV 89509

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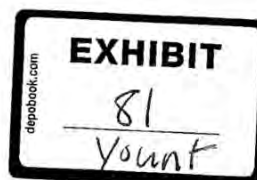
E: pjameson@elevateig.com



On Tue, Jan 26, 2016 at 6:59 PM, Stuart Yount <syount@fortifiber.com> wrote:

As Phil eluded to today, we really must be extra careful not to underestimate these two tomorrow. Expect them to have a well thought out plan of counter attack. Our biggest weakness in this, as I see it, is who will manage the project in the interim & getting the CR boys to truly be fully cooperative & not try to surreptitiously make the project fail if they get thrown out, to make them come out looking good.

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308
Crystal Bay, NV 89402
[\(775\) 843-0486](tel:7758430486)



GSY002999

From: Paul Jameson <pjameson@elevateig.com>
Sent: Wednesday, January 27, 2016 8:10 AM
To: Phil Busick
Cc: Incline M C Brandon Chaney; Geri Yount; Jim Davis; Jeremy Page; Leslie Busick; Molly Kingston; Erickson Phil; Stuart Yount; Tim Racich; Incline M C Troy Gillespie
Subject: Re: Cal Neva Meeting Next Week

One note,

On further reflection, I believe sending an email to the broader list ahead of the 2pm would be counterproductive. It could give ammo for CR to bolster support from those already leaning away from our efforts.

We will be in person and, like December 12th at the fairwinds, we will be able to control the dialogue much more effectively than on any phone call. Our list of facts, whether I state them myself or pose them as questions for CR to answer, will be heard.

Paul Jameson
Elevate Investment Group
pjameson@elevateig.com
775-200-7547

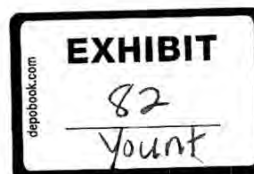
On Tue, Jan 26, 2016 at 6:41 PM, Paul Jameson <pjameson@elevateig.com> wrote:

All,

Thanks for the productive meeting today. As promised, here are the key points for how tomorrow's meeting at the IMC with CR will go:

1. **Paul to open the meeting with our collective position**
 1. We invested on their track record and due diligence
 2. They have mismanaged and poorly communicated
 3. They need to leave, and we suggest it be voluntary
2. **If they are willing to leave**
 1. EC team offers to map plan right now ahead of 2pm meeting
 2. EC welcome to stay if they accept; all others depart
 3. CR announces at the 2pm that they will be transitioning
3. **If they are NOT willing to leave**
 1. Stuart urges CR to re-read his email
 2. Paul advises them that the truth will come out
 3. We all excuses ourselves... no arguing or emotion

What if they aren't immediately willing but want to discuss details/examples with us? I would suggest that it is the same as #3... Stuart urges them to re-read his email, and Paul advises the



GSY002584

truth will come out. I could also say 'we just laid out the reasons and do not want to go into further detail at this time, you are either willing or unwilling.' It is unproductive to give examples and argue... we can do that on the 2 o'clock call.

In any event, we keep it simple. The cohesion we have is impressive, and I appreciate everyone's willingness to keep it brief and have Stuart and I as spokespersons.

Thanks and see you all tomorrow,

Paul Jameson

ELEVATE INVESTMENT GROUP

6770 S. McCarran Blvd #202, Reno NV 89509

880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com



On Fri, Jan 22, 2016 at 11:50 AM, Paul Jameson <pjameson@elevateig.com> wrote:
Sent too soon. Group is now copied. Team, Phil Busick has proposed meeting at 1pm Tuesday at Les' house on Vivian. Please confirm availability for Phil.

Paul Jameson

Elevate Investment Group

pjameson@elevateig.com

775-200-7547

On Fri, Jan 22, 2016 at 1:41 PM, Phil Busick <philbusick@gmail.com> wrote:

Hi Phil,

I just spoke to Les this morning and he is trying to get a flight into SFO, sometime Monday afternoon/evening. We would then drive up to Incline Tuesday morning. At the moment, I would propose a meeting at our home in Incline around 1:00-2:00 on Tuesday.

I will keep you posted on a meeting time and place for Tuesday, and confirm with everyone.

To All of those copied on this email, please let me know if 1:00-2:00 Tuesday will work with your schedules?

Thanks,

Phil

On Jan 22, 2016, at 11:31 AM, Phil@inclineholding.com wrote:

> Let me know the time and place. Weather permitting I'll be there.

>

> -----Original Message-----

> From: Stuart Yount [mailto:syount@fortifiber.com]

> Sent: Thursday, January 21, 2016 12:31 PM

> To: Phil Busick; Cal Neva Paul Jameson; Incline M C Brandon Chaney; Incline M C Troy Gillespie; Molly Kingston

> Cc: Leslie Busick; Phil@inclineholding.com; Geri Yount

> Subject: RE: Cal Neva Meeting Next Week

>

> Good idea. I'll keep Tuesday afternoon through Wednesday open.

>

> Stuart Yount

> Chairman & CEO

>

> 300 State Route 28

> Box 308

> Crystal Bay, NV 89402

> (775) 843-0486

>

>

> -----Original Message-----

> From: Phil Busick [mailto:philbusick@gmail.com]

> Sent: Thursday, January 21, 2016 11:04 AM

> To: Cal Neva Paul Jameson <pjameson@elevateig.com>; Incline M C Brandon Chaney
<brandon1536@gmail.com>; Incline M C Troy Gillespie <troygillespie10@yahoo.com>; Molly Kingston
<mkingston@arrowinvest.com>

> Cc: Leslie Busick <lpbusick@gmail.com>; Erickson Phil <phil@inclineholding.com>; Stuart Yount
<syount@fortifiber.com>

> Subject: Cal Neva Meeting Next Week

>

> To All,

>

> I spoke to Les this morning about the meeting in Tahoe next week on the 27th. I mentioned to him that it would be a good idea for him to attend in person, if possible. As you all know, he is currently at his home in Mexico for the next few of months.

>

> I advised him that it would be a good idea to have a meeting with some of the investors prior to the meeting on the 27th. He is going to try to return into Reno next Tuesday and if it works for everyone, we could then meet in Incline that afternoon and or evening.

>

> Troy had called me the other day and strongly suggested that we meet to discuss our options going forward and that seems to be a good idea at this critical time.

>

> Let me know if you all want to meet in Incline next week prior to the Wednesday meeting.

>

> Thanks,

>

> Phil

From: Stuart Yount
Sent: Saturday, January 30, 2016 4:56 PM
To: Paul Jameson
Cc: Geri Yount
Subject: Talk w/Jeremy

1. He said 3 of the EC is having a mtg w/Mosaic in Sac on Mon, without CR. Is that legit without CR without their advance permission?
2. He said he's been told that Mosaic are "sharks" & will want the project to go broke, flush us investors out & take it for themselves.
3. He said there's no way the redone appraisal will come up to what's needed to get the needed \$71m funding, we'll still be underfunded.
4. If we miss summer, as now expected, \$71m won't be adequate either.

Stuart Yount
Chairman & CEO
Fortifiber Corporation
300 State Route 28
Box 308
Crystal Bay, NV 80402
(775) 843-0486

From: Stuart Yount
Sent: Tuesday, February 2, 2016 10:08 AM
To: 'Molly Kingston'; Geri Yount
Subject: RE: utterly confused....

The disaster seems to not only continue, but also to escalate in severity!

Stuart Yount
Chairman & CEO
 Fortifiber
300 State Route 28
Box 308
Crystal Bay, NV 89402
(775) 843-0486

From: Molly Kingston [<mailto:mkingston@arrowinvest.com>]
Sent: Tuesday, February 2, 2016 10:06 AM
To: Stuart Yount <syount@fortifiber.com>; Geri Yount <geriattahoe@fortifiber.com>
Subject: utterly confused....

Morning Younts,

I was unaware of the meeting with Mosaic in Sac yesterday. I do not currently understand the strategy being pursued to 'rescue the project.' I remain unsupportive of burdening the project with additional debt. Any buyer will prefer a clean slate to bring in their own financing partners. The concept of borrowing money and developing the project by committee is completely unappealing and a poor strategy for success, in my opinion.

I have reached out to Arthur by voicemail and text and mentioned our collective interest in meeting with him. I also offered to talk by phone if we can manage that more quickly.

Still losing sleep and immensely stressed over this....

Thanks,

Molly

From: Molly Kingston <mkingston@arrowinvest.com>
Sent: Tuesday, February 2, 2016 1:26 PM
To: Stuart Yount; Geri Yount
Subject: novel approach? [Confidential]

Hi S & G,

I spoke with Paul this morning. I learned that the EC (minus CR) met with Mosaic and had a "good meeting." We remain aligned in terms of our ultimate objective (saving our invested capital).

I agree with you that this is an escalating disaster and have been thinking about a communication that goes to all investors (but to each individually not as a group) before tomorrow's call. I wanted to run it by the two of you to see what you think.

My suggested approach is one designed to come across as fair to CR and to all of us, and not speaking of their bad deeds and not trying to play politics. In summary, the letter would state:

It is not my objective to convince anyone of anything. The facts speak for themselves and people may do their own research and seek their own legal counsel, as I have. I cannot continue to devote hours of uncompensated time to this faltering deal and nor do I see the benefits of continued meetings and conference calls with CR. They have failed the project and us, to put it kindly.

Our invested capital is seriously at risk. The best option to avoid losing money is to sell the project as efficiently as possible. Based on my seasoned analysis and several conversations with industry colleagues, I cannot support loading the project with additional debt. I believe new debt hinders the ability to sell the project. I am equally non-supportive of development by committee or a tightly-controlled continued developer role for CR.

To that end, CR must immediately resign and cede their 20%. This will allow a realistic marketing effort of the project. CR can find investors and make an offer to buy the project, just as anyone else can. Those of you who support them can assist them to recapitalize and make an offer with CR.

The alternative to an immediate voluntary face-saving resignation is that CR faces swift civil and criminal action.

Thanks for your time....

-m

From: Paul Jameson <pjameson@elevateig.com>
Sent: Tuesday, February 2, 2016 4:48 PM
To: Stuart Yount
Subject: Re: Assignment of Interest in Cal Neva Lodge, LLC

I am going to call you in a few

Paul Jameson

ELEVATE INVESTMENT GROUP

6770 S. McCarran Blvd #202, Reno NV 89509

880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com



On Tue, Feb 2, 2016 at 4:42 PM, Stuart Yount <syount@fortifiber.com> wrote:

I am trying to. Do you see anything you feel I'm doing wrong here so far, Paul?

Stuart Yount

Chairman & CEO



300 State Route 28

Box 308

Crystal Bay, NV 89402

(775) 843-0486

From: Paul Jameson [mailto:pjameson@elevateig.com]
Sent: Tuesday, February 2, 2016 4:38 PM
To: Stuart Yount <syount@fortifiber.com>
Subject: Re: Assignment of Interest in Cal Neva Lodge, LLC

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GSY002172

RA0234

Wow - exercise extreme caution as you are doing... those documents are dangerous.

Paul Jameson

ELEVATE INVESTMENT GROUP

6770 S. McCarran Blvd #202, Reno NV 89509

880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com

On Tue, Feb 2, 2016 at 4:28 PM, Stuart Yount <syount@fortifiber.com> wrote:

Bruce, I attach the original signed acceptance of my purchase of a \$1,000,000 Founders Share by Cal Neva Lodge, LLC of my IRA's Subscription. I also attach the originally executed Subscription Agreement. Note the owner is George Stuart Yount IRA. I believe your documents & check should match that ownership title.

On the Assignment document, I have NOT "...erroneously executed a Subscription Agreement...". It was never my intention, nor was I ever asked, to was it ever my intention for "...the Assignee purchase such interest from Assignor rather than the Company;".

I will NOT sign anything that says "...this Assignment shall supersede and replace the Subscription Agreement;" Per my understanding of Mr. Criswell's intent, this is to be an offer to me that I may execute at such time in the future that CR puts my \$1,000,000 in an escrow account for my sole benefit.

As to the Purchase Agreement, I see no purpose to this document. I am not purchasing anything but am merely getting back what was falsely and secretly taken from me without my knowledge or consent.

Stuart Yount

300 State Route 28

Box 308

Crystal Bay, NV 89402

(775) 843-0486

From: Bruce Coleman [mailto:BColeman@pcallp.com]

Sent: Tuesday, February 2, 2016 2:59 PM

To: Stuart Yount <syount@fortifiber.com>

Cc: William Criswell <Bill@criswellradovan.com>; robert@criswellradovan.com; Heather Hill
<Heather@criswellradovan.com>

Subject: Assignment of Interest in Cal Neva Lodge, LLC

Stuart:

Bill Criswell is currently in a meeting, but he wanted me to send you the documents that you have been discussing. I am attaching the Assignment of Interest in Limited Liability pursuant to which CR assigns 50% of its interest to you; Resolutions of Members of Cal Neva Lodge, LLC approving such assignment; and a Purchase Agreement pursuant to which CR will repurchase your interest on the terms set forth therein. If you have any questions, please feel free to call Bill or me.

Bruce

Bruce R. Coleman

POWELL COLEMAN & ARNOLD LLP

8080 N. Central Expressway

Suite 1380

Dallas, Texas 75206

214/373-8782 (phone)

214/373-8768 (fax)

bcoleman@pcallp.com

From: Paul Jameson <pjameson@elevateig.com>
Sent: Friday, February 5, 2016 11:15 AM
To: Stuart Yount
Cc: Geri Yount; Paul Jameson
Subject: Sharing Roger info... perhaps boulder bay summary

Stuart,

Ahead of Roger calling me, do you (or do you think he) has some info on his background? I'd like to get some over to the potential investor today as they are actively reviewing. Heck, they may want to invest in Boulder Bay when it launches.

A quick way to get there would be for me to share the business plan for Boulder Bay (which I have, but under strict NDA) would be a big acceleration of their vetting him as a good candidate, and showing the strength of the CalNeva and surrounding area. I can reach out to him but wanted to get your pulse.

Thanks,

Paul Jameson

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880 Northwood Blvd, Incline Village, NV 89451


P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com



From: Stuart Yount
Sent: Friday, February 5, 2016 2:24 PM
To: 'Paul Jameson'
Cc: Geri Yount
Subject: RE: RESPONSE REQUESTED: potential new developers

Thanks. Just trying to be extra careful, Paul.

Stuart Yount
Chairman & CEO
 Fortifiber.....
300 State Route 28
Box 308
Crystal Bay, NV 89402
(775) 843-0486

From: Paul Jameson [<mailto:pjameson@elevateig.com>]
Sent: Friday, February 5, 2016 2:14 PM
To: Stuart Yount <syount@fortifiber.com>
Subject: Re: RESPONSE REQUESTED: potential new developers

Roger is comfortable with me sharing him as someone on my target list. He said North Light is just a source of capital and he would work with others. Thanks again for flagging this as something I should double check!

Paul Jameson
ELEVATE INVESTMENT GROUP
6770 S. McCarran Blvd #202, Reno NV 89509
880 Northwood Blvd, Incline Village, NV 89451
P: (775)200-7547, F: (775)344-0560, C: (775)298-5988
E: pjameson@elevateig.com



On Fri, Feb 5, 2016 at 12:41 PM, Stuart Yount <syount@fortifiber.com> wrote:

Wow! Paul, do you have Roger's permission to put his name out here like this?

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308

1



GSY004690

RA0239

Crystal Bay, NV 89402
(775) 843-0486

On Feb 5, 2016, at 11:12 AM, Paul Jameson <pjameson@elevateig.com> wrote:

All,

The potential new mezz partner is now spending time and money reviewing the project with credit committee - they could not be more serious about this potential investment.

I am looking for a list of potential developers that would come in and finish the project to completion. So far I have (1) Roger Wittenberg, owner of the Tahoe Biltmore, thanks to the Younts and (2) Howard Karawan, introduced to us by Mosaic and a respected consultant in the industry. Howard would likely be a supplemental team member, making the list really one person.

Today if possible, please send me any other potential developers that would complete the project, with 1-2 sentences on their fit and experience. Molly, I believe you have a couple, even though they also may be capital partners. Please send a list over and recognize this is 100% confidential and the team receiving this data is under strict NDA.

Obviously this request is confidential for all of us as well. Please do not discuss with others outside of this email list. There are other highly sensitive aspects of the path forward that I would like to discuss with everyone at a later date. For now, I would not discuss any bad acts that have occurred to date or potential remedies that could be considered.

Thank you,

Paul Jameson

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880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com

From: Paul Jameson <pjameson@elevateig.com>
Sent: Sunday, February 14, 2016 9:55 AM
To: Stuart Yount
Cc: Geri Yount
Subject: Re: paramount-inv

They typically do deals with other investors in tranches of at least 10MM per investor. What they would want is to organize the project so there is a representative of the other members as one voice, maybe two since we are 20MM.

Have I spoken to partners of theirs? No, not yet. Once they give the green light to going full speed ahead on the due diligence, I will start the same diligence on them. Their principal is transparent and not hiding his story or approach thus far... the opposite of this 104MM buyout we are exploring.

Paul Jameson

ELEVATE INVESTMENT GROUP

6770 S. McCarran Blvd #202, Reno NV 89509

880 Northwood Blvd, Incline Village, NV 89451

P: (775)200-7547, F: (775)344-0560, C: (775)298-5988

E: pjameson@elevateig.com



On Sun, Feb 14, 2016 at 9:47 AM, Stuart Yount <syount@fortifiber.com> wrote:
On the surface based on their website, they look excellent. What is the REAL story on their experience in dealing with investors on projects they've taken on?

No, I do not know of them.

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308
Crystal Bay, NV 89402
[\(775\) 843-0486](tel:7758430486)

On Feb 14, 2016, at 9:37 AM, Paul Jameson <pjameson@elevateig.com> wrote:

The one I am working on for a larger mezz, yes. Are you familiar with them?

—
Paul Jameson
Elevate Investment Group
pjameson@elevateig.com
[775-200-7547](tel:775-200-7547)

On Sun, Feb 14, 2016 at 10:00 AM, Stuart Yount <syount@fortifiber.com> wrote:

Is this the potential investment group?

<http://www.paramountinv.com/>

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308
Crystal Bay, NV 89402
[\(775\) 843-0486](tel:775-843-0486)

From: Paul Jameson <pjameson@elevateig.com>
Sent: Friday, February 26, 2016 8:01 PM
To: Stuart Yount
Cc: Geri Yount
Subject: Re: Another day!?!?!?

We finalized the agreement and moved mountains doing so. The attorney (ours) is doing a final review in the morning to confirm there are no 'gotchas' that we haven't covered off... then Robert is signing.

I have the whole thing teed up. If they do not fund 5M by Thursday, it cancels. In parallel, we can pursue debt options. We have accepted every term they came back with... keep in mind the money is very, very good. The rest is legal things to protect us.

--

paul jameson
elevate investment group
pjameson@elevateig.com



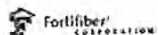
On Fri, Feb 26, 2016 at 7:12 AM, Paul Jameson <pjameson@elevateig.com> wrote:
Thank you!

On Feb 25, 2016, 22:53 -0800, Stuart Yount <syount@fortifiber.com>, wrote:

You're our hero!

Stuart Yount

Chairman & CEO



300 State Route 28

Box 308

Crystal Bay, NV 89402

(775) 843-0486



From: Paul Jameson [mailto:pjameson@elevateig.com]
Sent: Thursday, February 25, 2016 10:34 PM
To: Stuart Yount <syount@fortifiber.com>
Subject: Re: Another day!?!?!?

Indeed. I received their documents midday. They made big changes... not to the price, but to the legal structure and it would put us at major risk if they didn't keep funding.

Tonight we let it cool down, and tomorrow there will be a final document. It will either be signed or void by end of the day.

--

paul jameson
elevate investment group
pjameson@elevateig.com

On Thu, Feb 25, 2016 at 10:20 PM, Stuart Yount <syount@fortifiber.com> wrote:

Stuart Yount
Chairman & CEO

300 State Route 28
Box 308
Crystal Bay, NV 89402
(775) 843-0486

From: Stuart Yount
Sent: Tuesday, March 15, 2016 8:50 AM
To: Paul Jameson
Cc: Geri Yount
Subject: Re: *****PLEASE READ*****Important Disclosure to the Cal Neva Lodge, LLC Membership*****

I am booked 11:30-1:30.

Good language & double ended approach.

Glad to see optimism & positivity. After the root canal, did the Tooth Fairy come? I hope so!

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308
Crystal Bay, NV 89402
(775) 843-0486

On Mar 15, 2016, at 8:42 AM, Paul Jameson <pjameson@elevateig.com> wrote:

Thank you! I helped him with the language and he was very receptive. Long talk with both him and separately with Molly yesterday, the two most vocal opposers of me having some kind of participation this is still-not-real deal. Again, very secondary and something that will be presented later on.

I did email with the 'big wig' at GBCI today. Still stalking but now committing to his firm dates. My gut feel says these dates are real, but I recognize I believe in the good and honesty of humanity and sometimes to my detriment. I'm keeping an open mind.

See you tomorrow. I'm thinking we have a pre meeting at the Imc for us good cops, bad cops, and concerned citizens. What do you think? Any conflicts in the morning?

Hello from the root canal chair at the dentist. Going smoothly

On Tue, Mar 15, 2016 at 10:55 Stuart Yount <syount@fortifiber.com> wrote:

Not as harsh as I feared. I think the "good cop/bad cop" routine will be fine. Safe travels. See you tomorrow.

Stuart Yount
Chairman & CEO
FORTIFIBER CORPORATION
300 State Route 28
Box 308
Crystal Bay, NV 89402
(775) 843-0486

1



GSY002044

RA0245

Begin forwarded message:

From: Brandon Chaney <brandon1536@gmail.com>
Date: March 14, 2016 at 10:07:02 PM PDT
To: James Pickett <jpickett@laderaventures.com>, Jeff Pickett <jeff@connorgp.com>, Anthony Zabit <azabit@dimension4.com>, Arthur Prieston <aprieston@priestongroup.com>, Brandon Chaney <brandon1536@gmail.com>, "CEA Ventures, LP" <dmgibson5@gmail.com>, Chris Gibson <chris.gibson@twainfinancial.com>, Dave & Carol <daveandcarol1@cox.net>, "Dave Marriner" <marrinertahoe@gmail.com>, Geri Yount <geriattahoe@fortifiber.com>, Jeremy Page <jpage@elevateig.com>, Jim Davis <jcddx1@gmail.com>, Joan Davis <Joandavisartstudios@gmail.com>, John Paye <jasperreddog@gmail.com>, "Les Busick" <lpbusick@gmail.com>, Michael Dixon <miked@dfsinc.com>, Molly Kingston <mkingston@arrowinvest.com>, Munnerlyn Revocable Trust <charlesrm@comcast.net>, "Oakdale Ave. Partners, LP" <Tectajohn@comcast.net>, Paul Jameson <paul.g.jameson@gmail.com>, Phil Busick <philbusick@gmail.com>, Robert Radovan <Robert@criswellradovan.com>, Sharon Dixon <sdixon875@gmail.com>, Sinatra Family <rfinkelstein@raf-ltd.com>, "Steve Kegel" <skegel@tahoemountainresorts.com>, Steve Mariucci <smariucci@comcast.net>, The Erickson Family Trust <phil@inclineholding.com>, "Thorpe Investments, LP" <athorpe@hf.com>, Tim Racich <Tim@calpacproperties.com>, William Gibson <wgibson@cfmlogistics.com>, Yount <Syount@fortifiber.com>, Troy Gillespie <troygillespie10@yahoo.com>, William Criswell <Bill@criswellradovan.com>
Cc: Heather Hill <heather@criswellradovan.com>, Lisa Pacey-Willis <LisaP@criswellradovan.com>
Subject: *****PLEASE READ*****Important Disclosure to the Cal Neva Lodge, LLC Membership*****

Dear Members of the Cal Neva Lodge, LLC (the "Company"),

My name is Brandon Chaney. I am the Manager of the IMC Investment Group CNR, LLC (the "IMC") who is the largest equity investor in the Company. As such, I am the representative on the Executive Committee of the Company that represents the approximate \$20m in Preferred Equity.

Back in October of 2015, the IMC became very concerned with the lack of transparency, lack of financial reporting, budget overruns (which were represented to be \$9m at the time) and the complete disregard of the Operating Agreement by the Company and Criswell Radovan ("CR"). The IMC communicated its concerns and provided notice of breaches in a letter addressed to Robert Radovan in Nov 2015.

In December 2015, the IMC exercised its right to inspect the books and records of the Company being maintained by CR. The IMC hired - with the blessing of

CR and the cost to be reimbursed by the project - Casey Neilson, a 3rd Party audit firm to inspect the books and records.

The scope of the inspection by Casey Neilson was to determine whether the accounting records have been kept up to date by obtaining evidence that routine reconciliations of account balances were available along with documentation supporting balance sheet account balances.

The result of this investigation determined that the accounting records were NOT reconciled to supporting documentation on a routine basis and the request for accounting records by Casey Neilson to the Company/CR were not supplied.

As a result, the IMC sent another letter to give further notice to CR of their breaches along with the report from Casey Neilson.

The IMC requested that the Notices and the Casey Neilson Audit Report be disclosed to the entire membership. However, Bill Criswell and Robert Radovan refused to disclose to you all.

Therefore, the non-CR Executive Committee Members feel it is our fiduciary duty to provide this disclosure and information.

Please find attached the following documents from the Executive Committee (excluding the CR members):

- IMC Notice of Breach Letter_Nov-4-15
- IMC Notice of Inspection Letter_Dec 30-15
- IMC Notice of Breach and Audit Disclosure Letter_3-11-16
- IMC Casey Neilson Audit Report_3-9-16

Please feel free to call me with any questions or concerns.

Respectfully,

--

Brandon Chaney
Manager
IMC Investment Group CNR, LLC

Executive Committee Member
Preferred Equity Representative
Cal Neva Lodge, LLC

880 Northwood Blvd, Ste. 2
Incline Village, NV 89451
brandon1536@gmail.com
(775) 800-8888

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--
paul jameson
elevate investment group
pjameson@elevateig.com

Electronically Filed
Jun 05 2019 09:00 a.m.
Elizabeth A. Brown
Clerk of Supreme Court

Case No.: 74275

Second Judicial District Court
Case No. CV16-00767

CRISWELL RANDOVAN, LLC, a Nevada Limited liability company; CR CAL NEVA, a Nevada Limited liability company; ROBERT RADOVAN; WILLIAM CRISWELL; CAL NEVA LODGE, LLC, a Nevada limited liability company; POWELL, COLEMAN and ARNOLD, LLP; DAVID MARRINER; MARRINER REAL ESTATE, LLC, a Nevada limited liability company,

**RESPONDENTS DAVID
MARRINER'S AND
MARRINER REAL
ESTATE, LLC'S
APPENDIX VOLUME 1**

Respondents.

MARK G. SIMONS, ESQ.
Nevada Bar No. 5132
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6490 S. McCarran Blvd., #F-46
Reno, Nevada 89509
T: (775) 785-0088
F: (775) 785-0089
Email: msimons@shinevada.com

Attorneys for Respondents David Marriner and Marriner Real Estate, LLC

APPENDIX

<u>DOCUMENT</u>	<u>DATE</u>	<u>VOL.</u>	<u>BATES</u>
Minutes	1/17/19	3	RA0514-0516
Motion To Amend the Pleadings to Conform to the Evidence and Judgment	8/21/18	2 - 3	RA0249-440 RA0441-0513
Trial Exhibit 1		1	RA0001-0004
Trial Exhibit 3		1	RA0005-0156
Trial Exhibit 5		1	RA0157-0220
Trial Exhibit 109		1	RA0221
Trial Exhibit 110		1	RA0222-0224
Trial Exhibit 115		1	RA0225
Trial Exhibit 118		1	RA0226
Trial Exhibit 119		1	RA0227-0230
Trial Exhibit 121		1	RA0231
Trial Exhibit 125		1	RA0232
Trial Exhibit 126		1	RA0233
Trial Exhibit 127		1	RA0234-0237
Trial Exhibit 130		1	RA0238
Trial Exhibit 131		1	RA0239-0240
Trial Exhibit 132		1	RA0241-0242
Trial Exhibit 133		1	RA0243-0244
Trial Exhibit 142		1	RA0245-0248

CERTIFICATE OF SERVICE

I hereby certify pursuant to NRAP 25(c), that on the 3rd day of June, 2019, I caused service of a true and correct copy of the above and foregoing **RESPONDENTS DAVID MARRINER'S AND MARRINER REAL ESTATE, LLC'S APPENDIX VOLUME 1** on all parties to this action by the method(s) indicated below:

X by using the Supreme Court Electronic Filing System:

Martin Little, Esq.
*Attorneys for Criswell Radovan, LLC, William Criswell, CR
Cal Neva LLC, Powell, Coleman and Arnold LLP, Robert
Radovan, Cal Neva Lodge, LLC*

Richard G. Campbell, Jr.
Attorneys for George Stuart Yount IRA et al.

Daniel Polsenberg
Joel Henriod
Attorneys for George Stuart Yount

DATED this 3rd day of June, 2019.


An Employee of Simons Hall Johnston PC

Real Estate Consulting Agreement Cal Neva Lodge Development

This agreement is entered into between Marriner Real Estate, LLC a Nevada Limited Liability Company (Consultant) and Cal Neva Lodge, LLC also known as Cal Neva Development (Developer) on the 13th day of February 2014.

Marriner Real Estate, LLC agrees to perform the following services for the Cal Neva Development project located in Crystal Bay, Nevada and Kings Beach, California.

Term

Cal Neva Lodge, LLC (Developer) agrees to retain Marriner Real Estate, LLC for a term commencing on February 13, 2014 and continuing until terminated under this Agreement.

Relationship of Parties

Marriner Real Estate is being retained to perform the tasks set forth below as an independent contractor, not an employee or partner of the Cal Neva Lodge Project or its affiliates.

Scope of Agreement

Marriner will manage all aspects of the sales of 5 Founding Memberships and 28 condominiums approved on the site plan.

Product Review

Work with the Developer and its engineers and consultants to review the site plan and building layout of the 28 condominiums to ensure they will meet the needs of the market.

- Review the site plan and make recommendations for view orientation
- Evaluate circulation and neighborhood location
- Review the floor plans and specifications for the condominiums
- Make recommendations for interior and exterior design
- Locate and manage the design and installation of the sales center

CR000209

RA0001

Competitive Update and Pricing Study

Conduct a complete study of current and planned developments in the Lake Tahoe area. This study will include the following:

- Overall market review
- Competitive market analysis of current and planned developments
- Update of the resale market in Lake Tahoe area
- Conduct market research to determine the buyer profile for the community
- Identify the specific needs and desires of the buyer
- Develop a pricing strategy for the condominiums
- Prepare a written report of the findings and recommendations

Compensation Agreement

Marriner Real Estate will receive the following compensation for its services.

Commission for the sale/exchange of the Fairwinds Lodge will be reduced to 2.5% of the sale/exchange value. Buyer to pay cost of Exchange documents. Buyer's broker commission of 2.5% to be paid in two phases, \$75,000 upon execution of Exchange documents and balance paid upon closing of development funding or no later than 60 days from execution of Exchange documents.

Upon termination of this agreement all draws will be forgiven.

Marriner Real Estate will be paid a listing portion of the sales commission at 3% of the total sales price for any fully executed condominium or Founding Membership Investment or funding arranged by Marriner Real Estate, LLC.

Outside broker commissions and referral fees will be paid by the developer through escrow.

Upon termination of this Agreement Marriner Real Estate will be paid its commissions on all sales based upon the following conditions.

- 1/3 commission to be paid for a signed contract
- 1/3 commission to be paid for contracts with loan approval or all cash purchases.
- 1/3 commission to be paid on all escrows that close within 60 days of termination.

Cal Neva Development will include an Honorary Founding Membership with no fees to Marriner Real Estate, LLC

CR000210

RA0002

All other expenses incurred on behalf of the Developer will be reimbursed within 30 days of submitting a pre-approved invoice.

Termination

This Consulting Agreement may be terminated, at will, by either party upon 60 day written notice to the other party. Upon termination, all outstanding expenses will be reimbursed within 30 days and outstanding draws will be forgiven.

Indemnity

Cal Neva Development and Cal Neva Lodge, LLC agree to defend, indemnify and hold Marriner Real Estate, LLC and its agents harmless for any and all claims, demands, losses, expenses, damages, attorney fees and cost which Marriner Real Estate, LLC and its agents shall or may at any time sustain or incur by reason or in consequence of any actions taken by Developer or its associates without Marriner Real Estate's actual or constructive knowledge.

Additional Work

Any consulting work outside the scope of this Agreement will be subject to a separate work contract and additional fees at a rate of \$150 per hour.

Cal Neva Development and its subsidiaries agree to the terms outlined in this Real Estate Consulting Agreement.

Date _____

Date _____

Marriner Real Estate, LLC
A Nevada Limited Liability Company
David Marriner, Member

Cal Neva Development
Cal Neva Lodge, LLC
Robert Radovan, Managing Director

CR000211

RA0003

All other expenses incurred on behalf of the Developer will be reimbursed within 30 days of submitting a pre-approved invoice.

Termination

This Consulting Agreement may be terminated, at will, by either party upon ³⁰ ~~60~~ day written notice to the other party. Upon termination, all outstanding expenses will be reimbursed within 30 days and outstanding draws will be forgiven. *RR 1/24*

Indemnity

Cal Neva Development and Cal Neva Lodge, LLC agree to defend, indemnify and hold Marriner Real Estate, LLC and its agents harmless for any and all claims, demands, losses, expenses, damages, attorney fees and cost which Marriner Real Estate, LLC and its agents shall or may at any time sustain or incur by reason or in consequence of any actions taken by Developer or its associates without Marriner Real Estate's actual or constructive knowledge.

Additional Work

Any consulting work outside the scope of this Agreement will be subject to a separate work contract and additional fees at a rate of \$150 per hour.

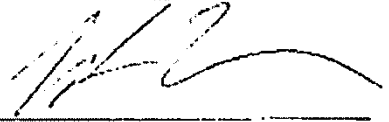
Cal Neva Development and its subsidiaries agree to the terms outlined in this Real Estate Consulting Agreement.

Date 2/13/14



Marriner Real Estate, LLC
A Nevada Limited Liability Company
David Marriner, Member

Date 2-14-14



Cal Neva Development
Cal Neva Lodge, LLC
Robert Radovan, Managing Director

CR000205

RA0004

CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM
DATED: MARCH 11, 2014

ACCREDITED INVESTORS ONLY

NO. _____

CAL NEVA LODGE, LLC,
a Nevada limited liability company

MAXIMUM OFFERING:	\$20,000,000
MINIMUM OFFERING:	\$14,000,000
MINIMUM SUBSCRIPTION:	\$ 1,000,000
MINIMUM PURCHASE:	1 UNIT (\$1,000,000)

CAL NEVA LODGE, LLC, a Nevada limited liability company (the “**Company**”) has been formed to purchase and develop certain real property located in Crystal Bay, Nevada and the related business known as the “**Cal Neva Resort, Spa and Casino**” (collectively, the “**Property**”); to exercise all rights, powers, privileges, and other incidents of ownership or possession with respect to the Property; to enter into, make, and perform all contracts and other undertakings; and to engage in other related activities.

The Company will offer and sell up to twenty (20) units of membership interests in the Company (the “**Units**”), with a minimum purchase of one Unit (\$1,000,000), at a purchase price of \$1,000,000 per Unit, to selected investors (“**Investors**”) who meet the suitability requirements established for this offering (the “**Offering**”). Investors will have an opportunity to become founding members (“**Founding Members**”) and acquire founders units (“**Founders Units**”) and/or preferred members (“**Preferred Members**”) and acquire preferred units (the “**Preferred Units**”). Of the total Units offered hereunder, the Company has stipulated that the Preferred Units and the Founders Units will not be created as a separate class unless a minimum of five (5) Units of that class are sold and that no more than fifteen (15) Founders Units will be issued and sold. The Company also reserves the right to sell partial Preferred Units. It is anticipated that the closing of the Offering will occur on or before March 28, 2014 (the “**Closing Date**”), provided that on or before the Closing Date, Investors shall have subscribed for a minimum of fourteen (14) of the Units (\$14,000,000) (the “**Minimum Offering Amount**”). The Offering will terminate not later than April 30, 2014, unless extended by the Manager for up to ninety (90) days (the “**Termination Date**”).

THERE IS NO PUBLIC MARKET FOR THE UNITS, AND THE COMPANY IS UNCERTAIN WHEN OR IF SUCH MARKET MIGHT DEVELOP.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS FOR NONPUBLIC OFFERINGS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

PURCHASE OF THE PREFERRED UNITS INVOLVES CERTAIN RISKS AND IS SPECULATIVE. SEE “RISK FACTORS.”

	Price to Investors (1)	Placement Fees (2)	Proceeds to Company (3)
Per Unit	\$ 1,000,000	\$ -0-	\$ 1,000,000
Minimum.....	\$14,000,000	\$ -0-	\$14,000,000
Maximum.....	\$20,000,000	\$ -0-	\$20,000,000

(The footnotes hereto appear on the following page)

RA0005

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- (1) The minimum subscription for Units is one Unit (\$1,000,000); provided, however, that the Company reserves the right to sell partial Preferred Units. The purchase price of \$1,000,000 per Unit is payable in cash at the time of subscription.
 - (2) The Units are being offered for sale by the Company on a “best efforts” basis. The Company does not anticipate paying fees for the placement of the Units being offered hereunder. Notwithstanding the foregoing, the Company reserves the right to pay fees to licensed professionals (including finders’ fees) that relate solely to the raising of capital for use in the acquisition, development and operation of real estate. See “THE OFFERING - Plan of Distribution.”
 - (3) Before legal, accounting, financing, and other expenses associated with the Offering currently estimated at \$50,000. See “ESTIMATED USES OF PROCEEDS.”
-

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY COMMUNICATION FROM THE COMPANY, ITS AFFILIATES AND EMPLOYEES, AS LEGAL, TAX OR INVESTMENT ADVICE. EACH INVESTOR SHOULD CONSULT SUCH INVESTOR’S OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO THE LEGAL, TAX AND ECONOMIC CONSEQUENCES OF THE INVESTMENT DESCRIBED HEREIN.

THE STATEMENTS CONTAINED HEREIN ARE BASED ON INFORMATION BELIEVED BY THE COMPANY TO BE RELIABLE. NO WARRANTY CAN BE MADE AS TO THE ACCURACY OF SUCH INFORMATION OR THAT CIRCUMSTANCES MAY NOT HAVE CHANGED SINCE THE DATE SUCH INFORMATION WAS SUPPLIED. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS THAT THE COMPANY BELIEVES TO BE FAIR SUMMARIES OF SUCH DOCUMENTS, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS (COPIES OF WHICH ACCOMPANY THIS MEMORANDUM OR ARE AVAILABLE AT THE OFFICES OF THE COMPANY) FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF QUALIFIED INVESTORS (SEE “**INVESTOR SUITABILITY STANDARDS**”) WHO ARE INTERESTED IN THE PROPOSED PRIVATE PLACEMENT OF THE UNITS. ANY DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, EACH RECIPIENT AGREES TO RETURN THIS MEMORANDUM AND ALL OTHER DOCUMENTS TO THE COMPANY IF THE RECIPIENT DOES NOT PURCHASE ANY OF THE UNITS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE THE UNITS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. EXCEPT AS OTHERWISE INDICATED, THIS

MEMORANDUM SPEAKS AS OF THE DATE OF THIS MEMORANDUM. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY AFTER THE DATE OF THIS MEMORANDUM.

EXCEPT FOR THIS MEMORANDUM AND THE EXHIBIT HERETO, NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM HAS BEEN AUTHORIZED IN THE OFFERING OF THE UNITS. NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS, THE COMPANY OR ITS PROSPECTIVE BUSINESS, EXCEPT THE REPRESENTATIONS CONTAINED HEREIN. ANY INFORMATION OTHER THAN THAT CONTAINED HEREIN OR THE DOCUMENTS FURNISHED BY THE COMPANY ON REQUEST MUST NOT BE RELIED UPON BY ANY POTENTIAL INVESTOR AS HAVING BEEN AUTHORIZED BY THE COMPANY.

DURING THE COURSE OF THE OFFERING AND PRIOR TO SALE, EACH PROSPECTIVE INVESTOR AND SUCH INVESTOR'S PURCHASER REPRESENTATIVE(S), IF ANY, ARE INVITED TO ASK QUESTIONS OF AND OBTAIN ADDITIONAL INFORMATION FROM THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE COMPANY, THE BUSINESS AND OTHER RELEVANT MATTERS, INCLUDING, BUT NOT LIMITED TO, ADDITIONAL INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH IN THIS MEMORANDUM. THE COMPANY WILL PROVIDE SUCH ADDITIONAL INFORMATION TO THE EXTENT IT POSSESSES IT OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

PROSPECTIVE INVSETORS ARE INVITED TO ASK QUESTIONS AND REQUEST ADDITIONAL INFORMATION BY CONTACTING THE MANAGER AT:

CAL NEVA LODGE, LLC
Attn: Robert Radovan
c/o CR Cal Neva, LLC
1336-D Oak Street
St. Helena, CA 94574
Telephone: 707-963-0313
Email: Robert@CriswellRadovan.com

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Exhibits

“A”	-	Operating Agreement
“B”	-	Business Plan

INVESTOR SUITABILITY STANDARDS

This is a private offering that is being made only by delivery of a copy of this Memorandum. Sales of the Units will be made only to investors who are “accredited investors” as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended.

Accredited Investors

Accredited Investors are those prospective investors who meet at least one of the following standards or others set forth in Rule 501(a) of Regulation D, which are described in more detail in the Purchaser Questionnaire:

- (a) The investor is a natural person and such investor’s Net Worth (as defined below) either individually or jointly with such investor’s spouse, exceeds \$1,000,000 (*excluding* the value of such investor’s primary residence);
- (b) The investor is a natural person who has had Individual Income (as defined below) from all sources, without including any income of such investor’s spouse, in excess of \$200,000, or with such investor’s spouse of \$300,000, in each of the two most recent years and reasonably expects to have Individual Income in excess of \$200,000 or \$300,000, as applicable, in the current year;
- (c) Any entity (a partnership, limited liability company, corporation, trust or unincorporated association) in which all of the equity owners of that entity qualify as Accredited Investors. A trust will qualify as an Accredited Investor if: (x) it is an irrevocable trust and it qualifies under clause (e) below; or (y) it is a revocable trust and each person with the power to revoke the trust qualifies under clause (a) or (b) above;
- (d) A corporation or a partnership, not formed for the specific purpose of acquiring the Units, that has total assets in excess of \$5,000,000;
- (e) A trust, not formed for the specific purpose of acquiring the Units, that has total assets in excess of \$5,000,000 and is directed by a sophisticated person as defined in Rule 506(b)(2) of Regulation D; or
- (f) Any Director or executive officer of the Company.

As used in the foregoing description, the term “**Net Worth**” means the excess of total assets at fair market value over total liabilities, and the term “**Individual Income**” means adjusted gross income, as reported for Federal Income Tax purposes, less any income attributable to a spouse or to a property owned by a spouse unless such spouse is a co-investor, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse unless such spouse is a co-purchaser): (i) the amount of any interest income received which is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended (the “**Code**”); (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040); (iii) any deduction claimed for depletion under Section 611 et seq. of the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Code.

Each prospective investor will be required to represent that such prospective investor is acquiring the Units for such prospective investor’s own account or for a fiduciary account for which the prospective investor either directly or indirectly supplies the funds, for investment, and not with any intention of making a distribution or resale of such securities either in whole or in part.

The Company reserves the right to declare any prospective investor ineligible to purchase Units based on information provided (or not provided) in the Subscription Agreement and Purchaser Questionnaire or on any other

information which may become known or available to the Company concerning the suitability of such prospective investor or for any other reason.

In the case of fiduciary accounts, the net worth and/or income suitability requirements must be met by the beneficiary of the account, or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Units. In order to create an Individual Retirement Account, a person must comply with the provisions of Section 408 of the Code and an investment in the Units does not, in and of itself, create an Individual Retirement Account for any person.

SUMMARY OF THE OFFERING

THE INFORMATION SET FORTH BELOW IS INTENDED TO SUPPLY, IN SUMMARY FORM, CERTAIN INFORMATION AND HIGHLIGHTS FROM THE MATERIAL CONTAINED IN THIS MEMORANDUM AND SHOULD BE READ IN CONJUNCTION WITH, AND IS QUALIFIED BY, THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS MEMORANDUM. ANY CAPITALIZED TERMS CONTAINED HEREIN WHICH ARE NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THE COMPANY'S OPERATING AGREEMENT ATTACHED HERETO AS EXHIBIT A (THE "OPERATING AGREEMENT").

The Company

CAL NEVA LODGE, LLC is a Nevada limited liability company. The Company's address and telephone number are c/o CR Cal Neva, LLC, 1336-D Oak Street, St. Helena, CA 94574; (707) 963-0313. The address of the Company's Development Office is 2 State Line Road, Crystal Bay, NV 89402..

Overview

The Company has been formed to complete the purchase certain real property located in Crystal Bay, Nevada and the related business known as the "Cal Neva Resort, Spa and Casino" (referred to herein as the "**Property**"); to exercise all rights, powers, privileges, and other incidents of ownership or possession with respect to the Property; to enter into, make, and perform all contracts and other undertakings; and to engage in other related activities.

Management

The Company is manager managed and, except with respect to certain "Major Decisions," management and control of the Company is vested exclusively in the Manager of the Company. The Manager of the Company is CR Cal Neva, LLC, a Nevada limited liability company. The Manager may not be removed without the unanimous consent of all Members. The Manager and the Members also will appoint a five (5) member Executive Committee to make Major Decisions. The Executive Committee's power is limited to making Major Decisions. Major Decisions require approval of four (4) out of five (5) members of the Executive Committee.

The Offering

The Company is offering for sale up to twenty (20) Units (\$20,000,000) of membership interests in the Company for a purchase price of \$1,000,000 per Unit. The Minimum Offering Amount is fourteen (14) Units (\$14,000,000). The minimum investment is one (1) Unit, or \$1,000,000. Subscriptions for the Units will be accepted only from prospective investors who are "accredited investors." Investors

will have an opportunity to acquire Founders Units and/or Preferred Units. Of the total Units offered hereunder, the Company has stipulated that the Preferred Units and the Founders Units will not be created as a separate class unless a minimum of five (5) Units of that class are sold and that no more than fifteen (15) Founders Units will be issued and sold.

Use of Proceeds

The net proceeds of this Offering will be used by the Company (i) to repay short-term bridge financing used to purchase the Property, (ii) to redeem the preferred equity interest owned by Canyon Capital, (iii) to reimburse the Manager for predevelopment services and expenses and (iv) for working capital.

Term of the Company

The term of the Company will expire December 31, 2063.

The Units

After completion of the Offering, the Company will have three (3) classes of units: Common Units, Founders Units and the Preferred Units. The Units have no right to vote. The Common Units were issued to CR Cal Neva, LLC (the equity sponsor and Manager of the Company at the time of formation. Common Units are not being offered or sold hereunder. The Preferred Units being offered and sold will receive a preferred return (the “**Preferred Return**”) in an amount equal to 10% per annum, calculated on an annual basis, non-compounded. The Preferred Return Preferred Return will include a minimum return of capital requirement equal to forty percent (40%) of such Preferred Member’s Capital Contribution. See SUMMARY OF THE OFFERING - DISTRIBUTIONS.” The Founders Units will not receive a Preferred Return, but will receive for each Founders Unit acquired an option to purchase one of the condominiums that the Company intends to build at a purchase price that is discounted by \$500,000 below list price. After completion of the Offering, assuming sale of twenty (20) Units, the Common Member will have a Percentage Interest in the Company equal to twenty percent (20%). Units equal to a ten percent (10%) Percentage Interest also have been reserved for a mezzanine lender.

Distributions

Distributions of cash received from operations of from the sale or refinance of the Property (“**Distributable Cash**”) shall be distributed as follows:

- (i) **10% PREFERRED RETURN:** 100% to the Preferred Members *pro rata* based upon the Percentage Interest owned by each such Preferred Member until the Preferred Members have received cumulative Distributions equal to the 10% annualized Preferred Return, non-compounded; and thereafter
- (ii) **RETURN OF INVESTMENT:** 100% to all Members *pro rata* based upon the Percentage Interest owned by each such Member until the Members have received cumulative Distributions equal to the Members’ Capital Contributions; and thereafter

- (iii) **PRO RATA RETURN:** To all Members *pro rata* based upon the Percentage Interest owned by each such Member.
- (iv) Notwithstanding the foregoing, if at the time that all accrued Preferred Returns have been paid to the Preferred Members the total amount of Preferred Returns paid to the Preferred Members is less than forty percent (40%) of the Capital Contributions made by the Preferred Members, each Preferred Member shall be entitled to receive additional distributions of Preferred Returns, prior to any distributions to the other Members, in an amount equal to the difference between 40% of the Capital Contributions made by each Preferred Member minus the total Preferred Returns received by each Preferred Member. After such additional distributions have been paid to the Preferred Members, distributions shall then be made. Preferred Returns to each Preferred Member shall thereafter continue to accrue on a quarterly basis on any unreturned Capital Contributions of the Preferred Members and be paid as a first priority to each Preferred Member until such time as all Preferred Members have received the full return of their Capital Contributions.
- (v) Schedule 4.1 of the Operating Agreement also provides that the Common Member shall have a Percentage Interest in the Company equal to twenty percent (20%) for its role as sponsor and for its contributions to the asset value of the Project since the purchase of the Property. A ten percent (10%) Percentage Interest also has been reserved for a mezzanine lender.

Allocations of Income and Gain

Allocations of the Company's income, gain and for tax and financial purposes will be made in a manner which will be consistent with, and will give effect to, the distribution provisions outlined above.

Reports to Members

The Company information necessary for the preparation of the Federal income tax returns of the investors will be furnished to each Member within ninety (90) days after the end of each year. If there are more than thirty-five (35) Members, the Company will also send to each Member, within one hundred twenty (120) days after the end of each year, an annual report containing financial statements of the Company and a report of the activities of the Company during such year.

Tax Considerations

An investment in the Company is not expected to yield significant tax benefits for a typical investor, and an investor solely seeking such benefits should not invest in the Company. Nevertheless, investment in the Company requires careful consideration of tax consequences and the risks attendant thereto. See "RISK FACTORS - Federal Income Tax Risks." EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH SUCH PROSPECTIVE INVESTOR'S OWN TAX ADVISOR IN ORDER TO FULLY UNDERSTAND HOW SUCH CONSEQUENCES AND RISKS AFFECT SUCH PROSPECTIVE INVESTOR'S PARTICULAR SITUATION.

**Limitation on Transfer
of Units**

There is currently no public market for the Units, and it is highly unlikely that such a market will develop. The Units have not been registered under the Securities Act of 1933, as amended (the “Act”), or the securities laws of any state, and may not be transferred or resold except as permitted under the Act and such state law pursuant to registration or exemption therefrom. Further, the transferability of the Units will be subject to certain significant restrictions imposed by the Operating Agreement. See “SUMMARY OF THE OPERATING AGREEMENT - Limited Transferability of the Units,” and “RISK FACTORS.”

Compensation to the Manager

The Manager will not receive any compensation for the Manager’s services to the Company. Any decision to provide the Manager with compensation at a later date shall be deemed a Major Decision and will be subject to approval of the Executive Committee. In addition, an affiliate of the Manager may receive fees in the amount of \$60,000 per month for services provided under a Development Services Agreement to be entered into post-closing. Such development fees will not to exceed \$1,200,000. Once the Property is developed, an affiliate of the Manager also may enter into a Hotel Management Agreement. The Development Services Agreement and the Hotel Management Agreements will be negotiated at arm’s length utilizing outside independent counsel. See “COMPENSATION AND FEES.”

Conflict of Interest

The Company may be subject to various conflicts of interest given that its Manager have other business interests and investments which include real estate. See “CONFLICTS OF INTEREST.”

THE BUSINESS

The Company has been formed to purchase certain real property located in Crystal Bay, Nevada and the related business known as the “Cal Neva Resort, Spa and Casino” (referred to herein as the “**Property**”). Criswell Radovan, LLC through affiliate Cal Neva Lodge, LLC, bought the Property in April 2013 from Canyon Capital, who had taken it back in foreclosure in 2009. In connection with the purchase, Canyon Capital agreed to take passive preferred equity in the venture. Criswell Radovan, LLC also obtained bridge financing of \$6 million which it used as the equity to close on the Property and complete the entire pre-development phase on the Property. While that acquisition and pre-development financing was relatively expensive, it allows the new equity investors to invest at an unusually low risk level for a development opportunity. The Property (effectively purchased for an acquisition price of \$13,000,000) includes all real property, the hotel and restaurant business (with liquor and gaming licenses), all inventory, furnishings and equipment used in the operations of the business and all intellectual property (names, logos and website).

The Property--Cal Neva Resort, Spa and Casino

The Cal Neva Resort, Spa and Casino was founded in the early 1926. It is the oldest casino in the U.S. and the hotel saw its heyday in the 1960s when it was owned by Frank Sinatra and became a popular destination among the Hollywood and political elite. The Property will feature 191 guest rooms among its tower, chalets, and cabins. It also enjoys a non-restricted gaming license for a 17,000 square foot casino; 16,000 feet of meeting space, a full service spa, a 350 seat showroom, the famous Circle Bar, Press Restaurant, and a Dean & DeLuca market.

Set on almost 14 acres overlooking Lake Tahoe, the Property has just over 9 acres in Nevada and 4.5 acres in the State of California in the North Shore area of Lake Tahoe. It is a 45 minute drive from the Reno-Tahoe airport, about 3.5 hours by car from San Francisco, and about 90 minutes by car from Sacramento. In addition to being less than 400 feet from the water, the Cal Neva is within 30 minutes of the Northstar, Squaw, Incline, and Alpine Meadows ski areas, as well as several smaller ski resorts such as Diamond Peak at Incline Village.

While the building needs cosmetic improvements and a complete re-launch of the management and marketing of the property, there are no known structural issues of concern, and the previous owner spent over \$10,000,000 upgrading all of the kitchen and service areas to support group business. The cost of the recent upgrades alone roughly matches the price to buy the entire property.

For additional information regarding the Property (Cal Neva Resort, Spa and Casino), *see* “Business Plan” attached hereto as Exhibit B.

Business Summary

The Cal Neva Resort, Spa and Casino enjoys a strong sense of place and identity created by its high-profile history of close to ninety (90) years. The Company believes that one of the most striking things about this opportunity is the nostalgia and popularity it enjoys throughout the San Francisco bay area and the northern California region. This is not just a rooms upgrade to take market share from competitors – the notion of “bringing back the Cal Neva” has an immediate resonance with people, and done right, the Company believes it could be a game-changer in the North Lake Tahoe Market. There is nothing in the market with the kind a character that this hotel offers, and the ability to bring music and other major live entertainment as well as upscale gambling entertainment to an otherwise sleepy night-life scene in North Lake Tahoe, gives it a market niche all to itself. The Property also has been offered the opportunity to become a member of the Starwood Luxury Collection. The Company believes that this would give the Property the power to utilize the Starwood network for reservations, marketing, and group sales, while permitting it to keep its historic identity.

The Company believes that based on the very good structural and “back of house” condition of the Property, the hotel can be renovated and re-opened for about \$32 million renovation cost, with twelve approximately

(12) months for the upgrade. The Company anticipates that the project will initially be capitalized with \$20,000,000 of equity and \$35,000,000 of debt.

A financial forecast for the Property anticipates return of Investor principal in four (4) years, total Project revenue in excess of \$90,000,000 (or a 4.5 times equity multiple) if the Property is sold in year seven of operations, before any contribution from Phase II condo units and a long-term annuity stream of between \$2,000,000-2,500,000 if the Property is held beyond year seven. The Company anticipates, but cannot guarantee, that such *pro forma* financial results will be met or that the Property will be offered for sale at the end of year seven. For additional information regarding the Company, historical and *pro forma* financial information and the Business Operating Plan for the Property, *see* the Company's Business Plan attached hereto as Exhibit B.

Management

The Company is managed by the Manager in accordance with the Operating Agreement. Manager is an affiliate of Criswell Radovan, LLC. The Criswell Radovan team was chosen to pursue this opportunity based on its track record in the luxury hotel space, including several significant historic rehabilitations. The Ritz Carlton in San Francisco and the Aetna Springs project in Napa Valley (currently in development) show Criswell Radovan's understanding of both the creative sensitivity in planning as well as the marketing power of restoring these historic hotels. Criswell Radovan's work on the Calistoga Ranch project in Napa Valley (ranked #1 hotel in California and #5 in the U.S. by U.S. News and World Report) in addition to those other properties demonstrates its success in developing one-of-a-kind properties in markets with very high barriers to entry.

For additional information regarding Management of the Company, *see* the Company's Operating Agreement attached hereto as Exhibit A and the Company's Business Plan attached hereto as Exhibit B.

Legal Proceedings

The Company is not a party to any material pending legal proceeding.

COMPENSATION AND FEES

Subject to Section 8.3 of the Operating Agreement regarding approval of Major Decisions including the approval of an Operating Budget and a Project Budget and approval of other payments, the Company may not pay to any Manager, Member or other person a salary as compensation for their services rendered to the Company.

Upon approval of the Executive Committee, pursuant to Section 7.4 of the Operating Agreement, the Company plans to enter into a Development Services Agreement with an affiliate of the Manager to oversee the development of the project (the “**Developer**”). It is anticipated that the Developer will receive a fee (the “**Development Fee**”) in an amount of \$60,000 per month; provided that Development Fees will not to exceed \$1,200,000 in the aggregate. Following the completion of the redevelopment, the Company, upon approval of the Executive Committee, and pursuant to Section 7.3 of the Operating Agreement, plans to enter into a Hotel Management Agreement with day-to-day management of the Property to be performed by an affiliate of the Manager. In addition to being approved by the Executive Committee, the Development Services Agreement and the Hotel Management Agreement will be negotiated at arm’s length utilizing outside independent counsel and will be terminable for cause.

For additional information regarding Compensation and Fees, *see* the Company’s Operating Agreement attached hereto as Exhibit A and the Company’s Business Plan attached hereto as Exhibit B.

ESTIMATED USE OF PROCEEDS

The following table illustrates the intended use by the Company of the proceeds of the Offering assuming sale of the Maximum Offering Amount. The figures contained in the table represent the estimates of the Manager. While the Manager believe that the Manager have adequately anticipated each category of the use of proceeds, certain reallocations may be necessary.

Payoff of Equity Bridge Financing	\$ 6,400,000
Payment to Canyon to Redeem Preferred Equity Interest	10,500,000
Reimbursement of Manager for Predevelopment Services/Expenses	300,000 ¹
Working Capital	<u>\$ 2,800,000</u>
TOTAL PROCEEDS	\$20,000,000

¹ Represents the net amount to be received by the Manager after taking into account reimbursement and reinvestment of \$1,000,000 by Criswell Radovan, LLC.

RISK FACTORS

THE PURCHASE OF UNITS INVOLVES CERTAIN RISKS, INCLUDING, BUT NOT LIMITED TO, THE RISKS SUMMARIZED BELOW. POTENTIAL INVESTORS SHOULD CAREFULLY READ AND UNDERSTAND THIS OFFERING AND THE RISKS INVOLVED BEFORE SUBSCRIBING.

Business Risks

Lack of Company History. The executive officers and Manager have experience in the purchase, development and management of real property, the purchase and sale of businesses and the finance and sale of commercial real estate. However, the Company is newly formed and has not engaged in any substantial business prior to this Offering. There is no Company history or prior earnings upon which investors could evaluate the likely performance of the Company. Accordingly, the Company will be subject to all of the risks inherent in the creation of a new business.

Speculative Investment. There can be no assurance the Company will satisfy its business objectives. Furthermore, no assurance can be given to the Founding Members or the Preferred Members that they will realize a return on their investment, or that they will not lose their entire investment in the Company. For this reason, each prospective purchaser should carefully read this Memorandum and all exhibits hereto and should consult with such purchaser's attorney, business advisor, or investment advisor, if any. The Founding Members also will receive an option to purchase condos at a discount. Such condos have not been built and no assurance can be given that such condos will ever be built.

Reliance on the Company. The Founding Members and Preferred Members have the right to vote on Major Decisions. Except with respect to the foregoing, Members do not have voting rights and will be completely reliant on the Manager for management of the Company's affairs.

Conflicts of Interest. The Manager may be subject to certain conflicts of interest with respect to the Company relating to businesses in which the Manager may engage in the future which are similar to and competitive with the business conducted by the Company. See "CONFLICTS OF INTEREST."

Insufficient Funding; Dilution. If the Company is unable to raise sufficient financing and/or equity funding to complete the purchase and redevelopment of the Property, implementation of its Business Plan will be delayed and will greatly reduce the Company's possibility of success. Such implementation also may be delayed or impeded by budgetary and cost overruns which may require additional capital. Such additional funds may come from available financing but the source of such funds may also be the sale of additional Units to additional investors. The purchase price of such additional Units and the rights, preferences and privileges of such Units, could be more favorable and superior to the Units purchased by investors in this Offering and will dilute the Percentage interests of the investors in this Offering. The Company also will require additional financing to build the condos contemplated in the Business Plan, and a construction lender may require pre-sales or a contribution of additional equity as a condition of such financing. Funding for the condos has not been arranged or priced and may not be sought until the redevelopment of the Property has been completed. It is unknown whether such construction financing when needed will be available at commercially reasonable rates. If the Company is unable to fully implement its Business Plan due to insufficient funding, the Preferred Return may not be paid, the condos subject to option may not be built, and the initial investment amount may be lost.

Risks Associated with the Property. The success of the Company will be directly dependent upon the success of the Property. The Property will be subject to the risks generally incident to niche, high end destination resort properties and to the hospitality business in general, including changes in economic or local condition, changes of supply of or demand for similar or competing properties, changes in average room rates and availability of rooms offered at discount or Internet rates at competing properties, changes in gas prices, the cost of airline travel or the value of the U.S. Dollar, changes in federal, state and local laws, rules and regulations impacting the Property

or access to the Property, changes in weather patterns or other environmental conditions, changes in tax, environmental or zoning laws and other factors beyond the control of the Company.

Competition and Pricing. The lodge/resort industry in which the Property competes is highly competitive, with competition coming primarily from other lodges, resorts, hotels and ranches that provide alternative accommodations, facilities and activities. While we believe that Cal Neva Resort, Spa and Casino is well positioned to compete, and that our newly rebuilt main lodge, luxury accommodations and Crystal Bay location present a significant advantage over competing properties, Cal Neva Resort, Spa and Casino has not been actively or efficiently marketed and has been closed for renovation since September 2013. As a result, it is uncertain whether achieved an acceptable level of occupancy can be sustained or whether the Property can successfully compete and prove viable within the marketplace. The Company, in addition, has identified several situations the occurrence of which may hinder its ability to successfully compete:

- Other competitive lodges/resorts may capture greater market attention or media buzz;
- Other competitive lodges/resorts/hotels may be reduce room rates in an effort to boost occupancy;
- Our accommodations may not meet evolving market tastes or needs; and
- The Company may not have the financial resources to pay for needed maintenance or additional capital improvements as market or other conditions may require.

Many of our competitors also have substantially greater financial, marketing, personnel and other resources than does the Company. There can be no assurance that the newly reopened Cal Neva Resort, Spa and Casino following its acquisition by the Company can be successfully re-launched and marketed. Competitive pressures could prevent us from growing, reduce our market share or require us to reduce room rates and restaurant prices, any of which could harm our business. The Company also may be required to adjust its rates and pricing due to seasonal demand or unexpected weather or environmental conditions. A lowering of rates and prices may have a material adverse impact on the financial condition and results of operations of the Company. See “Business Plan.”

Delays in Implementing Business Operating Plan. Any delay in the implementation of the Business Operating Plan may cause the Company to incur additional costs and could impair the possible success of the Company. In particular, the Company will be purchasing, operating and holding the Property. While the Company intends to refinance the Property within three (3) years and sell the Property within ten (10) years, the inability to timely sell the Property as planned could greatly reduce the internal rate of return and the ability of the Company to repay all of the investors their Capital Contributions. In addition, any such delay will at least defer the receipt by the Preferred Members of any return on their Units, may jeopardize the viability of the Company and could result in a total loss of any investment in the Units.

Projections. The projected financial information contained herein or in the Company’s Business Plan attached to this Memorandum as Exhibit B represents a projection of future events which may or may not occur. The projections are based on the estimates and assumptions set forth therein which may or may not prove to be accurate and should not be relied upon to indicate the actual results which might be obtained by the Company. No representation or warranty of any kind is given with respect to the accuracy of the projections. The actual results of future operations of the Company likely will vary from those set forth in the projections, and such variations may be material and adverse. The projections have been prepared by the Company’s management and have not been reviewed or compiled by independent certified public accountants.

Investment Risks

Compensation to the Manager. The Manager and/or its affiliates may be entitled to receive compensation to be paid by the Company under certain circumstances. See “COMPENSATION AND FEES.”

Restrictions on Transferability; No Market for Units. There currently exists no public market for the Units and it is highly unlikely that such a market will ever develop. A Preferred Member will only be able to sell the Units pursuant to exemptions from registration and qualification under applicable Federal and state securities laws, with an opinion of counsel acceptable to the Company to that effect. Further, the transferability of the Units is specifically restricted under the Operating Agreement. As a result of the foregoing, investors must bear the economic risk of an investment in the Units offered hereby for an indefinite period of time and may not be able to liquidate their investments in the event of an emergency or for any other reason.

Dissolution of Company. There is always a risk that the Company may be dissolved notwithstanding the desires of some, or all, of the Founding or Preferred Members.

Liability of the Preferred Members for Return of Distributions. Under applicable law, a Preferred Member who has received distributions from the Company, representing, in whole or in part, a return of such Preferred Member's Capital Contribution (distributions of cash in excess of profits) may be required to repay to the Company any sum not in excess of the amount of such return of capital plus interest, if the Company is unable to satisfy its liabilities to creditors who extended credit or whose claim arose before such return of capital.

Lack of Management Control by Investors. Investors will have very limited voting rights. The Founding Members and the Preferred Members do not have the right to take part in the management or control of the Company's business, which will be the sole responsibility of the Manager. Following the closing of the Offering, most day-to-day activities will be delegated to affiliates of the Manager who will perform development and hotel management services pursuant to a Development Services Agreement and a Hotel Management Agreement, respectively. Such agreements must be approved by the Executive Committee and will be terminable for cause.

Reports to the Founding and Preferred Members. The only information regarding the business of the Company that will be required to be prepared and made available to the Founding Members and the Preferred Members will be the reports described in the Operating Agreement.

Forward-Looking Statements. Certain statements contained in this Memorandum, including without limitation, statements containing the words "believes," "anticipates," "intends," "expects" and words of similar import, constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both domestic and foreign; industry and market capacity; liability and other claims asserted against the Company; competition; change in operating strategy or development plans; the ability to attract and retain qualified personnel; and other factors referenced in this Memorandum. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Federal Income Tax Risks

General. The economic benefits of an investment in the Company are in part predicated on certain assumptions concerning the Federal income tax aspects of such an investment. However, there are various risks associated with the Federal income tax consequences of an investment in the Company, which are summarized below. This summary is not intended to be a substitute for careful tax planning, particularly since the income tax consequences of an investment in the Company are complex and will not be the same for all investors.

PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS BEFORE INVESTING IN THE COMPANY.

Tax Status of the Company and Tax Matters; No Tax Ruling or Opinion of Counsel. Although the Company believes that the Company will be treated as a Company for Federal income tax purposes, no ruling from the Internal Revenue Service (the “**Service**”) or opinion of counsel has been or will be sought with respect to the status of the Company as a “partnership” for Federal income tax purposes, or with respect to the Federal income tax consequences of any assignment of the Units or with respect to the Federal income tax consequences of the Company’s operations, including the tax treatment of income, gains or losses of the Company or any deductions or credits which the Company intends to take. In the event that the Company is classified as an association taxable as a corporation, the Members would be treated as shareholders of a corporation, with the result, among other things, that: (i) items of income, gain, loss, deduction and credit would not flow through to the Members to be accounted for on their individual Federal income tax returns; (ii) distributions would be treated as corporate distributions to the Members taxable to them as dividends, to the extent of the Company’s current or accumulated earnings and profits; and (iii) the taxable income of the Company would be subject to the Federal income tax imposed on corporations in a manner that would reduce the amounts, if any, available for distribution to the Members.

Changes in Federal Tax Law. It should be emphasized that the Internal Revenue Code could be substantially amended (including amendments having retroactive effect) in a manner that could adversely affect an investment in the Units. Also, judicial decisions and administrative actions of the Treasury Department and the Service may have adverse effects on the interpretation of existing tax law. It is impossible to predict any changes in the tax law or the effect such changes could have on an investment in the Company.

Audit of the Company’s Tax Returns. There is a possibility that the tax returns of the Company will be examined by the Service. Adjustments, if any, resulting from any such audit would require adjustments to the Members’ personal income tax returns and might result in separate audits of the Member’s own tax returns. Any such audit of a Member’s return could result in proposed adjustments relating to non-Company items as well as of Company income or loss.

CONFLICTS OF INTEREST

The Company is subject to various conflicts of interest arising from its relationships with the Manager and its Affiliates. These conflicts include, but are not limited to, the following:

Compensation. While the Manager will not receive any compensation for the Manager’s services to the Company, affiliates of the Manager will receive fees for development and hotel management services pursuant to a Development Services Agreement and a Hotel Management Agreement, respectively. Such agreements, as described above, must be approved by the Executive Committee and will be terminable for cause.

Other Activities of the Manager. The Manager may engage for the their own accounts, or for the account of others, including other entities which the Manager may form, in other business ventures, related to similar businesses, competitive or otherwise, and neither the Company nor any of the Preferred Members shall be entitled to any interest therein. The Operating Agreement expressly provides that the Manager will not be obligated to present to the Company any particular investment opportunity that comes to their attention, even if such opportunity is of a character which might be suitable for investment by the Company. Furthermore, the Manager will not have any duty to account to the Company for profits derived from any of the foregoing activities.

Lack of Separate Representation. The Company and the Common Member and the Manager are represented by the same counsel. The attorneys who perform services for the Company and the Common Member and Manager also perform services for certain affiliates of the Common Member and Manager. Legal counsel for the Company does not purport to act independently on behalf of the Investors, and does not represent the interests of either the Founding Members or the Preferred Members in connection with this Offering. It is anticipated that the representation of the Company and the Common Member and Manager by the same counsel will continue in the

future. If a dispute arises between the Company, the Common Member and the Manager, or if a majority of the Investor members of the Executive Committee request, the Manager will cause the Company to retain separate counsel for such matters as and when appropriate. Each Investor must rely upon such Investor's legal counsel for advice in connection with an investment in the Units.

Resolution of Conflicts of Interest. The Manager has not developed, and do not expect to develop, any formal process for resolving conflicts of interest. However, the Manager is subject to a fiduciary duty to exercise good faith and integrity in handling the affairs of the Company, which duty will govern its actions in all such matters. See "FIDUCIARY RESPONSIBILITY OF THE MANAGER." While the foregoing conflicts of interest could materially and adversely affect the Founding Members and the Preferred Members and the Company, the Manager, in the Manager's sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of its business judgment in an attempt to fulfill the Manager's fiduciary obligations. There can be no assurance that any such attempt will prevent the adverse consequences that may result from the numerous conflicts of interest. See "OTHER ACTIVITIES OF MANAGER."

FIDUCIARY RESPONSIBILITY OF THE MANAGER

The Manager is accountable to the Company as a fiduciary and consequently must exercise good faith and integrity in handling the Company's affairs.

The Manager has broad discretionary powers to manage the affairs of the Company under the terms of the Operating Agreement. Generally, actions taken by the Manager are not subject to vote or review by the Founding Members or the Preferred Members, except as required by statute. The Company must, on demand, give to any Founding Members or Preferred Member or such Founding Members' or Preferred Member's legal representative, true and full information concerning all Company affairs and each Founding Members or Preferred Member or such Founding Members' or Preferred Member's legal representative may inspect and copy certain of the Company's books and records at any time during normal business hours following reasonable notice to the Company as described in the Operating Agreement.

THE OFFERING

The Offering described herein consists of a total of up to a maximum of twenty (20) Units, with a minimum purchase of one Unit (\$1,000,000), at a purchase price of \$1,000,000 per Unit, to selected Investors who meet the suitability requirements established for this Offering. Investors will have an opportunity to become Founding Members and acquire Founders Units and/or Preferred Members and acquire Preferred Units. Of the total Units offered hereunder, the Company has stipulated that the Preferred Units and the Founders Units will not be created as a separate class unless a minimum of five (5) Units of that class are sold and that no more than fifteen (15) Founders Units will be issued and sold. It is anticipated that the closing of the Offering will occur on or before March 28, 2014, provided that on or before the Closing Date, Investors shall have subscribed for a minimum of fourteen (14) of the Units (\$14,000,000), which is the Minimum Offering Amount. The Founders Units and the Preferred Units will be offered on a best efforts basis. The Offering will terminate not later than April 30, 2014, unless extended by the Manager for up to 90 days.

All subscriptions, once accepted, will be deposited in an escrow account to be established at Powell Coleman & Arnold LLP. Unless subscriptions for fourteen (14) Units (\$14,000,000) have been received and accepted by the Manager by the Termination Date, all funds received from subscribers will be returned to them by the Company without interest.

Objectives

The principal investment objectives in order of priority are to: (1) protect the Members' Capital Contribution Amounts; and (2) provide for payment of the Preferred Return. HOWEVER, THERE CAN BE NO ASSURANCE THAT ANY OR ALL SUCH OBJECTIVES WILL BE ATTAINED.

Subscription Procedures

Each person wishing to subscribe for the purchase of Units will be required to execute a Subscription Agreement, a Founding Member/Preferred Member Signature Page and Power of Attorney and a Purchaser Questionnaire in the forms contained in the Subscription Booklet that accompanies this Memorandum. Each investor will be required to represent in the Subscription Agreement, among other things, that such investor is an "accredited investor," acquiring the Units for such investor's own account or for a fiduciary account for which the investor either directly or indirectly supplies the funds, for investment, and not with any intention of making a distribution or resale of such securities either in whole or in part. The Company reserves the right, in its sole discretion, to reject the subscription of any prospective investor.

EACH INVESTOR WHO WISHES TO SUBSCRIBE FOR UNITS MUST COMPLETE, EXECUTE AND RETURN TO THE COMPANY THE FOLLOWING DOCUMENTS CONTAINED IN THE SUBSCRIPTION BOOKLET WHICH ACCOMPANIES THIS MEMORANDUM (AS APPLICABLE):

- (1) A Subscription Agreement;
- (2) A Founding Member/Preferred Member Signature Page and Power of Attorney;
- (3) A Purchaser Questionnaire;
- (4) A Certificate of Nonforeign Status;
- (5) IRS Form W-9; and
- (6) Investor's Instructions to Escrow and Wire Transfer Information.

The failure to fully complete and execute each of the foregoing documents may result in the rejection, or a delay in the acceptance, of an investor's subscription.

By executing the Founding Member/Preferred Member Signature Page and Power of Attorney, the subscriber: (i) agrees, among other things, to all of the terms of the Operating Agreement; (ii) grants the Power of Attorney contained therein; and (iii) certifies to all the representations contained therein.

Acceptance of Subscriptions

Before the Company will accept a subscription for the Units offered hereby, it must determine that the investor meets the suitability standards set forth above under the caption "INVESTOR SUITABILITY STANDARDS."

Therefore, each prospective investor will be asked to complete a Purchaser Questionnaire contained in the Subscription Booklet that accompanies this Memorandum. Not more than ten (10) business days after the Company receives a completed and executed Subscription Agreement from a prospective investor, the Company will notify such investor whether such investor's subscription will be rejected. Amounts paid by a prospective investor whose subscription is rejected will be promptly returned without interest.

ERISA CONSIDERATIONS

Special considerations must be taken into account by the person ("**Fiduciary**") having responsibility regarding the investments of a tax-qualified retirement plan ("**Qualified Plan**"), an IRA or Keogh Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 ("**ERISA**") in determining whether to invest a portion of the IRA's, the Keogh Plan's or the Qualified Plan's assets in the Company. Qualified Plans subject to ERISA include, but are not limited to pension, profit sharing, stock bonus, or other tax-qualified retirement plans. IRAs and Keogh Plans are also subject to ERISA.

General Fiduciary Duties

ERISA requires that the Fiduciary handle the investments of a Qualified Plan with the care, skill, prudence, and diligence that a prudent man would use under the same circumstances. Specifically, ERISA requires that the Fiduciary make the following determinations (among others): (i) whether the investment is made solely in the interests of the plan participants; (ii) whether the investments of the plan are adequately diversified; (iii) whether the investment is made in accordance with the documents and instruments governing the plan; (iv) whether the investment complies with the plan's need for liquidity and return, which must necessarily take into account whether the income the plan receives will be subject to the tax on unrelated business taxable income (See "Unrelated Business Taxable Income" below); and (v) whether the investment would constitute a "prohibited transaction" under the provisions of ERISA or of the Code.

THIS DISCUSSION IS NOT INTENDED TO BE A LIST OF ALL OF THE DETERMINATIONS THAT A FIDUCIARY MUST MAKE PRIOR TO AUTHORIZING A PLAN TO INVEST IN THE COMPANY, AND IS A GENERAL DISCUSSION OF CERTAIN ISSUES THAT MAY AFFECT A FIDUCIARY'S DECISION WHETHER TO INVEST IN THE COMPANY.

Plan Asset Regulations

Under ERISA, certain requirements apply with respect to the assets of an IRA, Keogh Plan or Qualified Plan. For example, ERISA and the Code prohibit an IRA, Keogh Plan or Qualified Plan from engaging in certain “prohibited transactions” involving plan assets with people or entities which are labeled “parties in interest” under ERISA or “disqualified persons” under the Code with respect to that plan. Also, any person having authority or discretion regarding the management or disposition of plan assets may be a Fiduciary, and therefore be held to the special standards of fiduciary responsibility contained in ERISA, including liability for certain breaches of fiduciary responsibility by other Fiduciaries. Thus, if the assets of the Company constitute plan assets, the person who has responsibility for the management of the Company’s assets has be a Fiduciary of each Qualified Plan that invests in the Company, and the Fiduciaries of the investing Qualified Plans could be subject to co-fiduciary liability under ERISA for breaches committed by that person or for an improper delegation of investment authority to that person.

Neither ERISA nor the Code defines the term “plan assets.” The Department of Labor, however, has issued ERISA Interpretive Bulletin 75-2 (“**IB 75-2**”), which provides that an investment by a Qualified Plan in securities of a corporation or a Company generally will not result in the underlying assets of the corporation or Company being treated as plan assets for purposes of the prohibited transaction rules solely by reason of such investment. Under the guidelines of IB 75-2, then, the assets of the Company normally would not constitute assets of a Qualified Plan that invests in the Company for purposes of the prohibited transaction rules.

Fiduciaries of Qualified Plans should be aware that, subsequent to the promulgation of IB 75-2, the Department of Labor has issued final regulations (Regulation 29 C.F.R. Section 2510.3-101, published on November 13, 1986 at 51 Fed. Reg. 41262) defining what constitutes plan assets (“**Plan Asset Regulations**”). The Plan Asset Regulations provide, among other things, that a Company’s assets will not be plan assets if: (i) benefit plan investors, in the aggregate, own less than 25% of the value of membership interests; or (ii) if the Company is an operating company. The Company does not intend to limit plan investors to the percentage set forth in (i), above. An operating company is an entity that is primarily engaged in the production or sale of a product or service other than the investment of capital. More likely than not the Company will be deemed to be an operating company, and therefore its assets should not be deemed to be plan assets under the Plan Asset Regulations. If, pursuant to the Plan Asset Regulations, any investment in the Company were considered to be an investment in the underlying Company assets, prohibited transactions could arise under ERISA and the Code, investment by a Fiduciary of an IRA, Keogh Plan, or Qualified Plan could be deemed an improper delegation of investment authority, and the Fiduciary could be liable either directly, or under the co-fiduciary rules of ERISA, for the acts of the Company. Accordingly, an IRA, Keogh Plan or Qualified Plan Fiduciary is urged to consult its legal counsel with respect to investment in the Units.

Unrelated Business Taxable Income

IRAs, Keogh Plans and Qualified Plans are generally exempt from Federal income taxation on their income. This exemption from tax does not apply, however, to the extent that the “unrelated business taxable income” (“**UBTI**”) of the Qualified Plan exceeds \$1,000 during any fiscal year of the entity. It is believed that, subject to certain exceptions, income from the Company would constitute UBTI.

THE ABOVE DISCUSSION RELATING TO UBTI IS GIVEN AS GENERAL INFORMATION ONLY, NOT AS ADVICE AS TO HOW ANY PARTICULAR IRA, KEOGH PLAN OR QUALIFIED PLAN WOULD BE TAXED UNDER THE UBTI RULES. IRAS, KEOGH PLANS AND QUALIFIED PLANS SHOULD CONSULT THEIR TAX ADVISER REGARDING THE APPLICATION OF THE UBTI RULES TO THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE EFFECT AND APPLICABILITY OF STATE, LOCAL, AND OTHER TAX LAWS.

Valuation of Units

ERISA requires that the assets of a plan be valued at their fair market value as of the close of the plan year. It may not be possible to adequately value the Units from year to year, since there may not be a market for them.

SUMMARY OF THE OPERATING AGREEMENT

THE FOLLOWING IS A SUMMARY OF THE OPERATING AGREEMENT. SUCH SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPERATING AGREEMENT, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A. IT IS RECOMMENDED THAT EACH PROSPECTIVE INVESTOR READ THE OPERATING AGREEMENT IN FULL. CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS MEMORANDUM SHALL HAVE THE MEANING GIVEN TO THEM IN THE OPERATING AGREEMENT.

Nature of the Company

The Company is a limited liability company formed under the laws of the State of Nevada on March 13, 2013. The Operating Agreement authorizes the issuance and sale of up to twenty (20) Founders Units and Preferred Units for \$1,000,000 per Unit. The Minimum Offering Amount is fourteen (14) Units (\$14,000,000). The minimum investment is one Unit, or \$1,000,000; provided, however, that the Company reserves the right to sell partial Preferred Units.

Capital contributed to the Company by a purchaser of the Units is subject to the risks of the Company's business. Except as specifically provided in the Operating Agreement, no Member is permitted to take any part in the management or control of the business and may not be assessed for additional capital contributions. Assuming that the Company is operated in accordance with the terms of the Operating Agreement, a Member will not be liable for the liabilities of the Company in excess of such Member's Capital Contribution and share of undistributed profits. Notwithstanding the foregoing, a Preferred Member will be liable for any Distributions made to such Preferred Member if, after such Distributions, the remaining assets of the Company are not sufficient to pay its then outstanding liabilities, exclusive of liabilities of the Preferred Members on account of their Capital Contribution Amounts, and liabilities for which recourse is limited to specific Company assets.

Responsibilities of the Company

Subject to approval of Major Decisions by the Executive Committee, the Manager has the exclusive management and control of all aspects of the business of the Company. Subject to the foregoing, in the course of its management, the Manager may, in its absolute discretion, acquire, encumber, hold title to, pledge, sell, release, or otherwise dispose of real and personal property and interests therein when and upon such terms as it determines to be in the best interests of the Company and employ such persons, including, under certain circumstances, affiliates of the Manager, as the Manager deem necessary for the efficient operation of the Company.

Liabilities of Preferred Members / Assessability of Interests

The Operating Agreement provides that the Members shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company.

Term and Dissolution

The term of the Company will continue until December 31, 2063, unless dissolved in accordance with the Operating Agreement.

Voting Rights of Members

As set forth in the Operating Agreement, the Members have a limited right to vote on Major Decisions.

Limited Transferability of Units

Founding Members and Preferred Members have the right to assign, transfer or sell the Founding Units and the Preferred Units only in accordance with the provisions of the Operating Agreement. No assignment shall be effective if the assignment would violate the provisions of any applicable state or federal securities law, and the Company may require the transferor to provide to the Company an opinion of counsel satisfactory to the Company to that effect.

Preferred Return

The Preferred Members shall receive a “Preferred Return” in an amount equal to 10% per annum, calculated on an annual basis, non-compounded, on the amount of all Capital Contribution Amounts actually received by the Company in cash for which Preferred Units were issued. Notwithstanding the foregoing, if at the time that all accrued Preferred Returns have been paid to the Preferred Members the total amount of Preferred Returns paid to the Preferred Members is less than forty percent (40%) of the Capital Contributions made by the Preferred Members, each Preferred Member shall be entitled to receive additional distributions of Preferred Returns, prior to any distributions to the other Members, in an amount equal to the difference between 40% of the Capital Contributions made by each Preferred Member minus the total Preferred Returns received by each Preferred Member. After such additional distributions have been paid to the Preferred Members, distributions shall then be made. Preferred Returns to each Preferred Member shall thereafter continue to accrue on a quarterly basis on any unreturned Capital Contributions of the Preferred Members and be paid as a first priority to each Preferred Member until such time as all Preferred Members have received the full return of their Capital Contributions.

Distributions

Distributions of cash received from operations or the sale or refinance of the Property shall be distributed as follows:

- (vi) **10% PREFERRED RETURN:** 100% to the Preferred Members *pro rata* based upon the Percentage Interest owned by each such Preferred Member until the Preferred Members have received cumulative Distributions equal to the 10% annualized Preferred Return, non-compounded; and thereafter
- (vii) **RETURN OF INVESTMENT:** 100% to all Members *pro rata* based upon the Percentage Interest owned by each such Member until the Members have received cumulative Distributions equal to the Members’ Capital Contributions; and thereafter
- (viii) **PRO RATA RETURN:** To all Members *pro rata* based upon the Percentage Interest owned by each such Member.

- (ix) Notwithstanding the foregoing, if at the time that all accrued Preferred Returns have been paid to the Preferred Members the total amount of Preferred Returns paid to the Preferred Members is less than forty percent (40%) of the Capital Contributions made by the Preferred Members, each Preferred Member shall be entitled to receive additional distributions of Preferred Returns, prior to any distributions to the other Members, in an amount equal to the difference between 40% of the Capital Contributions made by each Preferred Member minus the total Preferred Returns received by each Preferred Member. After such additional distributions have been paid to the Preferred Members, distributions shall then be made. Preferred Returns to each Preferred Member shall thereafter continue to accrue on a quarterly basis on any unreturned Capital Contributions of the Preferred Members and be paid as a first priority to each Preferred Member until such time as all Preferred Members have received the full return of their Capital Contributions.
- (x) Schedule 4.1 of the Operating Agreement also provides that the Common Member shall have a Percentage Interest in the Company equal to twenty percent (20%) for its role as sponsor and for its contributions to the asset value of the Project since the purchase of the Property. A ten percent (10%) Percentage Interest also has been reserved for a mezzanine lender.

Allocations of Income and Loss

Allocations of Company income, gain and for tax and financial purposes will be made in a manner which will be consistent with, and will give effect to, the distribution provisions outlined above.

The Manager' Independent Activities

The Operating Agreement provides that the Manager (as well as any Founding Member or Preferred Member) and any of their Affiliates may engage in or possess any interest in other business ventures of every nature and description, whether such ventures are competitive with the Company or otherwise. Thus, the Manager or any of their Affiliates may engage independently in any other business. (See "RISK FACTORS - Conflicts of Interest.")

Books and Records

At all times during the term of the Company, the Company will keep true and accurate books of account of all the financial activities of the Company. These books of account will be kept open for inspection by the Members or their representatives at any time during normal business hours following reasonable notice given to the Company. The Manager may make such elections for Federal and state income tax purposes as the Manager deem appropriate and the fiscal year of the Company will be the calendar year unless changed by the Manager with the consent of the Commissioner of the Internal Revenue Service.

Reports

If there are more than 35 Members, the Company will send to each Member, within 120 days after the end of each of the Company's fiscal years, an annual report, prepared at the Company's expense, containing a balance sheet, statement of income or loss and statement of changes in financial position. The financial statements included in the annual report may, at the discretion of the Company, be unaudited.

The Company shall send to each Member within 90 days after the end of each taxable year the information necessary for the Member to complete its Federal and state income tax or information returns.

Appointment of the Manager as Attorney-in-Fact

Under the Operating Agreement, each Founding Member and Preferred Member irrevocably constitutes and appoints the Manager as such Founding Member's or Preferred Member's true and lawful attorney-in-fact, with full power and authority in such Founding Member's or Preferred Member's name, place and stead to make, execute acknowledge and file the certificates and other instruments described therein. This power of attorney does not grant the authority to amend or modify the Operating Agreement except as otherwise permitted therein (*See* Founding Member/Preferred Member Signature Page and Power of Attorney contained in the Subscription Booklet).

ADDITIONAL INFORMATION

In the opinion of the Manager, this Memorandum contains a fair summary of the documents referred to herein and does not omit a material fact or contain a misstatement of a material fact or fail to state a material fact necessary to make any statements made herein not misleading. Persons to whom offers are made will be furnished with such additional information concerning the Company and the other matters discussed herein as they, or their representatives or advisors, may reasonably request. The Company will, to the extent the Company possesses such information or can acquire it without unreasonable effort or expense, endeavor to provide such information to such persons. All prospective investors are urged to make such personal investigations, inspections or inquiries as they deem appropriate.

OPERATING AGREEMENT

[attached hereto]

Exhibit A

CAL NEVA LODGE, LLC
AMENDED AND RESTATED
OPERATING AGREEMENT

Dated: March __, 2014

CAL NEVA LODGE, LLC
AMENDED AND RESTATED
OPERATING AGREEMENT

This Amended and Restated Operating Agreement (this "Agreement") is made and entered into as of the ____ day of March, 2014 (the "Effective Date"), by and among the parties on the signature pages of this Agreement. Such parties and their respective permitted assignees are herein sometimes referred to individually as a "Member" and collectively as the "Members". All references to the Members will also include their successors and assigns pursuant to Article 12.

BACKGROUND FACTS:

A. On March 13, 2013, CR Cal Neva, LLC, a Nevada limited liability company ("CR"), formed a limited liability company named Cal Neva Lodge, LLC (the "Company") by filing certain Articles of Organization with the Secretary of State of the State of Nevada pursuant to the limited liability company laws of the State of Nevada and entering into an Operating Agreement for the Company.

B. The Members desire to amend and restate the existing Operating Agreement of the Company and admit new Members on the terms set forth herein.

C. Each Member represents that it has sufficient right and authority, without violating or breaching any provisions of law or contract, to execute this Agreement and is not acting on behalf of any undisclosed or partially disclosed principal by such action.

NOW, THEREFORE, in consideration of agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

ARTICLE 1
DEFINITIONS

As used in this Agreement and the attached Exhibits, the following capitalized terms have the meanings stated below and include the plural as well as the singular number.

1.1 "**Accountants**" means the independent certified public accountants selected by the Company.

1.2 "**Act**" means the limited liability company law of the State of Nevada, and all amendments to the Act.

1.3 "**Act of Insolvency**" will be deemed to have occurred if (a) a Member files in any court, in accordance with any statute of the United States or of any state, a petition in bankruptcy or insolvency, or files for the appointment of a receiver or trustee of all or a portion of the Member's property, or makes an assignment for the benefit of creditors or admits in writing

its/his/her inability to pay its/his/her debts generally as they become due; or (b) there is filed against a Member in any court in accordance with any statute of the United States or of any state, a petition in bankruptcy or insolvency, or for reorganization, or for appointment of a receiver or a trustee of all or a portion of the Member's property, and any order or decree is not vacated, or such appointment is not revoked or terminated and such receiver or trustee discharged, within ninety (90) days after entry or appointment, as the case may be.

1.4 **"Additional Capital Contribution"** means, with respect to the Members, any amounts the Members mutually agree to contribute to the Company as capital contributions pursuant to Section 4.4.

1.5 **"Additional Member"** means any person or entity who acquires an Interest in the Company after the date hereof.

1.6 **"Adjusted Capital Account"** means, with respect to any Member as of the end of any fiscal year, such Member's Capital Account reduced by those anticipated allocations, adjustments and distributions described in Section 1.704-1(b)(2)(ii)(d)(4)-(6) of the Treasury Regulations and increased by an amount that such Member would be obligated to restore pursuant to this Agreement or would be deemed obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations.

1.7 **"Affiliate"** means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such Person, (iii) any officer, director or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee or holder of ten percent (10%) or more of the voting securities of any Person described in clauses (i) through (iii) of this sentence.

1.8 **"Agreement"** means this Amended and Restated Operating Agreement as originally executed and as subsequently amended or supplemented in accordance with the terms herein.

1.9 **"Allocation Regulations"** means Section 1.704-1 and 1.704-2 of the Treasury Regulations as such regulations may be amended and in effect from time to time (whether Temporary or Final form) and any corresponding provisions of succeeding Treasury Regulations.

1.10 **"Articles"** means the Articles of Organization of the Company as properly adopted and amended from time to time by the Members and filed with the Secretary of State of the State of Nevada.

1.11 **"Business Day"** means any day that the national banks in Reno, Nevada, are open for business.

1.12 **"Capital Account"** means, with respect to any Member, the Capital Account maintained for such Person in accordance with the following provisions:

1.12.1 To each Member's Capital Account there will be credited such Member's Capital Contributions and Additional Capital Contributions (if any), such Member's distributive

share of Profits and the amount of Company liabilities that are assumed by such Member or that are secured by any Company Assets distributed to such Member.

1.12.2 To each Member's Capital Account there will be debited the amount of cash and the Gross Asset Value of any Company Assets distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

In the event any Interest in the Company is transferred in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest.

In the event the Gross Asset Values of Company Assets are adjusted pursuant to subsection 1.26.2 hereof, the Capital Accounts of all Members will be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with the Allocation Regulations and will be interpreted and applied in a manner consistent with such Allocation Regulations. In the event the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with the Allocation Regulations, the Manager may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Section 13.4 hereof upon the dissolution of the Company. The Manager will adjust the amounts debited or credited to Capital Accounts with respect to any property contributed to the Company by or distributed to a Member and any liabilities that are secured by such contributed or distributed property or that are assumed by the Company or the Member, in the event the Manager determines such adjustments are necessary or appropriate pursuant to the Allocation Regulations. The Manager also will make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Allocation Regulations.

1.13 "**Capital Contribution**" means the total amount of cash or other property contributed to the Company by a Member as capital in accordance with this Agreement; such term includes the Capital Contributions described in Sections 4.2, 4.3 and 4.4. The total amount of Capital Contributions made by the Preferred Members is sometimes referred to herein as the "Preferred Equity."

1.14 "**Code**" means the Internal Revenue Code of 1986, as it may be amended, or any subsequent federal law concerning income tax that is enacted in substitution for, or that corresponds with, such Code.

1.15 "**Company**" means Cal Neva Lodge, LLC.

1.16 "**Company Assets**" means any and all property contributed to or acquired by the Company in accordance with this Agreement, including but not limited to the Property or an interest in Seller, and both tangible and intangible property.

1.17 "**Company Minimum Gain**" has the meaning set forth in Section 1.704-2(d) of the Treasury Regulations for Partnership minimum gain.

1.18 "**Construction Contract**" means the contract with the Contractor to construct the Project on the Property, as approved by the Executive Committee.

1.19 "**Construction Lender**" means the lender who makes a construction loan/mini-permanent loan for construction of the Project.

1.20 "**Construction Loan**" means the construction loan/mini-permanent loan made by the Construction Lender to construct the Project on terms approved by the Executive Committee.

1.21 "**Contractor**" means the general contractor reasonably approved by the Executive Committee engaged by the Company for construction of the Project.

1.22 "**Depreciation**" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager.

1.23 "**Fiscal Year**" or "**Year**" means a calendar year (or portion thereof) ending on December 31 of such year.

1.24 "**Founder Members**" means those Members labeled as such on Schedule 4.1 attached hereto.

1.25 "**Governmental Authorities**" means any federal, state, county, municipal or other governmental department or entity, or any authority, commission, board, bureau, court or agency having jurisdiction over the Company Assets, or any portion thereof, and whose approval is necessary for the development of the Property.

1.26 "**Gross Asset Value**" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.26.1 The initial Gross Asset Value of any asset contributed by a Member to the Company will be the gross fair market value of such asset, as determined by the contributing Member and the Manager;

1.26.2 The Gross Asset Values of all Company assets will be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing

Member in exchange for more than a "de minimis" Capital Contribution; (ii) the distribution by the Company to a Member of more than a "de minimis" amount of Company Assets other than money as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of the Allocation Regulations; provided, however, that adjustments pursuant to clauses (i) and (ii) above will be made only if the Manager reasonably determine that such adjustments are necessary and appropriate to reflect the relative economic interests of the Members in the Company; and

1.26.3 If the Gross Asset Value of an asset has been determined or adjusted pursuant to subsection 1.26.1 or 1.26.2, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

1.27 **"Initial Capital Contributions"** shall have the meaning given in Section 4.2 hereof.

1.28 **"Interest"** shall mean a member's entire ownership interest in the Company, including without limitation, its right to distributions of Net Cash from Operations and Net Cash from Sales or Refinancings.

1.29 **"Lender"** means the Construction Lender, and any third party lender(s) subsequently refinancing such indebtedness.

1.30 **"Manager"** means the one (1) Person, who need not be a Member, to whom all or part of the management duties of the Company's business is delegated as provided in Article 9. The initial Manager shall be CR.

1.31 **"Member"** means each of the parties who has executed this Agreement and each of the parties who may hereafter become Additional or Substitute Members as provided in the Articles and in this Agreement.

1.32 **"Member Minimum Gain"** means an amount with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt was treated as Nonrecourse Liability, determined in accordance with Section 1.704-2(g)(3) of the Treasury Regulations.

1.33 **"Member Nonrecourse Debt"** has the meaning set forth in Section 1.704-2(b)(4) of the Treasury Regulations for partner nonrecourse debt.

1.34 **"Member Nonrecourse Deductions"** has the meaning set forth in Section 1.7042(i)(2) of the Treasury Regulations for partner nonrecourse deductions. The amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a Fiscal Year of the Company equals the excess, if any, of the net increase, if any, in the amount of Member Minimum Gain attributable to such Member Nonrecourse Debt during such Fiscal Year over the aggregate amount of any distributions during such Fiscal Year to the Member that bears the economic risk of loss for such Member Nonrecourse Debt to the extent such distributions are from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in

Member Minimum Gain attributable to such Member Nonrecourse Debt determined in accordance with Section 1.704-2(i)(2) of the Treasury Regulations.

1.35 **"Net Cash From Operations"** means the gross cash proceeds from the Company operations less the portion thereof used to pay or establish reserves for all Company expenses in an amount set forth in the Operating Budget, reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves (including interest and operating expenses), capital improvements, replacements, contingencies, working capital, and other cash requirements, all as set out in the Operating Budget or the Project Budget or as may otherwise be determined by the Manager. "Net Cash From Operations" will not be reduced by depreciation, amortization, cost recovery deductions or similar allowances.

1.36 **"Net Cash From Sales or Financings"** means the net cash proceeds from all sales and other dispositions (other than sales and dispositions of personal property in the ordinary course of business), and all financings of the Property after the repayment of third party indebtedness required in connection with such sale, disposition or financing, less any portion thereof used to pay established reserves for Company obligations and expenses in an amount to be determined by the Manager, but, which shall include reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves for property taxes and insurance, interest and principal payments on third party indebtedness, Lender required reserves (including interest and operating expenses), capital improvements, replacements, contingencies, working capital, and other cash requirements, all as set out in the Operating Budget or Project Budget. "Net Cash From Sales or Financings" will include all principal and interest payments with respect to any note or other obligation received by the Company in connection with sales and other dispositions (other than in the ordinary course of business) of the Property.

1.37 **"Nonrecourse Deductions"** has the meaning set forth in Section 1.704-2(b)(1) of the Treasury Regulations. The amount of Nonrecourse Deductions for a Fiscal Year equals the net increase, if any, in the amount of Company Minimum Gain during that Fiscal Year, determined according to the provisions of Section 1.704-2(b)(1) of the Treasury Regulations.

1.38 **"Nonrecourse Liability"** has the meaning set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

1.39 **"Operating Budget"** means the annual operating budget for the Property prepared by the Manager and reasonably approved by the Executive Committee. The Operating Budget for each fiscal year shall be prepared by the Manager and submitted to the Executive Committee for approval no later than November 1 of the preceding fiscal year. In the event that the Executive Committee fails to timely approve an Operating Budget for any given year, the Operating Budget for the preceding year shall remain in effect until the new Operating Budget is approved.

1.40 **"Percentage Interest"** means the percentage of the Company owned by each Member as set forth in Schedule 4.1 attached hereto. The Manager shall cause Schedule 4.1 to be amended and updated to reflect the aggregate Percentage Interests of the Members whenever there are transfers of Interests, Capital Contributions or other events that cause the Percentage Interests to Change.

1.41 **"Person"** means a natural person, corporation, trust, partnership, joint venture, association or other business or other legal entity.

1.42 **"Preferred Members"** means those Members labeled as such on Schedule 4.1 attached hereto.

1.43 **"Preferred Return"** means a simple annual return on the amount invested by the Preferred Members at the rate of ten percent (10%) per annum from the date the Company receives such investment from a Preferred Member. The Preferred Return shall be cumulative and non-compounded and shall be paid quarterly as available out of Net Cash from Operations and Net Cash from Sales or Financings.

1.44 **"Profits"** and **"Losses"** means, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss), with the following adjustments:

1.44.1 any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this subsection 1.46 will be added to such taxable income or loss;

1.44.2 any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705 (a)(2)(B) expenditures pursuant to Section 1.704-1 (b)(2)(iv)(i) of the Treasury Regulations, and not otherwise taken into account in computing Profits or Losses pursuant to this subsection 1.44 will be subtracted from such taxable income or loss;

1.44.3 any gain or loss resulting from any disposition of Company assets with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.44.4 in lieu of the depreciation, amortization and other cost recovery deductions taken in computing such taxable income or loss, there will be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with subsection 1.22; and

1.44.5 any items of income, gain, loss or deduction specifically allocated pursuant to Sections 5.2 and 5.3 will not be taken into account in determining Profits or Losses.

1.45 **"Project"** has the meaning set forth in Section 3.1.

1.46 **"Project Budget"** means the budget to be prepared by the Manager and approved by the Executive Committee for the development and construction of the Project. Such budget shall be developed in collaboration with the design and construction team selected to work on the Project.

1.47 **"Property"** means the Cal Neva Resort & Spa located at 2 Stateline Road, Crystal Bay, Nevada 89402, together with any and all land and improvements owned in connection therewith.

1.48 **"Seller"** means Canpartners Realty Holding Company IV Cal-Neva LLC.

1.49 **"Sponsor Member"** means CR.

1.50 **"Substitute Member"** means any transferee of a Member's Interest who is admitted as a Member in the Company pursuant to Article 12.

1.51 **"Treasury Regulations"** means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE 2 ORGANIZATION AND TERM

2.1 **Formation.** The Members formed the Company under and pursuant to the provisions of the Act by filing the Articles on March 13, 2013. The rights and liabilities of the Members will be as provided under the Act, the Articles and this Agreement. The fact that the Articles are on file in the office of the Secretary of State, State of Nevada, will constitute notice that the Company is a limited liability company.

In order to maintain the Company as a limited liability company under the laws of the State of Nevada, the Company will from time to time take appropriate action, including the preparation and filing of such amendments to the Articles and such other fictitious name certificates, documents, instruments and publications as may be required by law, including, without limitation, action to reflect:

2.1.1 a change in the Company name;

2.1.2 a correction of false or erroneous statements in the Articles or the desire of the Members to make a change in any statement therein in order that it will accurately represent the agreement among the Members; or

2.1.3 a change in the time for dissolution of the Company as stated in the Articles and in this Agreement.

2.2 **Name.** The business and affairs of the Company will be conducted solely under the name of "Cal Neva Lodge, LLC". The Company will execute and file all assumed or fictitious name certificates required to be filed in the applicable public records of the county in which the Property is located or in any other county in which the Company is doing business.

2.3 **Term.** The term of the Company commenced on March 13, 2013, and will continue in full force and effect until the earliest of the following:

2.3.1 December 31, 2063;

2.3.2 dissolution of the Company approved as a Major Decision pursuant to Section 8.3.2; or

2.3.3 entry of a decree of judicial dissolution.

2.4 **Registered Agent and Office.** The Company's registered agent and office in Nevada will be Capitol Corporate Services, Inc., 202 S. Minnesota Street, Carson City, Nevada 89703. At any time, the Company may designate another registered agent and/or office.

2.5 **Principal Place of Business.** The principal place of business of the Company will be 2 Stateline Road, Crystal Bay, Nevada 89703. At any time, the Company may establish additional offices. The following items will at all times be maintained at the Company's principal office:

2.5.1 a current list of the full name and last known business, residence or mailing address of each Member and each Manager, both past and present;

2.5.2 a copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

2.5.3 copies of the Company's federal, state and local income tax returns and reports, if any, for the three most recent years;

2.5.4 copies of this Agreement with all amendments and copies of any writings permitted or required under the Act regarding the obligation of a Member to perform any enforceable promise to contribute cash or property or to perform services as consideration for such Member's Capital Contribution;

2.5.5 minutes of every annual and special meeting and any meeting ordered pursuant to Section 10.4;

2.5.6 unless contained in this Agreement, a statement prepared and certified as accurate by the Manager of the Company which describes:

(a) the amount of cash and a description and statement of the agreed value of the other property or services contributed by each Member and which each Member has agreed to contribute in the future;

(b) the times at which or events on the happening of which any additional contributions agreed to be made by each Member are to be made;

(c) if agreed upon, the time at which or the events on the happening of which a Member may terminate his membership in the Company and the amount of, or the method of determining, the distribution to which he may be entitled respecting his membership interests and the terms and conditions of the termination and distribution;

(d) any right of a Member to receive distributions which include a return of all or any part of a Member's contribution;

2.5.7 any written consents obtained from Members pursuant to the Act regarding action taken by Members without a meeting.

Such records are subject to inspection and copying at the reasonable request and at the expense of any Member during ordinary business hours.

2.6 **Other Instruments.** Each Member hereby agrees to execute and deliver to the Company within five (5) days after receipt of a written request therefor, such other and further documents and instruments, statements of interest and holdings, designations, powers of attorney and other instruments and to take such other action as the Company deems necessary, useful or appropriate to comply with any laws, rules or regulations as may be necessary to enable the Company to fulfill its responsibilities under this Agreement.

ARTICLE 3 PURPOSES AND POWERS OF THE COMPANY

3.1 **Purposes.** The overall business, purpose and scope of the Company is to acquire, rehabilitate, redevelop, own, finance, mortgage, maintain, operate, manage, rent, market and sell on the Property the Cal Neva Resort & Spa (the "Project"). The overall business, purpose and scope as described above will be the only business or purpose of the Company. After its acquisition of the Property and development of the Project, the Company will hold, develop, construct, own, mortgage, manage, maintain, lease, rent, sell and otherwise use all or any portion of the Project for the production of income and profit. Currently the Property is owned by New Cal Neva Lodge, LLC ("New Cal Neva"), a Nevada limited liability company in which Seller and the Company are the sole members. The Company shall purchase the interest of Seller in New Cal Neva with a portion of the Capital Contributions to be raised by the Company.

3.2 **Authority of Company.** In furtherance of its purpose, but consistent with and subject to the provisions of this Agreement and all applicable laws, the Company is empowered and authorized to do any and all acts and things incidental to, or necessary, appropriate, proper, advisable, or convenient for, the furtherance and accomplishment of the purposes described in Section 3.1 and for the protection and benefit of the Company, including, without limitation:

3.2.1 acquiring fee and leasehold estates in real and personal property and the rights therein or appurtenant thereto, necessary, appropriate or incidental to the ownership, management and maintenance of the Property, including real property adjacent to the Property;

3.2.2 entering into, performing and carrying out contracts and agreements of any kind, and entering into any kind of activity, in connection with, or incidental to, the accomplishment of the purposes of the Company;

3.2.3 securing approvals, permits and consents necessary, appropriate or incidental to the accomplishment of the purposes of the Company, including operating a casino on the Property;

3.2.4 developing and constructing improvements to the Property and dedicating or otherwise conveying portions of the Company Assets as may further the purposes of the Company;

3.2.5 borrowing money and issuing evidences of indebtedness in furtherance of the Company business and securing any Company indebtedness by mortgage, pledge, security interest or other lien, and otherwise financing or refinancing (defined for purposes of this Agreement to include recast, modified, extended or increased) the Project;

3.2.6 leasing, mortgaging, selling or otherwise disposing of all or any part of the Property for cash, stock, other securities or other property, or any combination thereof;

3.2.7 entering into partnerships, ventures and other business arrangements, and contributing all or any portion of the Company Assets as consideration for same;

3.2.8 to sue and be sued, complain and defend, and participate in administrative or other proceedings, in its name;

3.2.9 to appoint agents of the Company, and define their duties and fix their compensation, if any;

3.2.10 to indemnify a Member or Manager or former Member or Manager, and to make any other indemnification that is authorized by the Articles or by this Agreement in accordance with the Act;

3.2.11 at the end of the term hereof as provided in Section 2.3, to cease its activities and surrender its certificate of organization;

3.2.12 to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Company is organized;

3.2.13 to become a member of a general partnership, limited partnership, joint venture or similar association or any other limited liability company; and

3.2.14 doing and performing all other acts and things which may be necessary, appropriate or incidental to the carrying out of the business and purposes of the Company.

3.3 Certain Transactions. The Company is expressly permitted in the normal course of its business to enter into transactions with any or all Members or with any Affiliate of any or all Members provided that the Member seeking such a related party transaction receives the prior written approval of the price and other terms of such transaction by all members of the Executive Committee who are not involved in the proposed transaction. Any executory contracts between the Company and Affiliates must be approved by the unanimous vote of the Executive Committee. All Members hereby acknowledge their approval of the Development Services Agreement described in Section 7.4 herein.

3.4 **Adjacent Property.** No Member and no Affiliate of any Member may acquire real property adjacent to the Property unless the Company has been offered the opportunity to acquire such Property and has elected in writing not to do so.

3.5 **Future Phases.** The Members agree that the current definition of the "Project" herein refers to the initial phase involving the repair and rehabilitation of the existing main hotel building, tower and several ancillary buildings, including the spa, terrace units and chalet units. It is anticipated that the Company may wish to convert the cabin units on the Property into condo hotel units as part of phase two work ("Phase Two"), if the necessary entitlements for such work can be obtained. If Phase Two is pursued by the Company, the existing Members shall have the right of first offer to provide the necessary equity for Phase Two in the same proportions as the Capital Contributions made by each Member for the phase one work on the Property. Any equity requested of the Members for Phase Two would not be considered to be requested pursuant to a capital call in accordance with Section 4.4. If the Members do not wish to make equity contributions required for Phase Two, they agree to cooperate in the search to find new sources of equity required for such work, as well as new lender financing. Any Capital Contributions that the existing Members elect to make for Phase Two, if any, shall be treated the same as the existing Capital Contributions pursuant to Section 6.2 herein. If it is necessary to bring in new Members to make such Capital Contributions for Phase Two, such admission of new Members shall be in accordance with an amendment to this Agreement approved as a Major Decision pursuant to Section 8.3.12. Development Fees shall be payable to Developer with respect to Phase Two in accordance with Section 7.4 hereof and the Development Services Agreement referenced therein.

ARTICLE 4

MEMBERS, DUTIES, CAPITAL CONTRIBUTIONS AND LOANS

4.1 **Members; Obligation to Update.** All Members of the Company, past and present, their last known business, residence or mailing address, and their Percentage Interests in the Company will be listed on the attached Schedule 4.1. The Manager will be required to update Schedule 4.1 from time to time as necessary to accurately reflect the information therein.

4.2 **Initial Capital Contributions.** The Initial Capital Contributions of the Members are set forth on the attached Schedule 4.2, and the Company acknowledges receipt of such Initial Capital Contributions for the purposes set forth on such Schedule.

4.3 **Future Targeted Capital Contributions.** The Company has raised \$_____ in Initial Capital Contributions as of the date hereof. The Company desires to raise a total of \$20,000,000.00 from current Members and Additional Members, meaning that it will attempt to raise \$_____ over and above the Initial Capital Contributions (such amount being referred to as the "Future Targeted Capital Contributions"). The Company shall attempt to raise the Future Targeted Capital Contributions by April 30, 2014 (the "Future Funding Deadline"). Notwithstanding the foregoing, the minimum amount of Capital Contributions to be raised shall be \$14,000,000.00, and the Company shall begin accepting Future Targeted Capital Contributions at such time as total Capital Contributions to the Company would be \$14,000,000.00 or more. The Executive Committee further reserves the right to accept mezzanine debt in the approximate amount of \$6,000,000.00 plus interest (the "Mezzanine Loan") from a lender (the "Mezzanine Lender") in addition to the Future Targeted

Capital Contributions. The terms of any such Mezzanine Loan must be approved by at least four of the five members of the Executive Committee. The Executive Committee may at its discretion elect to raise an amount equal to the Mezzanine Loan through Capital Contributions from Additional Members in lieu of obtaining the Mezzanine Loan. Each new investor who provides any portion of the Future Targeted Capital Contributions shall become a Member of the Company upon making such Capital Contributions, and each such new Member shall execute an amendment to this Agreement to reflect its Interest in this Company. At such time, the Manager shall revise and update Schedules 4.1 and 4.2 to reflect all Interests in the Company. The Executive Committee may extend the Future Funding Deadline in its sole discretion. The proposed uses of the Capital Contributions raised by the Company pursuant to Sections 4.2 and 4.3 are set forth in Schedule 4.3 attached hereto and made a part hereof, and the Members hereby approve such uses.

4.4 Additional Capital Contributions. At such time or times as the Manager reasonably determines that capital contributions in addition to the Initial Capital Contributions and the Future Targeted Capital Contributions are necessary or desirable in order to fulfill the contemplated objectives of the Company, the Manager shall notify the Members, which notice shall set forth the aggregate amount of the requested contributions, and the Members may, but shall not be obligated to, deposit such amount with the Company within the time period specified in such notice, which shall be based on the reasonably anticipated timing of the capital requirement, in proportion to their respective Capital Account balances. Each such contribution shall be treated the same as any other Capital Contribution to the Company. No Member shall be required to make any Additional Capital Contributions, but if any Member elects not to make its full share of such Additional Capital Contributions, the other Members shall have the option to make the Additional Capital Contribution that such non-funding Member was entitled to make, in proportion to their respective Capital Account balances.

4.5 Liability of Member. Upon the payment by a Member of the Capital Contributions required of it hereunder, such Member will have no further liability or responsibility to the Company or any creditor except to the extent specifically set forth herein.

4.6 Duties and Obligations of the Members with Respect to Equity and Loans. The following will be the general rights, duties and obligations applicable to the Members with respect to equity and loans for the Company:

4.6.1 CR will use its diligent efforts to obtain the Construction Loan.

4.6.2 Any and all documents relating to the Construction Loan and to be executed by the Company will be subject to the prior approval of the Executive Committee.

4.7 Withdrawals and Interest. No Member will have the right to:

4.7.1 withdraw his/its Capital Contribution;

4.7.2 receive any return or interest on any portion of his/its Capital Contribution except as otherwise provided herein; or

4.7.3 withdraw from the Company except by transfer of his/its Interest to another party in accordance with Article 13, by resignation in accordance with Section 8.7, or upon the dissolution of the Company.

4.8 **Return.** No Member will be entitled to the return of all or any part of its Capital Contribution unless and until there remains Company Assets after:

4.8.1 all current liabilities of the Company (except liabilities to Members on account of their Capital Contributions) have been paid;

4.8.2 all amounts due to Members in respect of their share of profits and other gains have been paid; and

4.8.3 the Company has been dissolved without reformation in accordance with Article 13 and Articles of Dissolution have been filed with the Nevada Secretary of State.

For purposes of Section 4.8.1, permanent financing on the Property shall not be deemed a "current liability" of the Company, and the return of all or part of a Member's Capital Contributions pursuant to other provisions of this Agreement may be made prior to full repayment of the permanent financing, as long as such permanent financing is not in default.

ARTICLE 5 ALLOCATIONS OF PROFITS AND LOSSES

5.1 **Profits and Losses.** Profits and Losses for any Fiscal Year will be allocated among the Members so that the Capital Account of each Member, increased by his/its share of Company Minimum Gain and his/its share of Member Minimum Gain is, as nearly as possible, positive in an amount equal to the cash that the Company would distribute to such Member, or negative in an amount equal to the cash that such Member would contribute to the Company, as the case may be, if (i) the Company liquidated by selling all of its assets for their respective Gross Asset Values, (ii) the proceeds of such sales, and any other cash of the Company, were used to satisfy the Company's debts in accordance with, and to the extent required by, their terms and in the order of priority prescribed by the applicable laws governing creditors' rights, and (iii) either (A) the Company distributed any remaining cash to the Members pursuant to Section 6.2 hereof or (B) the Members contributed to the Company cash in the amount of any remaining Recourse Liabilities of the Company; provided, however, that no Losses will be allocated to any Member for any Fiscal Year to the extent that such Losses would create or increase a deficit in such Member's Adjusted Capital Account.

5.2 **Special Gross Allocation.** If, after giving effect to the allocations set forth in Section 5.3 hereof, an allocation of Profits or Losses pursuant to Section 5.1 (determined as though no items were allocable pursuant to this Section 5.2) for any Fiscal Year would leave the Capital Account(s), increased by the share(s) of Company Minimum Gain and share(s) of Member Minimum Gain, of any Member(s) short of (less than) the aggregate amount that would be distributed to such Member(s) under the hypothetical circumstances described in Section 5.1 while leaving the Capital Account(s), increased by the share(s) of Company Minimum Gain and share(s) of Member Minimum Gain, of any other Member(s) above (more than) the aggregate amount that would be distributed to such other Member(s) under such circumstances, then items

of income or gain will be allocated to the former Member(s), and items of loss or expense will be allocated to the latter Member(s), until either (i) Profits or Losses (determined pursuant to Section 1.42, without regard to the items of income, gain, expense or loss allocated pursuant to this Section 5.2) can be allocated so as to cause each Member's Capital Account, increased by such Member's share of Company Minimum Gain and share of Member Minimum Gain to equal the amount that would be distributed to such Member under the hypothetical circumstances described in Section 5.1 or (ii) there are no more items to allocate.

5.3 Special Allocations. The following special allocations will be made in the following order:

5.3.1 Items of gross income and gain will be allocated to each Member in an amount and manner sufficient to eliminate, as quickly as possible, any deficit in such Member's Adjusted Capital Account to the extent that such deficit is created or increased by any unexpected adjustments, allocations or distributions described in Section 1.704-1(b)(2)(ii)(d)(4)-(6) of the Treasury Regulations. This subsection 5.3.1 and the proviso of Section 5.1 are intended to comply with the "alternative test for economic effect" provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.2 If, for a Fiscal Year, there is a net decrease in Member Minimum Gain, then each Member will be allocated items of gross income or gain equal to such Member's share of such net decrease, determined under Section 1.704-2(i) of the Treasury Regulations. However, in accordance with Section 1.704-2(i)(4) of the Treasury Regulations, the preceding sentence will not apply to the extent that the net decrease in Member Minimum Gain results from (i) a capital contribution from such Member which is used to repay a liability of the Company or (ii) a refinancing or lapse of a guarantee of, or any other change in, a liability of the Company that causes such liability to become partially or wholly a Nonrecourse Liability. This subsection 5.3.2 is intended to comply with the minimum gain chargeback requirement of Section 1.704-2(i)(4) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.3 If, for a Fiscal Year, there is a net decrease in Company Minimum Gain, then each Member will be allocated items of income and gain equal to such Member's share of such net decrease, determined in accordance with Sections 1.704-2(f) and 1.704-2(g) of the Treasury Regulations. However, in accordance with Section 1.704-2(f)(2) of the Treasury Regulations, the preceding sentence will not apply to the extent that the net decrease in Company Minimum Gain results from (i) a Capital Contribution from such Member which is used to pay a liability of the Company or (ii) a refinancing or guarantee of, or any other change in, a liability of the Company that causes such liability to become partially or wholly a Member Nonrecourse Liability for which such Member bears the economic risk of loss. This subsection 5.3.3 is intended to comply with the minimum gain chargeback requirement of Section 1.704-2(f) of the Treasury Regulations and will be interpreted consistently therewith;

5.3.4 Nonrecourse Deductions for any Fiscal Year will be allocated among the Members pro rata, in accordance with their Percentage Interests;

5.3.5 Member Nonrecourse Deductions for any Fiscal Year will be allocated to the Members who bear the economic risk of loss with respect to the Member Nonrecourse

Liability to which such Member Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i)(1) of the Treasury Regulations;

5.3.6 The proviso at the end of Section 5.1, and the allocations set forth in this Section 5.3, other than subsection 5.3.7 (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations will be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Article V. Therefore, notwithstanding any other provision of this Article 5 (other than the Regulatory Allocations), the Manager will make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner they determine appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance, to the extent possible, is equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 5.1 (other than the proviso at the end thereof), 5.2, and subsection 5.3.7. In exercising his discretion under this subsection 5.3.6, the Manager will take into account future Regulatory Allocations under subsections 5.3.2 and 5.3.3 that, although not yet made, are likely to offset other Regulatory Allocations previously made under subsections 5.3.4 and 5.3.5;

5.3.7 It is intended that the amount to be distributed to a Member pursuant to subsection 13.4.3 of this Agreement will equal the amount such Member would receive if liquidation proceeds were instead distributed in accordance with Section 6.2 of this Agreement. This intended distribution amount for a Member is referred to as such Member's "Targeted Distribution Amount". Notwithstanding any preceding provision to the contrary in this Article 5, if upon a termination and liquidation of the Company, any Member's Capital Account balance immediately prior to the distributions to be made pursuant to subsection 13.4.3 of this Agreement (determined tentatively after allocations made for such Fiscal Year under this Article V without regard to this subsection 5.3.7) would be less than such Member's "Targeted Distribution Amount", then, for the current Fiscal Year and, if necessary and to the extent amended tax returns can be filed, for prior Fiscal Years of the Company, such Member will be specially allocated items of income or gain for such years, and items of loss or deduction for such years will be allocated away from such Member to the other Members, until Profits or Losses for the year(s) of termination and liquidation of the Company can be allocated so as to cause each Member's actual Capital Account balance to equal the Targeted Distribution Amount for such Member (and such Profits or Losses will be so allocated pursuant to Sections 5.1 and 5.2). In the event that liquidation distributions are to be made over two (2) or more Fiscal Years, the Manager will exercise their reasonable discretion to determine (i) the aggregate liquidation proceeds likely to be available for distribution pursuant to subsection 13.4.3, and accordingly, each Member's estimated Targeted Distribution Amount and (ii) the appropriate allocations to be made pursuant to this subsection 5.3.7 taking into account allocations of items of income, gain, deduction and loss likely to be made in subsequent years prior to final liquidation and dissolution of the Company. Amended returns will be prepared pursuant to this subsection 5.3.7 to the extent necessary and possible to ensure that the distributions made pursuant to subsection 13.4.3 to each Member equal, as nearly as possible, such Member's Targeted Distribution Amount.

5.4 **Varying Interests of the Members.** Anything contained in this Article V to the contrary notwithstanding, the allocation of Profits, Losses and items of income, gain, expense or loss for any Fiscal Year of the Company during which a Person acquires a Percentage Interest

will take into account the Members' varying interests in the Company for such Fiscal Year pursuant to any method permissible under Section 706 of the Code that is selected by the Manager.

5.5 Tax Allocations: Code Section 704(c). In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company, solely for tax purposes, will be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subsection 1.25.1. In the event the Gross Asset Value of any Company Assets is adjusted pursuant to subsection 1.25.2 hereof, subsequent allocations of income, gain, loss and deduction with respect to such Company Assets will take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Any elections or other decisions relating to such allocations will be made by the Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.5 are solely for purposes of federal, state and local taxes and will not affect, or in any way be taken into account in computing, any Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

5.6 Tax Matters Partner

5.6.1 CR is designated a tax matters partner (the "TMP") as defined in Section 6231(a)(7) of the Code, and the Members will take such actions as may be necessary, appropriate, or convenient to effect the designation of CR as TMP. The TMP and the other Members will use their best efforts to comply with the responsibilities outlined in this section and in Sections 6222 through 6232 of the Code (including any Treasury Regulations promulgated thereunder).

5.6.2 The Members will furnish the TMP with such information as the TMP may reasonably request to permit it to provide the Internal Revenue Service with sufficient information to allow proper notice to the parties in accordance with Section 6223 of the Code.

5.6.3 These provisions will survive the termination of the Company or the termination of any Member's interest in the Company and will remain binding on the Members for a period of time necessary to resolve with the Internal Revenue Service or the Department of the Treasury any and all matters regarding the Federal income taxation of the Company and each of the Members with respect to Company matters.

5.6.4 Notwithstanding the foregoing, the TMP will not litigate or enter into any agreement concerning or settle any tax issue that will be binding on either Member without such Member's prior written consent.

5.7 Elections. Company tax elections will be made by CR as the Tax Matters Partner, subject to the prior approval of Clark. Unless the Members agree otherwise, elections will be made to maximize tax benefits under the regular income tax without regard to the alternative minimum tax under Section 55 of the Code. Notwithstanding anything contained herein to the contrary, the Members agree that no elections will be made by any Member, including the TMP,

that could jeopardize the characterization of distributions pursuant to Section 6.2 as other than long term capital gains without the prior approval of all of the Members.

ARTICLE 6

DISTRIBUTIONS; BOOKS AND RECORDS; AUDITS

6.1 Frequency of Distributions. The Company will distribute any Net Cash From Operations not less frequently than quarterly, and will distribute Net Cash From Sales or Financings as promptly as possible.

6.2 Order and Priority of Distributions of Net Cash From Operations and Net Cash from Sales or Financings. Net Cash From Operations and Net Cash From Sales or Financings will be distributed in the following order and priority:

6.2.1 To the Preferred Members pro rata based upon the relative share that each Preferred Member contributed to the total of the Preferred Equity, until each such Preferred Member has received its Preferred Return on its Capital Contribution, including amounts accrued from prior periods.

6.2.2 Next, to all Preferred Members and Founder Members pro rata based upon the Percentage Interest owned by each such Member, until the Members have received cumulative distributions equal to the Capital Contributions made by each such Member.

6.2.3 Thereafter, to all Members pro rata based upon the Percentage Interest owned by each such Member.

6.2.4 Notwithstanding the foregoing, if at the time that all accrued Preferred Returns have been paid to the Preferred Members the total amount of Preferred Returns paid to the Preferred Members is less than forty percent (40%) of the Capital Contributions made by the Preferred Members, each Preferred Member shall be entitled to receive additional distributions of Preferred Returns, prior to any distributions to the other Members pursuant to Section 6.2.2 above, in an amount equal to the difference between 40% of the Capital Contributions made by each Preferred Member minus the total Preferred Returns previously received by each Preferred Member. After such additional distributions have been paid to the Preferred Members, distributions pursuant to Section 6.2.2 shall then be made. Preferred Returns to each Preferred Member shall thereafter once again begin to accrue on a quarterly basis on any unreturned Capital Contributions of the Preferred Members and be paid as a first priority to each Preferred Member until such time as all Preferred Members have received the full return of their Capital Contributions.

6.2.5 As set forth on Schedule 4.1, the Sponsor Member shall have a Percentage Interest in the Company equal to twenty percent (20%) for its role as sponsor and for its contributions to the asset value of the Project since the purchase of the Property. A 10% Percentage Interest shall be reserved for the Mezzanine Lender, as set forth on Schedule 4.1.

6.3 Special Distributions to Pay Taxes. Notwithstanding anything to the contrary set forth herein, the Manager shall distribute to each Member in January of each year as a "Tax

Distribution” an amount equal to the sum of the following: (a) the product obtained by multiplying (i) the amount of Profits allocated to such Member in the preceding year times (ii) the greater of (A) the highest marginal federal income tax rate for individuals, or (B) the highest marginal federal income tax rate for taxable corporations, plus (b) any carryover amount from the preceding year as described below, reduced by (c) the amount of all distributions made to such Member with respect to such calendar year; provided that Profits of the Company for any year shall be net of (so as to be reduced by) all Losses of the Company for that year and all Losses of the Company for any prior years which have not then been fully set off against Profits for purposes of determining Tax Distributions under this Section 6.3. After the Company's Profits for each calendar year have been determined, if total distributions to a Member to date with respect to such year do not equal or exceed the federal income tax liability that would be accrued by that Member (assuming that such income is taxed at the greater of (A) the highest marginal federal income tax rate for individuals, or (B) the highest marginal federal income tax rate for taxable corporations) with respect to the Company's Profits for such year (determined as provided above), plus any carryover amount from the preceding year as described below (such total amount, the “Tax Distribution Amount”), then the Manager shall cause the Company to distribute any additional amounts necessary to cause the total distributions to a Member for such year to equal the Tax Distribution Amount, provided that the Company has cash available to make the distributions. If the total distributions to a Member with respect to any year do not equal or exceed the Tax Distribution Amount, the amount of the excess of the Tax Distribution Amount over the total amount of distributions to a Member for such year shall carry forward to, and add to the Tax Distribution Amount for the succeeding taxable year. Any distribution made to a Member under this Section 6.3 shall constitute an advance on distributions required to be made to such Member under Section 6.2, and distributions to a Member under Section 6.2 shall accordingly be suspended until the amount of such advance has been recouped. Notwithstanding the foregoing, no Tax Distributions shall be payable under this Section 6.3 with respect to the year in which the Company is terminated. If upon the termination of the Company, the sum of the distributions received by a Member under Section 6.2 and the Tax Distributions received under this Section 6.3 exceed the amount of the distributions a Member would have been entitled to receive under Section 6.2, the Member receiving such excess distributions shall contribute to the Company the amount of such excess. The preceding sentence is for the exclusive benefit of the Members and their permitted assigns and no third party shall be entitled to enforce or rely on such sentence.

6.4 Books and Records. At the expense of the Company, the Manager will maintain or cause to be maintained, in accordance with generally accepted accounting principles applied in a consistent manner, and more specifically in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations, adequate and accurate books and records of account in which will be entered all matters relating to the Company, including all income, expenditures, assets and liabilities. The books and records will be maintained at the Company's principal office or at such other location designated by the Manager. The books and records together with all supporting vouchers and data will be open to examination and copying by any Member or its/his duly constituted representative during normal business hours at the Company's principal office. Any Member may at any time request that a firm of independent certified public accountants audit the books and records of the Company, provided that the cost of such audit, if separate from the annual audit described in Section 6.5, will be borne by the Member requesting such audit except that, if the new audit discloses any substantial discrepancy from any regular Company audit, the cost of the audit will be paid by the Company.

6.5 **Audits.** At the expense of the Company, the Manager will cause the Accountants to perform an annual audit of the Company's books and records. Each Member will be furnished with a copy of the audit report on the financial statements of the Company. The financial statements will be prepared on a generally accepted accounting principles basis and will include a balance sheet, a statement of Capital Accounts of the Members, a statement of operations and a statement of changes in financial position. The audit and financial statements will be completed as soon as reasonably practical after the close of the Company's Fiscal Year.

6.6 **Fiscal Year.** The Fiscal Year of the Company for both reporting and federal income tax purposes will be the Fiscal Year ending on the last day of December.

ARTICLE 7 DEVELOPMENT AND MANAGEMENT OF THE PROPERTY

7.1 **Title to Property.** Unless all of the Members agree otherwise, title to all real and personal property acquired in accordance with this Agreement will be held in the Company's name or in the name of its wholly owned subsidiary, New Cal Neva, as appropriate. All contracts with third parties will be executed in the name of the Company.

7.2 **Construction Contract.** The Construction Contract with the Contractor to perform construction on the Project shall have a guaranteed maximum price with respect to the cost of all structures and other improvements and the fees associated therewith, with all cost savings going to reduce the amount drawn on the Construction Loan. The Contractor will provide the Company with a comprehensive construction guarantee that all work performed will be free from construction defects for a period of one (1) year commencing with the issuance of the certificates of occupancy for each improvement. Additionally, the Contractor will warrant that the construction will be completed substantially in accordance with plans and specifications approved by the Manager and the Construction Lender and in compliance with all construction, environmental and land use requirements of all appropriate Governmental Authorities.

7.3 **Management of the Project.** Day-to-day management of the Project will be performed by an Affiliate of CR approved by the Executive Committee (the "Management Company"). The management agreement (the "Management Agreement") between the Company and the Management Company will be subject to the reasonable approval of the Executive Committee and will not be subject to change without the reasonable consent of the Executive Committee. The Executive Committee shall use reasonable efforts to complete the negotiation and execution of the Management Agreement within thirty (30) days after the date hereof. The Management Agreement shall contain industry standard provisions for a hotel management agreement and shall be for a term of twenty (20) years, terminable only for cause. All Project employees will be selected and supervised by the Management Company.

7.4 **Development Services Agreement.** Seller shall enter into a "Development Services Agreement" with CR or its Affiliate ("Developer") pursuant to which Developer shall agree to coordinate and oversee the development of the Project. The form of such Development Services Agreement shall be substantially the same as the form that has been provided to each Member as of the date hereof. Pursuant to the Development Services Agreement, Developer shall receive a fee (the "Development Fee") in an amount equal to \$60,000.00 per month. Such

fees commenced in May, 2013 and shall continue until the grand reopening date of the hotel, at which time the Management Agreement shall become applicable. CR has advanced approximately \$_____ in costs related to the Project beginning in early 2013, and such amounts shall be reimbursed to CR immediately following the execution of the Development Services Agreement pursuant to the terms thereof; provided however, that CR agrees to reinvest \$1,000,000.00 out of such reimbursed funds as part of the Future Targeted Capital Contributions described in Section 4.3 hereof. Such Capital Contribution shall be treated in the same manner as the Capital Contributions of all other Preferred Members hereunder. The Development Services Agreement will not be terminable for any reason other than the willful misconduct on the part of Developer.

7.5 **Monthly Reports.** CR shall prepare and deliver to the other Members on a monthly basis an executive summary discussing all Project progress and material developments relating to the Company, and it shall also include an unaudited monthly financial statement (including a cash spending summary). CR shall schedule quarterly meetings (which may be by telephone) for the Members to discuss the Project.

ARTICLE 8 MANAGEMENT OF THE COMPANY

8.1 **Management.** The Members have established the Company as a manager-managed limited liability company under the Act. The Members hereby designate CR as the Manager of the Company. CR may not be removed as Manager without the unanimous consent of all Members. Except as stated below with respect to "Major Decisions," Manager may exercise all powers of the Company and may do all such lawful acts and things as are not specifically required by the Act to be exercised or done by the Members. Any Person dealing with the Company may rely on the authority of the Manager in taking any action in the name of the Company without inquiry into the provisions or compliance herewith, regardless of whether that action is actually taken in accordance with the provisions of this Agreement.

8.2 **Executive Committee.** The Members and Manager have agreed to designate a committee (the "Executive Committee") to make Major Decisions. The Executive Committee's power is limited to making Major Decisions, which the Executive Committee shall do in accordance with this Agreement. Notwithstanding the foregoing, Manager shall have the right to place before the Executive Committee for consideration any significant matter which is not a Major Decision but which Manager would like the Executive Committee to consider. In such cases, the majority vote of the Members of the Executive Committee present or voting by proxy at any such meeting shall decide such matter.

8.3 **Major Decisions.** The following constitute "Major Decisions" as such term is used herein, requiring the approval of four (4) of the five (5) members of the Executive Committee (subject to Section 8.7):

8.3.1 subject to subsections 9.1.2 and 9.4.1, removal of the Manager or election of a new Manager;

8.3.2 the dissolution of the Company;

8.3.3 acquisition of any interest in real property, other than the Company Assets, and any decision to market, sell, transfer, assign or place a lien on all or any part of the Company Assets (except as specifically provided to the contrary in this Agreement);

8.3.4 any material modification to any developmental approvals obtained from any Governmental Authorities for development of the Property or any portion thereof;

8.3.5 approving the amount, terms, conditions and provisions of the Construction Loan or any other financing of the Property or additional equity contributions to the Company, including the terms of any guarantees or recourse provisions of any kind with respect to such loans, provided that the terms of the binding letter of intent dated June 26, 2013 with Hall Structured Finance are deemed approved by the Company, and a closing of the Construction Loan pursuant thereto is hereby permitted;

8.3.6 the formation of a partnership or other venture between the Company and a third party;

8.3.7 entering into any and all third party contracts or leases, and, except as described in Sections 7.3 and 7.4, entering into any contract between the Company and a third party that is an Affiliate of a Member;

8.3.8 approval of the Operating Budget and any amendments thereto;

8.3.9 any capital expenditures in excess of One Hundred Thousand Dollars (\$100,000) per expenditure or in excess of Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate per annum, unless provided for in the Project Budget or the Operating Budget;

8.3.10 any decision concerning reconstruction or repair in the event of a casualty in excess of Two Hundred Thousand Dollars (\$200,000), or any condemnation;

8.3.11 any decision to pay a Manager, a Member or any other person a salary or other compensation and the amount of such salary or other compensation and other benefits, except as otherwise provided in Sections 7.3 or 7.4 or this Article 8, or pursuant to the Operating Budget or the Project Budget; or

8.3.12 the amendment of the Articles or this Agreement. However, if any proposed amendment to the Articles or this Agreement would adversely affect the rights of any class of Member in a manner that is different from the effect on the rights of other classes of Members, then such amendment must also be approved by the Member Representative (as hereinafter defined) of the Executive Committee that was appointed by the Member of the class that will be adversely affected by such amendment.

8.4 Designation of Executive Committee. The Executive Committee shall initially consist of five (5) members. CR shall have the right to designate two (2) members of the Executive Committee, the Preferred Member who has made the largest Capital Contribution of the Preferred Members shall have the right to designate one member of the Executive Committee, the Founding Member who has made the largest Capital Contribution of the Founding Members shall have the right to designate one member of the Executive Committee,

and the last member of the Executive Committee shall be a Member from either class of Members and shall be selected by unanimous consent of the other four members of the Executive Committee (such members of the Executive Committee being each a "Member Representative" and collectively the "Member Representatives"). Any Member Representative may vote by a written proxy delivered to another Member Representative in attendance at a meeting of the Executive Committee. If a member of the Executive Committee dies, resigns or is removed, the person or persons who designated such member shall have the right to designate his or her successor. Member Representatives need not be residents of the State of Nevada or Members of the Company. Each Member may change its designated Member Representatives effective upon written notice from such Member to the other Members. The initial Member Representatives designated by the Members are set forth opposite each Member's name below.

<u>Member</u>	<u>Initial Member Representative</u>
CR	William T. Criswell
CR	Robert Radovan
Preferred Member	_____
Founding Member	_____
Appointee of other members of the Executive Committee	_____

Executive Committee meetings shall be held at least monthly until the reopening of the hotel on the Property and at least quarterly thereafter. Preparatory information necessary for such meetings shall be supplied to the Member Representatives by Manager in advance of the scheduled meeting dates.

8.5 Transactions Between a Member or Manager and the Company. Except as otherwise provided by applicable law or this Agreement, any Member or Manager may, but will not be obligated to, lend money to the Company, act as surety for the Company and transact other business with the Company and has the same rights and obligations when transacting business with the Company as a person or entity who is not a Member or a Manager.

8.6 Member Activities. Any of the Members, their Affiliates and any shareholder, officer, director, partner, employee or other Person holding a legal or beneficial interest in an entity which is a Member or an Affiliate thereof, may engage in or possess an interest in other business ventures of every nature and description, independently or with others, including but not limited to the ownership, development, construction, operation and management of residential and commercial property similar to the Property provided that no such other venture shall compete with the Project within the Lake Tahoe area.

8.7 Affiliates and Conflicts of Interest. The fact that a Member, an Affiliate, or a shareholder or partner of a Member or Affiliate is directly or indirectly interested in, owned, employed or connected with any Person employed by the Company or the Manager, to render or perform a service for the Company or from which the Company or the Manager may buy merchandise, material, services or other property, will not prohibit the Company or the Manager from employing such Person or from purchasing merchandise, material, services or other property therefrom or from otherwise dealing with the Person under reasonable terms and conditions such as would be reflected in an arms-length transaction, provided, all such dealings

are communicated to the Members in writing prior to implementation. A Member shall be obligated to disclose to the other Members any potential Conflicts of Interest and must recuse himself or herself with respect to any action of the Members and from any vote on, related to or in connection with any Conflicts of Interest. A "Conflict of Interest" shall mean, with respect to any Member, any conflict of interest involving any such Member and the matter being considered by the Members, including, without limitation, any matter in which a Member or any affiliate thereof or a spouse or immediate family member of such Member (each of the foregoing being hereinafter referred to as a "Restricted Person") would (i) receive any type of compensation, whether in cash or in kind, from the Company or any affiliate of the Company, or any person with which the Company or any affiliate of the Company enters into a transaction, or (ii) acquire property from, sell property to, or enter into transactions with (A) the Company or any affiliate of the Company, or (B) any entity in which any Restricted Person has a voting interest of either ten percent (10%) or more of the total equity of such entity or ten percent (10%) or more of a class of voting equity of such entity. If a Member Representative on the Executive Committee has a Conflict of Interest, that Member Representative shall be recused from voting on the matter being considered by the Executive Committee. In such event, the vote of at least 100% of the remaining non-conflicted Member Representatives on the Executive Committee shall be required to pass any item that is being voted upon by the Executive Committee.

8.8 Reimbursements. The Company will reimburse the Members and the Manager for reasonable expenses incurred and paid by any of them in the organization of the Company and as authorized by the Company in the conduct of the Company's business, including, but not limited to, expenses of maintaining an office, telephones, travel, office equipment and secretarial and other personnel as may reasonably be attributable to the Company and any other predevelopment expenses set forth in the Project Budget. Such expenses will not include any expenses incurred in connection with a Member's or a Manager's exercise of its rights as a Member or a Manager apart from the authorized conduct of the Company's business. Such reimbursements will be treated as expenses of the Company and will not be deemed to constitute distributions to any Member of profit, loss or capital of the Company.

8.9 Partition. While this Agreement remains in effect or is continued, each Member agrees and waives its rights to have any Company Assets partitioned, or to file a complaint or to institute any suit, action or proceeding at law or in equity to have any Company Assets partitioned, and each Member, on behalf of itself, its successors and its assigns hereby waives any such right.

8.10 Resignations; Retirement. A Member may not resign from the Company unless (i) he has contributed the full amount of money or other consideration which constitutes his Capital Contribution as required herein; and (ii) following his resignation there will be at least two (2) remaining Members of the Company. The Company may recover damages for breach of this Section 8.10 if any Member violates this Section 8.10 and may offset the Company's damages against any amount owed to a resigning Member for distributions.

ARTICLE 9 MANAGER

9.1 Manager.

9.1.1 The management of the Company's business will be vested in the Manager. The Manager will have the authority to sign agreements and other instruments on behalf of the Company.

9.1.2 CR shall serve as the initial Manager. Such entity will serve until such time as it resigns or is removed. The Manager may be removed with or without cause by a vote of 80% of the Percentage Interests of the Members other than the Manager. Upon the resignation or removal of the Manager, CR will designate the replacement Manager, subject to the approval of four of the five members of the Executive Committee.

9.1.3 The Manager may engage in other business activities as permitted by Section 8.5 and will be obliged to devote only as much of his time to the Company's business as may be reasonably required in light of the Company's business and objectives. The Manager will perform its duties as a Manager in good faith, in a manner it reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A person or entity who so performs its duties will not have any liability by reason of being or having been a Manager of the Company.

9.1.4 The number of Managers will be one (1), who may be an entity or a natural person eighteen (18) years of age or older but who need not be a Member of the Company or a resident of Nevada .

9.1.5 In performing its duties, the Manager will be entitled to rely on information, opinions, reports or statements of the following persons or groups unless it has knowledge concerning the matter in question that would cause such reliance to be unwarranted:

(a) one or more employees or other agents of the Company whom the Manager reasonably believes to be reliable and competent in the matters presented;

(b) any attorney, public accountant or other person as to matters which the Manager reasonably believes to be within such person's professional or expert competence; or

(c) a committee upon which it does not serve, duly designated in accordance with a provision of this Agreement, as to matters within its designated authority, which committee the Manager reasonably believes to merit competence.

9.1.6 The Manager is an agent of the Company for the purpose of its business, and the act of the Manager, including the execution in the Company name of any instrument for apparently carrying on in the usual way the business of the Company, binds the Company, unless such act is in contravention of the Articles or this Agreement or unless the Manager so acting otherwise lacks the authority to act for the Company and the person with whom it is dealing has knowledge of the fact that it has no such authority.

9.2 Powers of the Manager. Subject to the limitations set forth elsewhere in this Agreement, the Manager will have the right and authority to take all actions which the Manager deems necessary, useful or appropriate for the day-to-day management and conduct of the Company's business.

Subject to Section 8.1, the Manager may exercise all powers of the Company and do all such lawful acts and things as are not by statute, the Act, the Articles or this Agreement directed or required to be exercised or done by a majority in interest of the Members, except that no debt will be contracted or liability incurred by or on behalf of the Company by the Manager except as set forth in the Project Budget or the Operating Budget. All instruments, contracts, agreements and documents providing for the acquisition, mortgage or disposition of the Company Assets will be valid and binding on the Company if executed by the Manager. All instruments, contracts, agreements and documents of whatsoever type executed on behalf of the Company may be executed in the name of the Company by the Manager.

9.3 Salaries. Subject to subsection 8.3.11, the Company may not pay to any Manager, Member or other person a salary as compensation for their services rendered to the Company.

9.4 Removal of a Manager.

9.4.1 Subject to the provisions of the Act and subject to the satisfaction of the conditions specified in this Article 9, a unanimous vote of the Members may remove the Manager with or without cause.

9.4.2 The removal of a Manager will become effective on such date as may be specified by CR.

9.5 Resignation of a Manager. A Manager may resign from his position as a Manager at any time by notice to the Members. Such resignation will become effective as set forth in such notice.

9.6 Vacancies. Any vacancy occurring in the position of Manager will be filled as set forth in Section 9.1.2.

9.7 Duties of the Manager. The Manager will have the following primary duties and responsibilities, with such limitations on their powers as set forth below and elsewhere in this Agreement:

9.7.1 The preparation of the Project Budget and the Operating Budget and expending the capital and revenues of the Company in accordance with such approved budgets;

9.7.2 Negotiating and arranging for all third party equity requirements, the Construction Loan and other loans, and preparing all projections, financial reports and other information or material to be furnished to the lender, in consultation with and subject to the approval of the Executive Committee;

9.7.3 Supervising construction, alterations and improvements with respect to the Project; retaining, terminating and/or hiring the services of engineers, surveyors, appraisers, accountants, attorneys, mortgage brokers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, and such other technical or administrative advisors as reasonably deemed necessary by the Manager to further the purposes of the Company; retaining agents and employees for the Company, including property managers for the Property, and to delegate any of their powers (but not their obligations) to such agents or employees and direct such agents or employees with respect to the implementation of the Manager's decisions and the conduct of day-to-day operations of the Company;

9.7.4 The negotiation, administration, review and coordination of contracts on behalf of the Company for the development of the Project, and the administration and coordination of on-site and offsite improvements, warranty claims and corrective work;

9.7.5 Entering into and executing (i) agreements and any and all documents and instruments customarily employed in the real estate industry in connection with the development and operations of Property; and (ii) all other instruments deemed to be necessary or appropriate to the proper operation of the Property or to perform effectively and properly their duties or exercise their powers hereunder;

9.7.6 Placing or investing Company assets in bank savings and checking accounts, savings and loan associations, commercial paper, government securities, certificates of deposit, bankers' acceptances and other short-term interest-bearing obligations; provided, however, that the Manager will use best efforts to cause uninvested cash reserves of the Company to be placed in interest-bearing accounts or instruments. To the extent funds of the Company are sufficient therefor, the Manager may maintain reserves for operating or other expenses to the extent contemplated in the Operating Budget;

9.7.7 The performance of other customary development functions, including seeking to obtain all local, state and federal permits, approvals and land use consents and acting as a liaison with all Governmental Authorities having jurisdiction over the development of the Property, and processing all governmental permits and approvals; and authorizing such research reports, economic and statistical data, evaluations, analysis, opinions and recommendations as may be necessary to further the purposes of the Company;

9.7.8 Subject to the other provisions of this Article 9, supervising the marketing and sales of portions of the Property and negotiating and executing contracts, or authorizing others to negotiate and execute contracts for sales of portions of the Property, in consultation with and subject to the approval of the Executive Committee;

9.7.9 Procuring and maintaining insurance policies with such coverage and in such amounts as required by this Agreement or the Loan;

9.7.10 File protests regarding property tax assessments and commence, defend, and settle litigation arising from such protests;

9.7.11 Prepare and deliver to each of the Members periodic reports not less than quarterly of the state of the business and the affairs of the Company as well as quarterly financial statements, and maintain, or cause to be maintained, the books and records;

9.7.12 Within seventy-five (75) days after the end of each Fiscal Year, or as soon as reasonably practical after the end thereof, cause the Accountants to conduct the audit required herein, and prepare and deliver to each Member a report setting forth in sufficient detail all such information and data with respect to business transactions affected by or involving the Company during such Fiscal Year as will enable the Company and Members to prepare their Federal, state and local income tax returns in accordance with the laws, rules and regulations then prevailing. The Manager will also cause such Accountants to prepare Federal, state or local tax returns required of the Company and file the same; provided, however, that the Manager shall provide all Members with a copy of the proposed tax returns at least fifteen (15) days prior to the filing date or the extended filing date, as applicable. The Manager will also furnish to each Member such other reports on the Company's operations and conditions as may be reasonably requested by any Member;

9.7.13 Collecting all revenues payable to the Company and depositing all sums collected in the Company's account or accounts in a bank or financial institution selected by the Manager;

9.7.14 Making, or causing to be made, distributions of Net Cash From Operations and Net Cash From Sales and Financings pursuant to Section 6.2; and

9.7.15 Developing, operating, managing and supervising the hotel operations which are developed as part of the Project in accordance with this Agreement.

9.8 Expenses of Company. Expenses to carry out the purposes and business of the Company will constitute Company expenditures and, when appropriate, will be paid by the Company from its accounts. Members will be reimbursed for reasonable expenditures made in furtherance of Company business, including travel related costs for attending Company meetings.

ARTICLE 10 MEETINGS AND VOTES OF MEMBERS

10.1 Meetings. Meetings of the Members will be held each year at the business office of the Company or at such other place as specified from time to time by the Manager. If the Manager specifies another location such change in location will be recorded on the notice calling such meeting. Meetings of the Members may be held in person, by telephone or by video conference.

10.2 Annual Meetings. In the absence of a notice from the Manager providing otherwise, the annual meeting of Members of the Company for the transaction of such business as may properly come before the meeting, will be held on the first Wednesday in April at 4:00 p.m. in each fiscal year, if the same be not a legal holiday, and if a legal holiday, then on the next succeeding business day. Failure to hold the annual meeting at the designated time will not work a forfeiture or dissolution of the Company.

10.3 Special Meetings. Special meetings of the Members will be scheduled and presided over by the Manager. Special meetings may be called by the Manager or upon the request of Members who hold not less than ten percent (10%) of the voting rights entitled to vote at the meeting provided that requests to approve the admission of Substitute Members may be postponed until the annual meeting of the Members.

10.4 Court Ordered Meeting.

10.4.1 Any court of competent jurisdiction in the State of Nevada may summarily order a meeting to be held:

(a) on application of any Member if an annual meeting was not held within six (6) months after the end of the Company's fiscal year or fifteen (15) months after its last annual meeting, whichever is earlier; or

(b) on application of a Member who participated in a proper call for a special meeting if (i) notice of the special meeting was not given within thirty (30) days after the date the demand was delivered to the Manager; or (ii) the special meeting was not held in accordance with the notice.

10.4.2 The court may fix the time and place of the meeting, specify a record date for determining Members entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for the meeting or direct that the interests represented at the meeting constitute a quorum for the meeting, and enter other orders necessary to permit the meeting to be held.

10.5 Notice.

10.5.1 Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be delivered unless otherwise prescribed by the Act, not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Manager or person calling the meeting to each Member of record entitled to vote at such meeting.

10.5.2 Notice to Members of record, if mailed, will be deemed delivered as to any Member when deposited in the United States mail, addressed to the Member with postage prepaid, but, if three (3) successive letters mailed to the last-known address of any Member are returned as undeliverable, no further notices to such Member will be necessary until another address for such Member is made known to the Company.

10.5.3 When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting will be given to each Member entitled to vote at the meeting.

10.6 Waiver of Notice.

10.6.1 When any notice is required to be given to any Member under the provisions of the Act or under the provisions of the Articles or this Agreement, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated herein, will be equivalent to the giving of such notice.

10.6.2 By attending a meeting, a Member:

(a) waives objection to lack of notice or defective notice of such meeting unless the Member, at the beginning of the meeting, objects to the holding of the meeting or the transacting of business at the meeting;

(b) waives objection to consideration at such meeting of a particular matter not within the purpose or purposes described in the meeting notice unless the Member objects to considering the matter when it is presented.

10.7 Proxies. Each Member may designate up to three individuals as proxies, and any proxy designated by a Member shall be authorized to sign approvals, vote or otherwise act on behalf of that Member. Such proxies may be changed at any time upon the discretion of the Member who has named such proxies, provided any such changes shall be specified in a written notice from such Member to all other Members.

10.8 Voting Procedures.

10.8.1 The costs of calling and holding the annual meeting of the Members and special meetings called by the Manager will be paid by the Company. Such costs for all other meetings called by the Members will be paid by the Members calling the meeting. Each Member will be responsible for its own costs associated with attending and participating in a meeting.

10.8.2 Matters not described in a meeting notice maybe discussed at a meeting if all Members or their authorized representatives are present at the meeting and may be voted upon if the Members or their authorized representatives possessing at least the required percentage of the votes to approve such matter are present at the meeting.

10.9 Action by Members Without a Meeting. Unless the Articles, the Act or this Agreement provide otherwise, action required or permitted by the Act to be taken at a Members' meeting, including but not limited to the annual meeting, may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote. Action taken under this Section 10.9 is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

Written consent of all of the Members entitled to vote on any matter has the same force and effect as a unanimous vote of such Members and may be stated as such in any document.

ARTICLE 11

MEMBERS' LIABILITY AND INDEMNITY

11.1 Members.

11.1.1 No Member will be liable under a judgment, decree or order of a court, or in any other manner, for the debts, liabilities or obligations of the Company. A Member will have no liability to any other Member and/or the Company when acting pursuant to its authority granted pursuant to the Articles and/or this Agreement except to the extent such Member's acts or omissions constituted willful misconduct or gross negligence of such Member, or violation of Federal, state or local laws. Additionally, a Member will be liable to the Company for any difference between its Capital Contribution actually paid in and the amount promised by any Member as stated in this Agreement or any writing signed by the Member.

11.1.2 If a Member has received the return of any part of its Capital Contribution in violation of this Agreement or the Act, it is liable to the Company for a period of six (6) years thereafter for the amount of the Capital Contribution wrongfully returned.

11.1.3 If a Member has received the return in whole or in part of its Capital Contribution without violation of this Agreement or the Act, that Member is liable to the Company for a period of six (6) years thereafter for the amount of the returned Capital Contribution, but only to the extent necessary to discharge the liabilities of the Company to those creditors who extended credit to the Company during the period the Capital Contribution was held by the Company.

11.2 **Manager.** The Manager does not in any way guarantee the return of any Members' Capital Contribution or a profit for the Members from the Company's business. The Manager will incur no liability to the Company or to any of the Members as a result of engaging in any other business or venture regardless of whether such other business or venture competes with the Company or whether the Manager is active in the management or business of such other business or venture, provided that the Manager's involvement in such other business or venture is permitted under this Agreement and is not within 50 miles of the Project. Neither the Company nor any of the Members will have any rights by virtue of the Articles, this Agreement or any applicable law in or to the other business ventures of the Manager or to the income, gains, losses, deductions and credits derived therefrom by the Manager unless Manager is in violation of this Article 11.2.

11.3 **Company's Indemnification of Members, Manager, Employees or Agents.** The Company agrees to indemnify its Members, Manager, employees and agents to the fullest extent permitted by law and specifically in the Act, and may purchase insurance to protect the Company's directors, officers, employees and agents.

11.4 **Force Majeure.** Notwithstanding anything in this Agreement to the contrary, a Member or the Manager will not be liable (except for such Member's obligation to contribute or return its Capital Contributions under the Act or this Agreement) for any loss or damage to the Company Assets or operations caused by its failure to carry out any of the provisions of the Articles and/or this Agreement as a result of foreseeable or unforeseeable acts of God or incidents resulting from outside forces, beyond the control of such Member or Manager, such as

strikes, labor troubles, riots, fires, weather, floods, acts of a public enemy, insurrections, breakdown or failure of machinery, acts, omissions or delays of governmental authorities and governmental laws, rules, regulations or orders.

11.5 Remedies. The remedies of the Members hereunder are cumulative and will not exclude any other remedies to which a Member may be lawfully entitled. The Members acknowledge that all legal remedies for any breach of this Agreement may be inadequate, and therefore they consent to any appropriate equitable remedy; provided, that any failure of a Member to abide by the terms of this Agreement, including without limitation any vote or consent that should bind a Member, or any other failure to adhere to the terms of this Agreement which cost the Company legal and court costs to enforce same will render the breaching Member liable to the Company for any such fees and costs.

11.6 Waiver. The failure of any Member to insist upon strict performance of a covenant or condition hereunder will not be a waiver of its right to demand strict compliance therewith in the future.

ARTICLE 12 TRANSFERS

12.1 Transfer Restrictions. Each Member hereby agrees that its Interests and any economic benefit therein are not transferable except as provided in this Article 12. "Economic benefit" or "benefit" of an Interest will mean an Interest share of the Company's profits or other compensation by way of income and return of contributions but will not include the Company's losses, deductions and credits.

12.2 Prohibited Transfer. Except as provided in this Article 12, no Member may sell, transfer, assign or otherwise dispose of or mortgage, hypothecate, or otherwise encumber or permit or suffer any encumbrance of all or any part of its Interests unless approved by a Supermajority of the Members in writing in their reasonable discretion, and any attempt to so transfer or encumber any such interest will be null and void and will not bind the Company or the other Members.

12.3 Requirements for Transfer. Transfers of Interests and/or economic benefits therein during any year will become effective as of the date of any required approval by all of the other Members, provided that the transferee and transferor have satisfied all of the requirements of this Article 12. Subject to satisfying the requirements of this Article 12, any such transfer requiring approval of the Members pursuant to this Article 12 will be considered by the Members at the Members' next annual or special meeting. Unless and until the transferee of a Member's Interests is accepted by a Substitute Member pursuant to this Article 12, the transferor Member will remain a Member in the Company and will retain all rights and obligations incident to such status, except to the extent that the transferor agrees to transfer the economic benefits of its Interests as permitted by this Article 12 for transfers of economic benefits without the consent of the other Members. Notwithstanding anything in this Article 12 to the contrary, any transfer by any Member of all or any portion of his or its Interests, from time to time, (i) by operation of law (for instance in the case of a merger) or (ii) to any Affiliate may be accomplished without restriction, right of first offer or consent of the Manager or the other Members. The Interests of the transferring Member will be deemed transferred when the Manager and the other Members

have received written notice of such transfer along with the name and address of the transferee and number of Interests transferred.

Notwithstanding anything to the contrary, any attempted or purported transfer of any Interest or economic benefit therein (including, but not limited to, an adjustment of the right to receive profits or the return of contributions) in violation of the following restrictions will be void ab initio and of no effect:

12.3.1 No transfer may be made within the meaning of the Code or the regulations thereunder, if such transfer would result in the termination of the Company under the Code;

12.3.2 No transfer may be made except in compliance with or pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, and in compliance with or pursuant to an exemption from applicable state securities laws and rules and regulations promulgated thereunder;

12.3.3 No transfer may be made which would cause the Company to become an "investment company" under the Investment Company Act of 1940, as amended;

12.3.4 No transfer may be made which would cause the Company to be deemed to be a "publicly traded partnership" under the Code or would otherwise cause the Company to be treated as an association or corporation for tax purposes under the Code; and

12.3.5 No direct transfer may be made to a minor or incompetent in any respect unless made for their benefit to their guardian, trustee or other legal representative.

12.4 **Company Review.** Prior to the vote of the Members for their approval of the admission of a transferee of Interests as a Substitute Member the transferor may submit a written or oral report of the proposed transfer to the Company for its review. Subject to obtaining an opinion of counsel that the restrictions provided in this Article 12 will not be violated by the transfer, the Company will notify the transferor within sixty (60) days after receipt whether or not the proposed transfer violates any of the restrictions contained in this Article 12 and whether or not the transfer consequently may be effected. Any opinion of counsel will be provided at the option of the Company by the transferring parties at their sole expense, will be satisfactory in form and substance to the Company and will be from counsel satisfactory to the Company.

12.5 **Transfers of Economic Benefits Without Members' Approval.** Subject to Sections 12.1 and 12.2, economic benefits in Interests may be transferred in whole or in part without the consent of the Members in the following events:

12.5.1 the transfer as a result of the death of a Member;

12.5.2 the transfer in connection with the entry of a divorce decree for or against a Member;

12.5.3 the transfer as a gift and for no consideration;

12.5.4 the sale or other transfer to related parties after which the ownership of the economic benefits will be effectively unchanged, i.e., intra-family transfers or transfers within an affiliated group;

12.5.5 the occasional accommodation transfer by a Member; or

12.5.6 the pledge to a Lender in connection with any Project financing or, after Substantial Completion, any other financing.

12.6 Transfers with Members' Approval.

12.6.1 Following satisfaction of the requirements of Sections 12.3 and 12.4, a proposed transfer of Interests requiring the Members' approval will be submitted to the Members for their approval after:

(a) the transferee has executed this Agreement and any other documents and instruments as the Company may require; and

(b) the transferring parties have paid and have agreed to pay, as the Company will determine, all reasonable expenses connected with such request and admission, including, but not limited to, any required opinion of counsel, the legal fees and costs associated with the preparation and filing of all other documents necessary to continue the Company's right to do business in the jurisdictions in which it is then doing business. The Company will not be obligated to justify such expenses and for its convenience in lieu of itemizing such expenses, may select a reasonable amount to cover such expenses.

12.6.2 Upon satisfaction of Sections 12.3, 12.4 and for Interests, 12.6.1, the request for transfer of Interests will be submitted to the Members at the Company's next annual or special meeting. The Members will vote whether or not to approve a proposed transfer of Interests and whether or not a proposed transferee of Interests should be admitted as a Substitute Member for the transferor Member to the extent of the Interests proposed to be transferred. If a proposed transferee of Interests is not approved to be a Substitute Member, then subject to the provisions of the proposed transfer, such transferee may nevertheless receive the "economic benefits" of such Interests pursuant to the definition of "economic benefits" set forth in Section 12.1 hereof.

12.6.3 If a proposed transfer of Interests is approved by all of the Members, the transferee will be admitted as a Member and will be vested with all the rights and powers, and be subject to all the restrictions and liabilities of the transferor to the extent of the Interests transferred. Admission of a transferee as a Substitute Member will not relieve the transferor from any obligation or liability that existed on or before the effective date of admission; provided that the transferor will be relieved from obligations and liabilities arising thereafter and arising under existing agreements to the extent that such obligations are to be performed after the effective date of admission or that such liabilities arise thereafter.

12.6.4 If a proposed transfer of Interests is refused by or on behalf of any Member, the proposed transferee of the Member's Interests will not be admitted as a Member and will not have the right to participate in the management of the business and affairs of the

Company, provided that such transferring parties may again apply to have the transferee admitted as a Substitute Member.

12.7 Death of Member; Other Termination of Membership.

12.7.1 In the event of the death of a Member who is an individual or if a court of competent jurisdiction adjudges a Member to be incompetent to manage his person or his property, followed by a decision by or on behalf of all of the remaining Members to continue the Company rather than allowing it to dissolve, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights for the purpose of settling his estate or administering his property. If a Member is a corporation, trust or other entity and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

12.7.2 In the event of bankruptcy or dissolution of a Member, followed by the continuation of the Company rather than a vote of the Members to dissolve the Company, any successor to the Interests of the affected Member as a result thereof will be deemed to be the transferee of the entire interest of the affected Member and may be admitted at the next annual meeting as a Substitute Member upon satisfaction of the requirements of this Article 12.

12.7.3 The provisions of Article 2 and this Section 12.7 will not cause or require the dissolution of the Company should any of the events described in such Article or Section occur to a person or entity who is not a Member but only possesses economic benefits associated with any Interests.

12.8 **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of the heirs, executors, administrators, successors and permitted assigns of the parties hereto.

ARTICLE 13 TERMINATION AND DISSOLUTION

13.1 **Events Requiring Termination and Dissolution.** The Company will be dissolved and terminated upon the happening of any of the following events:

13.1.1 Expiration of the term of the Company, as set forth in Section 2.3, unless extended by mutual consent all of the Members;

13.1.2 Any event as otherwise specified in this Agreement or in accordance with law;

13.1.3 By the written consent of four of the five members of the Executive Committee pursuant to Section 8.3.2; or

13.1.4 The sale or other disposition of substantially all assets of the Company such that the sole asset of the Company is cash.

13.2 Management During Liquidation. In the event of a termination, the rights and obligations of the Members with respect to management of the Company will be continued by the Manager during the period of winding up. The Company Assets will be liquidated as promptly as is consistent with obtaining the fair market value of the assets, and the liquidation will be conducted in compliance with law and sound business practice. The Manager may maintain reasonable reserves to provide for the payment of contingent claims and liabilities. The Manager will be entitled to reimbursement for out-of-pocket expenses incurred in connection with the winding-up and liquidation of the Company. Such reimbursement will be paid as an expense of the Company after all debts to all third parties have been repaid but before any repayment of loans or advances by the Members.

13.3 Members' Right to Bid for Assets. Upon the dissolution and liquidation of the Company, any Member may make a bid or tender on any of the Company Assets. Those assets as are bid upon by a Member will not be sold to a third party unless the bid made by such third party is upon more favorable terms and conditions than the highest and best bid of a Member.

13.4 Distribution of Liquidation Proceeds. Liquidation proceeds, to the extent sufficient therefor, will be applied and distributed in the following order:

13.4.1 To the expenses of such liquidation;

13.4.2 To the payment and discharge of all other Company debts and liabilities (other than those to Members), including the establishment of any necessary reserves;

13.4.3 All remaining assets of the Company will be distributed to the Members in the manner set forth in Section 6.2 hereof.

13.5 Distribution of Company Assets. The Company shall not distribute any Company Assets to its Members upon the liquidation of the Company other than cash unless all of the Members agree to the distribution by the Company of assets other than cash and the value to be assigned to such assets. To the extent assets other than cash are distributed to the Members, such distributions shall be based on the fair market value of the assets distributed.

ARTICLE 14 DISPUTE RESOLUTION

14.1 Application of Section. Whenever either the Manager or the Members cannot mutually agree on the resolution of a matter or dispute, the provisions of this Article will apply. The rights and obligations of the Manager with respect to the management of the Company will continue until the dispute is resolved pursuant to this Article 14.

14.2 Mediation. In the event of a dispute, any dissatisfied Member will provide notice of the dispute to all of the other Members. The Members will then arrange a meeting to discuss the dispute within ten (10) days of receipt of notice of the dispute. If the dispute cannot be resolved among the Members within thirty (30) days of the meeting to discuss the dispute, then any Member may submit the dispute to mediation by notice to all of the other Members (the "Mediation Notice"). The Member sending such notice shall then have ten (10) days to make a request to a reputable and nationally recognized agency in the State of California which

With copy to:

16.1.1 Each such notice will be deemed delivered (a) on the date delivered if by personal delivery, (b) on the date of a receipt of a clear copy if by telecopy, (c) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the carrier as not deliverable, as the case may be, if sent by overnight courier service such as Federal Express, and (d) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed.

16.1.2 By giving to the other parties at least fifteen (15) days written notice thereof, the parties hereto and their respective successors and assigns will have the right at any time during the term of this Agreement to change their respective addresses and each will have the right to specify as its address any other address within the United States of America.

16.1.3 A transferee of an interest by any Member will be entitled to receive copies of notices hereunder, provided such transferee will have given notice to the Company and all Members of its designated address for purposes of this Section and further provided that such transferee has otherwise complied with the terms and conditions of this Agreement in acquiring its interest hereunder.

16.2 **Partition.** The Members agree that the Company Assets are not and will not be suitable for partition. Accordingly, each of the Members hereby irrevocably waives any and all rights that it may have to maintain any action for partition of any of the Company Assets.

16.3 **Governing Law.** This Agreement has been executed and delivered within the State of California, is a contract made under the laws of the State of California , and will be governed by and interpreted in accordance with the laws of the State of California, without regard to conflict of law principles thereunder.

16.4 **Successors.** Except as otherwise specifically provided herein, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

16.5 **Pronouns.** Wherever from the context it appears appropriate, each term stated in either the singular or the plural will include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender will include the masculine, feminine and neuter.

16.6 **Captions.** Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

16.7 **Severability.** If any provision of this Agreement, or the application of such provision to any Person or circumstance, is held invalid, the remainder of the Agreement, or the application of such provision to Persons or circumstances other than those to which it is held invalid, will not be affected hereby.

16.8 **Counterparts.** This Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument. In addition, this Agreement may contain more than one counterpart of the signature page, and this Agreement may be executed by the affixing of the signatures of each of the Members to one of such counterpart signature pages, all of which will have the same force and effect as though all of the signatories had signed a single signature page.

16.9 **Entire Agreement; Amendment.** This Agreement embodies and constitutes the entire understandings of the parties with respect to the transactions contemplated herein, and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement unless specifically agreed to by the Members. Except as set forth in Article 15, neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing executed by the Members; provided, however, that if an amendment to this Agreement has been approved as a Major Decision pursuant to Section 8.3.12 above, such amendment may be executed pursuant to powers of attorney previously granted by each Member in the event any of the members fail to execute such amendment personally.

16.10 **Attorneys' Fees.** If any Member or Manager commences an action against the other Members and/or Manager to interpret or enforce any of the terms of this Agreement or as the result of a breach by the other Member(s) or Manager(s) of any terms hereof, the losing (or defaulting) Member(s) or Manager(s) will pay to the prevailing Member(s) or Manager(s) reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action (including at the appellate level), whether or not the action is prosecuted to a final judgment.

16.11 **Further Assurances.** Each Member agrees to execute and deliver any and all such other and additional instruments and documents and do any and all such other acts and things as may be necessary or expedient to more fully effectuate this Agreement and to carry on the business contemplated hereunder.

16.12 **Equitable Remedies.** Each of the parties hereto acknowledges and agrees that, in the event of a breach or threatened breach of this Agreement by any Member or the failure of a Member to perform in accordance with the specific terms hereof, the other parties hereto will be irreparably damaged and that monetary damages would not provide an adequate remedy. Accordingly, it is agreed that, in addition to any and all other rights which may be available, at law or in equity, the non-breaching parties will be entitled to injunctive relief and/or specifically to enforce the terms and provisions hereof in any action instituted in accordance with Section 16.13.

16.13 Indemnities.

16.13.1 The Manager will not be liable for errors in judgment, whether or not disclosed, unless due to gross negligence, willful neglect or intentional misconduct. From and after the Effective Date, the Company will and does hereby indemnify and hold harmless the Manager from and against any and all claims, actions, suits, liabilities, judgments, obligations, losses, penalties, demands, expenses and damages (and all expenses associated therewith, including court costs and attorney's fees at all negotiations, trial and appellate levels) incurred by the Manager in respect of any act or omission to act by the Manager, whether or not such act or omission to act was negligent, including without limitation any such act or omission by them when acting in the good faith belief that they were acting or refraining from acting within the scope of their authority under this Agreement on behalf of the Company or in furtherance of their interests, provided that the foregoing will not entitle the Manager to indemnification for gross negligence, willful neglect or intentional misconduct.

16.13.2 Notwithstanding subsection 16.13.1, a Member will not be liable to the Company or any other Member arising from any act or omission to act, even if involving gross negligence, willful neglect or intentional misconduct, unless claim, action, right of action, suit, investigation, liability, judgment, obligation, loss, penalty, demand, expense or damage therefor is made or otherwise instituted before such Member ceases to be a Member of the Company or before the date of dissolution, winding up and termination of the Company.

16.14 **Contributions.** In the event that one Member is held severally liable for the debts of the Company, and such liability did not arise out of such Member's assumption of such liability or its negligent or willful act, such Member will be entitled to contribution from the other Members.

16.15 **No Third Party Rights.** The provisions of this Agreement are for the exclusive benefit of the Company and the Members and no other party (including without limitation any creditor of the Company or any Member) will have any right or claim against the Company or any Member by reason of those provisions or be entitled to enforce any of those provisions against the Company or any Member.

16.16 **Reliance on Experts.** For purposes of this Agreement, whenever one of the Members reasonably requires or retains the use of an expert in order to discharge a duty hereunder, such Member's sole responsibility in connection with such duties will be the reasonable reliance upon the advice of the experts, and no Member will be liable on account of any duty or obligation imposed hereunder in the event of a reliance upon professional advice.

16.17 **Submission to Jurisdiction.** Subject to the provisions of Article 14 hereof, each of the Members irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Agreement will be brought in the courts of record of the State of California in Placer County or the courts of the United States with jurisdiction over Placer County, California; (b) consents to the jurisdiction of each such court in any such suit, action or proceeding; (c) waives any objection which he/she may have to the laying of venue of any such suit, action or proceeding in any of such courts; (d) consents to service of any court paper by mail, as provided in Section 16.1 hereof, or in such other manner as may be provided under applicable laws or court rules in California. Notwithstanding the provisions of this Section

16.17, the Members acknowledge that before a Member may file legal action against one or more Members, such Member must have complied with the remedies available pursuant to Article 14 of this Agreement.

16.18 Remedies Cumulative. The rights and remedies given in this Agreement to a non-defaulting Member or the Company are deemed cumulative, and the exercise of one of such remedies will not operate to bar the exercise of any other rights and remedies reserved to a non-defaulting Member under the provisions of this Agreement or given to a non-defaulting Member by law.

16.19 No Waiver. One or more waivers of a breach of any provision of this Agreement by any Member will not be construed as a waiver of a subsequent breach of the same or any other provision, nor will any delay or omission by a non-defaulting Member to seek a remedy for any breach of any provision of this Agreement by a Member be construed as a waiver by the non-defaulting Member of the right to exercise its/his/her remedies and rights with respect to such breach or any subsequent breach, whether similar or not.

16.20 Confidentiality. Except as required in the normal conduct of a Member's business or as required by law, no Member, without the written approval of all Members, whether during continuance of the Company or after its termination, will divulge to any Person not a Member other than its/his/her attorneys, accountants, employees and professional advisers, any information concerning the business of the Company or the content of this Agreement or any other contract or agreement entered into by the Company. A Member may, however, disclose to third parties the existence of the Company and the names of the Members.

16.21 Construction. This Agreement will be interpreted without regard to any presumption or rule requiring construction against the party causing this Agreement to be drafted.

16.22 Accounts. In no case will funds of the Company be commingled with funds not belonging to the Company. Withdrawals from any such account or accounts will be made upon the signature or signatures of such Persons as the Manager may designate.

16.23 Time of the Essence. Time is of the essence of this Agreement.

16.24 Time Devoted to Venture. No Member will be required to devote its/his/her entire time or attention to the business of the Venture, or more time or attention than reasonably required to carry out its/his/her obligations under this Agreement.

16.25 Exhibits. All Exhibits, and documents attached thereto, referred to in this Agreement are deemed incorporated herein by reference as if fully set forth in length.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first set forth above.

CR CAL NEVA, LLC

By: _____
William T. Criswell, President

By: _____

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Schedule 4.1

MEMBERS AND INTERESTS

As of _____, 2014

<u>Members</u>	<u>Business, Residence or Mailing Address</u>	<u>Percentage Owned</u>
1. PREFERRED MEMBERS		
(a) _____		
(b) _____		
(c) _____		
2. FOUNDER MEMBERS		
(a) _____		
(b) _____		
(c) _____		
3. SPONSOR MEMBER		
CR Cal Neva, LLC	1336-D Oak Street St. Helena, California 94574	20%
4. MEZZANINE LENDER		
_____	_____ _____	10%

Schedule 4.2

INITIAL CASH CAPITAL CONTRIBUTIONS

CR	\$_____
_____	_____
_____	_____
_____	_____

Schedule 4.3

USES OF CAPITAL CONTRIBUTIONS

1. Repayment of bridge loan note in the amount of \$6,000,000.00, plus accrued interest, due on or before March 31, 2014.
2. Payment to Seller of approximately \$10,000,000.00 to redeem its equity interest in New Cal Neva.
3. Provide additional development capital for the Project.

BUSINESS PLAN

[attached hereto]

Exhibit B

Ca|NeVa

RESORT & CASINO

LOCATED ON THE NORTH SHORE OF LAKE TAHOE

CONFIDENTIAL OFFERING MEMORANDUM



CRISWELL RADOVAN, LLC
March 2014

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EXHIBITS

- A Financial Pro Forma
- B Development Budget
- C Market Comparables – Excerpt from PKF Appraisal
- D The Historic Cal Neva Resort



THE INFORMATION CONTAINED HEREIN IS BEING FURNISHED ON A CONFIDENTIAL BASIS TO THE RECIPIENT. BY ACCEPTING THIS MATERIAL, RECIPIENT AGREES TO KEEP IT CONFIDENTIAL AND NOT TO REPRODUCE, DISTRIBUTE, OR DISCLOSE ANY OF THE CONTENTS HEREIN TO ANY THIRD PARTY WITHOUT THE PRIOR WRITTEN CONSENT OF CRISWELL RADOVAN, LLC.

SUMMARY

- Criswell Radovan, LLC acquired the legendary Cal Neva hotel in Lake Tahoe in April 2013. This time next year, we will re-open this property after a \$32 million renovation, bringing back a true icon. For investors, the pricing is such that a refinancing of the hotel after the remodel could repay all equity principal in about three years.
- The Cal Neva hotel, founded in 1926, is the oldest casino in the U.S. and saw its heyday in the 1960s when it was owned by Frank Sinatra and became a popular destination among the Hollywood and political elite. The property will feature 191 guest rooms among its tower, chalets, and cabins. It also enjoys a non-restricted gaming license for a 17,000 s.f. casino; 16,000 feet of meeting space, a full service spa, a 350 seat showroom, the famous Circle Bar, Press restaurant, and a Dean & DeLuca market.
- The property has been offered the opportunity to become a member of the Starwood Luxury Collection, keeping its historic identity, but utilizing the power of the Starwood network for reservations, marketing, and group sales.
- Set on almost 14 acres overlooking Lake Tahoe, the property has just over 9 acres in Nevada and 4.5 acres in the State of California in the North Shore area of Lake Tahoe. It is a 45 minute drive from the Reno-Tahoe airport, about 3.5 hours by car from San Francisco, and about 90 minutes by car from Sacramento. In addition to being less than 400 feet from the water, the Cal Neva is within 30 minutes of the Northstar, Squaw, Incline, and Alpine Meadows ski areas, as well as several smaller ski resorts such as Diamond Peak at Incline Village.
- The property also has 28 two-bedroom units that it has banked with the TRPA, with the plan to permit them as for-sale managed residences. The residences will be 1,250 s.f. on average, all in the state of Nevada, and can be used for either establishing residency or rented as part of the hotel inventory. Those permits will be pursued promptly after closing and may require some level of additional financing to complete. In addition to the roughly \$12-16 million in incremental profit these units bring to the equity owners, they add 56 keys of inventory to the operating performance of the resort.
- The \$13 million purchase price that Criswell Radovan got from the seller represents a cost of only \$59,361 per room (on 219 rooms), or less than a fifth of the replacement cost of the building on the most conservative estimates.
- While the building needs cosmetic improvements and a complete re-launch of the management and marketing of the property, there are no structural issues of concern, and the previous owner spent over \$10M upgrading all of the kitchen and service areas to support group business. The cost of the recent upgrades alone roughly matches the price to buy the entire property.
- Based on the very good structural and “back of house” condition of the property, the hotel can be renovated and re-opened for about \$32 million renovation cost, with about 12 months for the upgrade.
- The Criswell Radovan team has a long a proven track record in the luxury hotel space, including several significant historic rehabilitations. The Ritz Carlton in San Francisco and the Aetna Springs project in Napa Valley (currently in development) show CR’s understanding of

both the creative sensitivity in planning as well as the marketing power of restoring these historic hotels. Criswell Radovan's work on the Calistoga Ranch project in Napa Valley (ranked #1 hotel in California and #5 in the U.S. by U.S. News and World Report) in addition to those other properties demonstrates its success in developing one-of-a-kind properties in markets with very high barriers to entry.

- The project will initially be capitalized with \$20 million of equity and \$35 million of debt. The \$29 million senior loan is interest only at 9% for the first 3 years, and an amortizing mini-perm for 2 additional years if needed. Assuming the hotel can be refinanced in 2017, the property should repay both the investors' equity and the construction loan with a \$60 million permanent loan. That loan would be supported by a healthy coverage ratio of 1.4x from the first years.
- Financial Highlights:
 - Targeted return of investor principal in 4 years
 - Total project returns are projected above \$90 million, or a 4.5x equity multiple, if it is sold in Year 7 of operations, before any contribution from the Phase II condo units.
 - Long-term annuity stream of \$2-2.5 million in cash flow available for distribution if the asset is held.
 - Phase II converts 28 current cabin suites into 2-bedroom condo hotel units, bringing the unit count to 247, all of which are 2 hotel keys of additional guests on property. The condo hotel units are not included in the Phase I financing, but they could bring an incremental \$35M+ of revenue and \$12-16 million of profit potential to the project.

OPERATING PLAN

Positioning

The Hotel at Cal Neva enjoys a strong sense of place and identity created by its high-profile history of close to 90 years. One of the most striking things about this opportunity is the nostalgia and popularity it enjoys throughout the San Francisco bay area and the northern California region. This is not just a rooms upgrade to take market share from the Hyatt or improve the hotel's ADR – the notion of “*bringing back the Cal Neva*” has an immediate resonance with people, and done right, it would be a game-changer in the North Lake Tahoe Market. There is nothing in the market with the kind a character that this hotel offers, and the ability to bring music and other major live entertainment as well as upscale gambling entertainment to an otherwise sleepy night-life scene in North Lake Tahoe, gives it a market niche all to itself.

The difference between South Lake Tahoe and North Lake Tahoe in terms of audience and character is a distinct one. North Lake Tahoe is where most of the ski areas are, so the focus is primarily on outdoor recreation such as skiing, biking, hiking, and boating on the Lake. There are a few local bars and nicer restaurants by the ski areas, but no one focal point for evening entertainment. Because South Lake Tahoe has considerable gambling activity but only Heavenly as a major ski area, it is more of a “party” destination and attracts a different demographic. South Lake Tahoe is also harder to get to as a drive-to destination from San Francisco, so most of the bay area target demographic will be found in North Lake Tahoe.

Because of this pattern, the Cal Neva has the ability to create a buzz-worthy dining and evening entertainment experience that is unique in its market. It has access to all of the ski, Lake and other sporting activities of the other North Lake Tahoe lodging options, but unlike its peers, the Cal Neva is also a destination in its own right. The views and setting on the lake mean that it will remain the

wedding and group business attraction that it has always been, but with a reputation for being a fun, hip, and high quality destination hotel, it also becomes a frequent haunt of the bay area 30-50's F.I.T. customer – and probably the greater Los Angeles area as well.

The sustaining theme in this redevelopment is that we are “bringing back” the Cal Neva. We are not replicating hotels in other markets like Las Vegas or Los Angeles, and we are not just creating a Tahoe ski/lake/wedding joiner. Given the low purchase price for the asset and the existing rooms (all with lake views) and gaming licenses, an investor would do well with simple update and re-opening; the reputation and legacy of the Cal Neva, however demands more than that, and we will succeed many times over by being authentic to the place and an original in a classic mountain-area market.

Branding and Management

While it is common practice for a hotel to seek a “flagged” operator to brand a new hotel and give it marketing momentum into its opening, well-known historic properties are less likely to be given a brand, even if they are operated by one of the major operating companies. In those cases, the operator might be a sub-brand (“by Four Seasons,” for example), but the legacy name remains. Examples of such historic icons include the Hotel Del Coronado in San Diego, San Ysidro Ranch in Santa Barbara, Blackberry Farm outside Knoxville, and Calistoga Ranch in Napa Valley. Where a property comes with a strong reputation already, the remaining reason to use a third party operator is to bring the technical expertise needed to ensure that the opening and operations to stability are done as well as possible. Given the depth of experience we have assembled in our current team with previous experience designing, developing, owning and operating comparable hotels, we sought a marketing partner that could complement us in marketing but allow us to manage our own bottom line.

Starwood has offered Cal Neva a term sheet to join its Luxury Collection of hotels after an extensive due diligence and interview period. The basic framework is a 5% license fee on rooms revenue and 2% of F&B, in exchange for being a member of the luxury collection of hotels, group sales support, marketing support, and participation in Starwood’s reservation system. We will retain control over our staffing and P&L, and the brand will be a “soft brand,” secondary to the Cal Neva as the property’s identity. We think this partnership will help with our ramp-up to stabilization, as well as with our mid-week and shoulder season occupancy targets where an independent hotel has more vulnerability. The Starwood brand should also be a plus for future re-financing of the construction loans.

The following excerpt from Starwood’s website describes the complementary positioning that this brand brings to a historic property like the Cal Neva. It enjoys the soft brand of Starwood’s quality and service standard in the Luxury Collection, while keeping its authenticity as a stand-alone property.

The Luxury Collection is a collection of hotels and resorts offering unique, authentic experiences that evoke lasting, treasured memories. For the global explorer, The Luxury Collection offers a gateway to the world's most exciting and desirable destinations. Each hotel and resort is a unique and cherished expression of its location; a portal to the destination's indigenous charms and treasures. Magnificent decor, spectacular settings, impeccable service and the latest modern conveniences combine to provide a uniquely enriching experience. Originated in 1906 under the CIGA brand as a collection of Europe's most celebrated and iconic properties, today The Luxury Collection brand is a glittering ensemble of more than 85 of the world's finest hotels and resorts in more than 30 countries in bustling cities and spectacular destinations around the world. The Luxury Collection includes award-winning properties that continuously exceed guest expectations by offering unparalleled service, style and class while celebrating each hotel's distinctive heritage and unique character. All of these hotels, many of them centuries old, are internationally recognized as being among the world's finest.

Florent Gateau joined the team last May as the COO to oversee the operations planning, technical services, and the pre-opening hiring and training. With his experience with Rosewood as a brand and pre-opening strong-identity properties like Las Ventanas and The Setai in Miami Beach, Florent immediately understood how to re-create the Cal Neva story in a modern way. The General Manager will be hand-picked by Florent and will work side by side with him in the pre-opening phase to ensure consistency in the service infrastructure we are setting up. In the pre-opening period, he and the GM will hire the department managers, and that group will, in turn, fully staff and train the hotel personnel prior to the soft opening.

PROJECT STATUS

Criswell Radovan, through affiliate Cal Neva Lodge, LLC, bought the property in April 2013 from Canyon Capital, who had taken it back in foreclosure in 2009. Canyon took back seller financing in the form of passive preferred equity in the venture. Criswell Radovan also obtained bridge financing of \$6 million which it used as the equity to close on the property and complete the entire pre-development phase on the property. While that acquisition and pre-development financing was relatively expensive, it allows the new equity investors to invest at an unusually low risk level for a development opportunity.

- The senior and mezzanine loans have committed term sheets and can close very quickly after the equity closes. We have completed due diligence and drafted loan documents on the senior loan, allowing a closing in 30-45 days after the equity closes.
- The development budget is based on full design documents, allowing for a high degree of certainty. The GMP contract has been negotiated with PENTA, and we can finish the last of the value engineering work and sign the final GMP within 30 days.
- We have building permits in hand for all work on the site and buildings to do the renovation.
- The COO and Starwood are both on board (Starwood has issued a term sheet, but we are not yet in contract) to begin marketing and operations planning immediately upon commencement of the construction.
- We have had several meetings with the TRPA about the condo units, and they expect an application soon. They have indicated that approving those additional units should be a ministerial process.
- The roof on the tower was replaced prior to the winter season.
- Finally, the model room has been built (FF&E install to be done in late Mar. or early Apr.), so investors can experience the larger bathrooms, raised hallway ceiling height, floor-to-ceiling windows, and other guest room features in person.

The prior owner had accomplished two things during his tenure that have been quite valuable to us as new owners. First, he entitled 50 new units of condo hotel inventory, which lapsed unvested a few years ago, but which paved the way for the TRPA to be able to re-entitle the 28 units we will be submitting with an expedited process. He did a full environmental review, and the project was approved with no significant impact. Furthermore, we would not be increasing the unit count above already build cabins that are in tear-down condition right now. Second, he modernized the hotel's infrastructure for its group business, with over \$10 million spent to update the kitchens and other back-of-house service facilities. One will note that the current purchase price is roughly equivalent to what was spent only five years ago on the facility upgrades alone. That sunk cost means that the funds we will spend on this renovation will be almost entirely put into guest experience improvements and amenities rather than infrastructure, BOH, or structural spending.

The renovation of the resort will be implemented with a goal of re-opening the hotel within 12-13 months of construction commencement. Our development budget is \$32 million for the initial phase, including financing cost, although we have a few add-scope items that would improve the F&B outlets if an additional \$1.5-2 million is available. The design work completed in 2013 has accomplished the following major objectives:

- Bring the rooms and common area up to the level that is consistent with our brand and price positioning, ideally adding floor-to-ceiling windows in the rooms and increasing the bathroom sizes;
- Improve the entry experience;
- Transform the “dead space” between the Indian Room and the Circle Bar with a destination-quality restaurant with a two-story window wall;
- Replace the old pool with a furnished terrace outside the restaurant (which can also provide outdoor seating capacity in good weather);
- Add a new pool and large deck to the lower edge of the property looking over the lake;
- Convert the lower meeting rooms next to the new deck into a more casual, 3-meal a day restaurant with wrap-around views of the lake;
- Re-program the lower amenity floors’ use of meeting, fitness, retail, and private function space; and
- Give a meaningful upgrade to the layout and look and feel of the main floor, including the gaming areas and celebrity showroom.

LOCATION

The Lake Tahoe Basin is located 15 miles south of Truckee, California, 200+ miles northwest of San Francisco, and 36 miles southwest of Reno. The Nevada/California border bisects the lake. The Reno airport, an easy 35-45 minute drive to the property, not only serves a number of major markets with direct flights, but it is also slated to undergo a major renovation in the next few years, bringing even more tourism and group travel to the North Lake Tahoe area.

Access to and around the Lake Tahoe Basin is good and, for the most part, open to traffic all year. Inclement weather and heavy snowfall sometimes restricts access to the area during winter months, but major thoroughfares throughout the Basin are rarely closed. The entire 78-mile perimeter of the lake has asphalt paved state and federal highways.

The Cal Neva is located 400 feet from the North Shore of Lake Tahoe in what is known as the “Incline Village/ Gold Coast” north Tahoe sub-market. The Property is situated four miles from Incline Village, eight miles from the Northstar-at-Tahoe resort, and 17 miles from Squaw Valley USA. The Property straddles the California/ Nevada state line and is situated on almost 14 acres. Of that property, 4,051 acres are located in Placer County, California.

A majority of the Cal Neva’s facilities are located on the Nevada side of the Property, including 200+ guest rooms, the casino, the Circle Bar, the restaurant, and the spa. The Phase II managed residences would be located entirely in the State of Nevada.



TIMELINE

Apr. 2013	Close on equity and on property purchase
May-Dec. 2013	Engage full team, design product and program; permitting; arrange debt financing
Sep. 2013	Close the property for renovation
Mar. 2014	Close on permanent equity
April/May	Close on construction loans and begin full construction work
Feb.-Apr. 2014	Pre-opening hiring and training
May 2015	Re-open hotel
2017	Re-finance construction loan and investor equity with permanent debt

SOURCES AND USES OF FUNDS

The following budget shows a summary of the development budget for the resort as currently designed and permitted. The initial 191 room remodel will be paid for with the current financing, and it can close on the construction loans with as little as \$14 million of the equity. The additional equity we are raising will accomplish several important goals:

- Ensure that excess contingency is available for any scope changes or budget issues that would require funding under the completion guaranty, as well as to provide for an operating loss subsidy for first year debt service if needed. In order to make sure no investor is asked to fund additional capital to complete the Project as proposed, we will keep a substantial portion of these funds in reserve until we are close to substantial completion. As we reach construction and first year milestones, more of this capital will be released with board approval to commence work on the other opportunities.
- Certain scope changes have been identified as highly recommended by the design team and would be priority allocations of additional equity. First among these items are a small, open

kitchen downstairs in the Press restaurant and upgrading the program for the market to work better for Dean & DeLuca. We believe that such enhancements, if feasible, will translate into higher revenue at those outlets.

- The managed residences need to go through some basic entitlement and permitting work, and we will need a model unit before we can commence pre-sales. While we do not want to start selling units until the hotel is open and driving the sales leads for us, it is possible that with a well-run program of pre-sales and development planning, we could get these units built by 2016 with little or no additional equity.
- Finally, the Fairwinds property down the beach is an ancillary opportunity, described in a separate plan, but additional funds would allow it to be renovated and used for additional rental, club program, or marketing purposes. These funds can be spent at any point in the development timeline and are not tied to the hotel's renovation.

Sources and Uses of Funds		
Sources		
Preferred Equity	\$	20,000,000
Mezzanine Loan (Incl. Int. Reserve)	\$	6,896,000
Construction Loan/Mini-Perm	\$	29,000,000
Total Sources	\$	55,896,000
Uses		
Purchase Price	\$	13,000,000
Architecture & Engineering	\$	1,592,000
Construction Costs	\$	18,700,000
FF&E/OS&E	\$	6,259,250
Development Soft Costs, inc. Pre-Opening	\$	4,318,000
Financing Costs & Fees	\$	5,713,498
Contingency	\$	1,147,039
Total Uses	\$	50,729,787
Sources/Uses	\$	5,166,213

Uses of Additional Equity	
Equity Available if \$20M Raised	\$ 5,166,213
Add-Scope for F&B Venues, Finishes, VE items	\$2,500,000
Condo Units Devel. Equity	\$2,000,000
Fairwinds Estate Costs & Upgrades	\$666,213

Metrics	
CR Purchase price / key	\$59,381
Remodel Cost / Key	\$167,625
Total Project Cost / Key	\$265,601

HOTEL FEATURES

Rooms

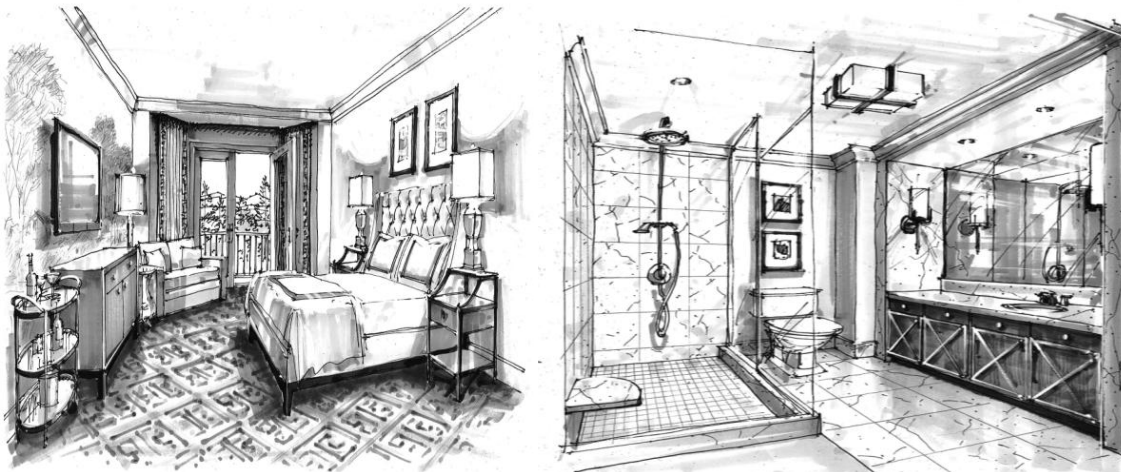
The hotel tower is seven stories tall and has approximately 178 guest accommodations split among 90 standard rooms, 70 executive rooms, and 18 suites. There are another five cabins and 8 terrace units

around the property which will be part of the first phase of the renovation. Between the tower suites and the terrace units, there are a total of 26 suites in the Phase I renovation. When the Phase II managed residences are built, they will all be 2-bedroom units with one suite and one lock-off unit (1,250 s.f. per residence), so we should have 28 luxury suites plus another 28 standard rooms to add to the inventory within the first few years.

We will retain and remodel the well-known cabins 3, 4, and 5 on the California side known as the private cabins used by Frank Sinatra, JFK, and Marilyn Monroe in the past.

While the rooms are about 400 s.f., they will be finished out to five-star luxury quality in every other respect, as will all of the common areas. The product quality will be comparable to that of the Ritz Carlton, but with a look and feel that is less about the mountain setting and more about the Cal Neva's own personality and history.

Due to the Property's location on a peninsula on Crystal Bay and the tower's positioning, spectacular lake views are offered on each side of every floor. None of the property's competitors have a view of the lake, as Hyatt's beach area is limited to the Lone Eagle Grill restaurant, and the guest rooms are set back in a tower across the street. Our other competitors are on-mountain properties, which is an advantage during ski season but is a major disadvantage during both the summer peak season and during the shoulder seasons. The addition of floor-to-ceiling windows in all of the guest rooms will play to the Cal Neva's unique location relative to Crystal Bay and its exceptional views.



The Casino

The Cal Neva features a newly expanded 17,000 sq. ft. casino floor. The casino is currently operated by Strategic Gaming, a third-party management company, under a space lease agreement. Strategic Gaming is in negotiations to continue as the gaming lessee after the renovation.

The Cal Neva casino is renowned as holding the oldest active continual use gaming license in the United States, and gaming has been a very prominent part of the resort's reputation and legacy going back to the 1920's.

While a non-restricted Nevada gaming license certainly adds to the financial appeal of this property, our approach in working with our gaming partner and designing the space will be to ensure that the gambling matches the personality of the rehabilitated resort and the sophistication of the brand, such that it provides a complementary form of on-site entertainment but feels distinctly more upscale in character than the Reno and South Lake Tahoe gambling peer group.

Casino Bar



Restaurants and Bars

We have a license deal under negotiation with Leslie Rudd to help with the branding and program of both our fine dining venue and the market building at the front entrance. The restaurant next to the Circle Bar will be a PRESS Restaurant, modeled after the very successful PRESS that Rudd created in St. Helen, CA. The provisions market will be a Dean and Deluca, serving prepared foods, picnic provisions, gourmet market fare, and wine and gift items both to guests and to our Incline Village neighbors. It will serve baked goods and coffee in the morning, picnic supplies and casual lunch during the day, and low-key dinner options for families and, of course, wine and treats at all times.

Circle Bar Restaurant



The PRESS restaurant story is told by the company this way:

It was a rainy Sunday afternoon in Paris, when six friends in the wine business gathered at L'Ami Louis for lunch. The unassuming style of L'Ami Louis belies the fact that it is a favorite of serious foodies. Although the restaurant prepares few items, every dish is executed simply but to perfection. After a leisurely lunch, one of the men raised his glass in a toast, "To great wine, great food, and time to enjoy great friends." This simple wish resonated deeply for Leslie Rudd and provided the inspiration for the creation of PRESS.

Deeply ingrained in its California roots, the restaurant imbues a laid-back, yet refined sense of style and taste. The menu celebrates local freshness, featuring a highly curated selection of the finest seasonal produce and highest quality cuts of meat, seafood and poultry picked daily. Cooked to perfection and complimented by an extensive list of Napa Valley's most brilliant wines, every dish is a sumptuous celebration of epicurean delight.





The Circle Bar has hosted guests from all over the world and is one of the most famous features of the historic property. In the renovation plan, the lounge will become the host area for the PRESS restaurant and will act as additional seating area with limited menu service adjacent to the main Circle Bar. The restaurant will be directly underneath the Circle Bar area with two-story windows looking out to the lake and will connect in to the Circle Bar for its entry experience. It will also have lower level doors opening out to the new outdoor terrace level.

In a market so under-served by high quality dining options, we strive to not only create a destination quality dinner restaurant for our guests, but also to be a major draw among locals – both residents and Lake Tahoe visitors alike. The restaurant will hold 60 seats inside, and about the same number of seats outside in the warmer seasons. The state line runs right through the restaurant, both inside and out.

In the renovation plan, the space formerly used as the restaurant on the main level will be used as a ballroom (or meeting rooms if divided), and the three-meal restaurant for the hotel will be relocated to the lowest floor overlooking the new deck to maximize the lake views for the restaurant. The main, three-meal restaurant will connect to the Pool Bar and Club, a large deck and pool area directly overlooking the lake that will be an additional F&B outlet in the warmer months and could be a

considerably popular draw in the peak summer season. The food quality and selection will be similar to a Houston's or a Rutherford Grill – casual, but still consistent with our guests' expectations of quality.

Event /Meeting Space

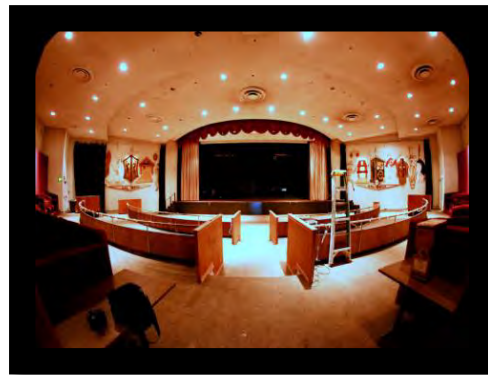
The Cal Neva features 16,000 square feet of full-service meeting and convention space and can accommodate everything from intimate meetings to grand scale events. The largest venue at the Property is the Frank Sinatra Celebrity Showroom. Built by Frank Sinatra, the Celebrity Showroom was home to many of America's most renowned celebrities, sports figures, and politicians. Today, the Showroom's unique tiered set up and acoustically perfect surroundings make it ideal to update for intimate concerts and shows, as well as hosting conferences, presentations, and banquets during the day. It may also be able to be used for sports betting or movies as alternative programming.

The Cal Neva also features the famous Indian Room. This room's large granite fireplace is separated by the California/ Nevada state line and serves as the museum anchor of the resort. Burned to the ground in 1937, this room was built as a mirror image of the previous lodge. The room is available for private functions as well as hotel events.

Weddings are extremely popular at the Property due to the scenery and natural beauty of the surrounding Lake Tahoe landscape, as well as the well-known history of the resort. The property at one time was host to more than 500 weddings per year, and weddings will continue to be a major appeal of this resort. We will emphasize quality over sheer quantity of events, but both weddings and private group events will be a major driver of shoulder season business and should help our occupancy targets year-round.



Indian Room



Frank Sinatra Celebrity Showroom

MARKET OVERVIEW

North Lake Tahoe Market

With a total population of 65,000 and approximately 3 million visitors each year, tourism booms as the area's main source of income, and visitors and locals alike bask in the outdoor and indoor recreational options. In addition to the skiing, snowboarding, and other winter sports it attracts in the winter months, the area has several destination-quality golf courses and spectacular hiking and mountain biking terrain for the summer months. In addition to the mountain activities, Lake Tahoe itself offers boating and other water-oriented activities that make its summer season even stronger than a typical mountain-area resort. In this market, slope access is actually less strong for overall occupancy strength than lake access, and other than the Hyatt's beach and dock, the views from Cal Neva make it one of the best hotels for proximity to Lake Tahoe. The overall Reno-Tahoe region had 5.3 million occupied room nights in 2011, with almost 15,000 hotel rooms, over 2,000 motel rooms, 560 timeshare units, and 750 private vacation rentals for visitors to the area.

The nearby project Martis Camp, offering custom lots, built homes, and golf and recreational amenities, is a good benchmark for the strength of this market. Despite having a large number of lots to sell in a very difficult market, the project is now close to sellout and achieved prices in the \$1.5-2.5 million range for most of the built homes. Combined with the home prices we see in the Incline Village area just a few minutes from the hotel, it is not hard to establish that the bay area regulars who come to North Lake Tahoe, especially around the Northstar and Incline Village area, are a large and very well-off group.

Competition

Please see Exhibit C, Market Analysis, for a detailed excerpt from the project's appraisal which describes the competitive set, their recent performance, and the expected rate and occupancy performance they used for Cal Neva based on that review of the local peer hotels.

TEAM

Sponsor/Developer

Criswell Radovan, LLC: The Criswell Radovan team has over 50 years of combined real estate ownership and development experience, especially in the hotel and hospitality industry, and has earned a reputation for creating opportunities in markets with high-barriers to entry. The team has worked with some of the industry's top consultants and planners in areas such as architecture, marketing communications, sales management, construction management, and land planning. They also have long-standing relationships with virtually all of the hotel operators in the hotel industry, from luxury boutiques to large-scale operations.

Projects developed by Criswell Radovan include the following:

- **Aetna Springs and Lake Luciana in Napa Valley:** These two sister projects are located in the Pope Valley area of California's Napa Valley wine country and span over more than 4,000 acres. Still in development, Aetna Springs boasts a 9-hole golf course in continuous play since the 1870's that was recently restored by Tom Doak of Renaissance Golf Design. It also has a new clubhouse designed by Scott Johnson. The historic resort, built in 1891, is listed on the national register of historic places and is home to some of Bernard Maybeck's first commissions. The resort will be under construction later this year and should be open with 80 keys, golf, spa/pool, vineyard, and winery amenities in 2016. Lake Luciana is a private home community with vineyard estates averaging 80 acres in size and surrounding a large lake and

commercial vineyard. The two properties offer close to 50 estate lots for sale in addition to the resort asset.

- **Museum Tower:** In an owner representative capacity, Criswell Radovan oversaw the design and development of a 42-story luxury residential condominium project in Dallas. Scott Johnson designed the building, and it completed construction in Dec. 2012 with sales averaging \$800/s.f. in the Dallas, TX market.
- **Calistoga Ranch:** a luxury hotel and private residence club opened in May 2004. The project worked within its existing RV zoning to create award-winning park model designs for lodging units that were not only compliant, but which embraced a low-touch approach to integrating with the campground-like setting. In January 2013, U.S. News and World Report ranked Calistoga Ranch the #1 hotel in California and #5 in the country. At the end of the year, it was reported to be the highest price per key hotel sale in 2013, at \$1.1 million per room.
- **Four Seasons, Dublin:** a 250-room hotel in Dublin, Ireland, that opened in 2001. Criswell Radovan, acting as the development manager for the owner, negotiated a 250-year ground lease with the Royal Dublin Society. Criswell Radovan's introduction of Four Seasons to the project resulted in the first large, luxury hotel in Dublin.
- **Broken Top:** a 2,000 acre master-planned private golf community in Bend, Oregon. The first phase contained a Weiskopf/Morish course (voted one of the ten best new private courses) with a clubhouse (winner of AIA design award) and 367 homes. The balance was developed as one of Oregon's first Destination Resorts.
- **The Valley Club:** a 700 acre master planned private golf community in Sun Valley, Idaho. This Hale Irwin course was the first private course in Sun Valley, offering a clubhouse and 99 two-acre home sites. The memberships were sold from \$30,000-\$120,000 each.

Prior to forming Criswell Radovan with Robert in 1996, Bill Criswell directly owned and operated two comparable hotels: Old Bahama Bay on Grand Bahama Island and Mahogany Run on St. Thomas in the U.S. Virgin Islands. Mr. Criswell has been a significant owner of 13 high-end or luxury hotels, several of which he also developed. The brands he worked with included Regent (The Dorchester Hotel in London), Rosewood, Ritz Carlton, Four Seasons, Auberge, Hyatt, and Westin. A number of these hotels have been ranked at various times among the top hotels and resorts in their regions or even the world. Those more prestigious hotels included The Dorchester in London; The Remington, Houston (now the St. Regis); The Four Seasons, Dublin; The Ritz Carlton, San Francisco; Calistoga Ranch in Napa Valley; Mahogany Run, U.S. Virgin Islands; Old Bahama Bay, the Bahamas; and The Westin Hotels in Los Cabos, Puerto Vallarta, and Cancun. Some of these properties had restaurants or spas which were separately ranked as best in class.

Mr. Criswell's other development work prior to 1996 was as founder/owner of Criswell Development Company, which was ranked among the twenty largest development companies in the U.S. Its main focus was primarily in office, hotel, and multi-family residential development. Criswell Development owned, developed, and managed over 3 million s.f. of class A office space, including the 60-story, internationally recognized Fountain Place building in Dallas, TX. The 1.2 million s.f. tower was designed by I.M. Pei and won the top national AIA award for architecture. The company also owned, developed, and managed approximately 3,000 condominium and apartment units.

Prior to his partnership with Bill Criswell in 1996, Robert Radovan founded and managed a design, engineering and construction company in Southern California which worked on projects of varying sizes from large commercial to individual residential projects. Some of the noted projects were the Ritz Carlton Hotel in Pasadena, the Peninsula Hotel in Beverly Hills and Old Town San Diego where the company performed engineering and construction services in both union and non-union capacities. Residential projects were also completed, although many were no less complicated, such as the Danny Devito's estate in Beverly Hills and the Allen Paulson estates in Beverly Hills and Bonsall, CA. Robert was also a member of the Navy SEAL teams earlier in his career.

Bill and Robert are joined by Brandyn Iverson in Criswell Radovan, a JD/MBA with considerable financial and legal experience in both public and private companies including CNET, Wilson Sonsini, and The Walt Disney Company. She has worked with them for over 14 years, beginning with the Calistoga Ranch project in 1999, and handles many of the business planning, financial management, investor relations, and legal oversight of the team's projects.

Hal Thannisch: Technical Services - Pre-Opening and Design Consulting

Hal Thannisch served as development executive for both Rosewood Hotels and Ritz-Carlton Hotels for a decade. As a leader in his field for 25 years, he possesses the global vision, broad experience and proven technical expertise required to redefine the international standards for "destination-making" in a hotel experience.

The internationally acclaimed Las Ventanas al Paraíso in Los Cabos, Mexico is one of Thannisch's most notable successes in luxury hospitality development. Beginning with a raw site on the beautiful coast of the Baja California peninsula, he orchestrated the creation of what has now been named the Best Hotel in the World by several notable travel and hospitality industry publications and organizations. He continues to make extraordinary contributions to the development of sought-after hotel hotels by crafting environments that provide an exquisite ambiance and a total guest experience. More recently, Mr. Thannisch has been the primary advisor to the Pellas Development Group in Nicaragua creating the self-managed Mukul Golf and Beach Hotel at Guacalito De La Isla as a luxury boutique hotel.

Among Mr. Thannisch's more noteworthy projects are the following:

- Hotel Cap Juluca, Anguilla, BVI (renovation)
- Las Ventanas al Paraíso, Cabo San Lucas, México
- The Bel-Air Hotel at Costa Careyes, Jalisco, Mexico
- The Ritz-Carlton Hotel, Kapalua, Maui, Hawaii
- Guacalito de la Isla (1,500 Acres), Rivas, Nicaragua
- Santa Elena (4,500 Acrea), Guanacaste, Costa Rica
- Pelican Hill Hotel & Golf Club, Newport Beach, California
- The Georgian Hotel & Golf Club, Atlanta, Georgia
- Las Radas Golf Hotel at El Escorial, Madrid, Spain
- Spanish Waters Hotel, Curacao, Netherlands Antilles
- The Grand Hotel, Atlanta, Georgia (renovation; currently the Four Seasons Hotel)
- Holiday Inn Hotel and Casino, Aruba, Netherlands Antilles
- The Bel-Air Hotel at El Tamarindo & Golf Club, Jalisco, Mexico
- The Hotel Bel-Air, Isla Mazatlan, Mazatlan, Mexico
- The Crescent Court Hotel, Spa and Dining Club, Dallas, Texas
- Mukul Hotel at Guacalito, Rivas, Nicaragua
- St. Regis, Atlanta, Georgia
- Sunset Beach Renovations, Al Khobar, Saudi Arabia
- Hotel Bel Air, Bel-Air, California
- The Ritz-Carlton Hotel, Aspen, Colorado
- Hotel Arts, Barcelona, Spain (Ritz Carlton)
- Casa Madrona, Sausalito, California
- Sorbas Canyon & Golf Club, Andalucía, Spain
- Angostura Hotel & Golf Club, Tobago
- Hotel Hana-Maui & Hana Ranch Master Plan, Hana, Maui, Hawaii
- St. Andrews Hotel on the Old Course, St. Andrews, Fife, Scotland
- The Hideout at Flitner Ranch, Cody, Wyoming

Chief Operating Officer and Technical Services - Florent Gateau

Florent Gateau is currently the founder of New World Concept Group. A talented and enthusiastic hospitality professional with 15 years of upper-level management experience, Gateau has been responsible for the operations of some of the most luxurious properties in the Americas.

Mr. Gateau began advising for Mukul resort in Nicaragua with their opening launch this year and for National Hotel as a consultant when he was brought on to oversee a \$15 million renovation of the hotel for the past 2 years.

Prior to the National Hotel, he spent a year as Managing Director of One Bal Harbour Resort, Spa & Residences in nearby Bal Harbour, where he helped ownership take their newly acquired property to a Small Luxury Hotels of the World.

Prior to One Bal Harbour, Florent was the opening general manager at the Viceroy Miami at Icon in Brickell, Florida from 2008 to 2010; this included the launch of the 1800 unit Icon Brickell for the related group and all of the residential amenities, from conceptualizing of the spa to the nightclub venue and bringing in Michael Psilakis and Donatella Arpaia as the culinary concept for EOS, the signature dining venue.

Before Viceroy, Mr. Gateau was the Managing Director of Acqualina in Sunny Isles, Florida, from 2006-2008; he came in after the opening, back to Rosewood Hotels and helped in the relaunch of the Condo Hotel and Resort amenities,

Florent Gateau was the opening Hotel Manager of The Setai in Miami Beach from 2004 to 2006. He helped create the brand with Manvinder Puri, the regional VP for GHM hotels. The branding and concepts were all customized to create the luxury leader of the Miami Beach market place.

Before coming back to Miami, Gateau enjoyed a successful run with Rosewood Hotels and Resorts, including Hotel Manager of the renowned Mansion on Turtle Creek in Dallas and as opening team and Resort Manager of Las Ventanas al Paraíso, Baja California Sur in Los Cabos, Mexico from 1997-2003. Florent was instrumental in the creation of the destination resort in the beginning of the Los Cabos area.

Design and Construction Team:

General Contractor– PENTA Building Group:

Founded in 2000, The PENTA Building Group is a commercial general contractor, with offices in Las Vegas, Reno, Phoenix, Los Angeles, Palm Desert, and Tulsa. As a general contractor, construction manager, and concrete subcontractor, they partner with every member of the development, design, and construction team to build a variety of projects ranging in size and scope. PENTA provides services on a Construction Manager at Risk (CMAR) basis, with preconstruction services (budgeting, scheduling, BIM, constructability review, etc.) commencing early in the design phase, under a traditional general contractor arrangement, or on a Design-Build basis. PENTA has successfully delivered nearly \$4 billion in projects since its inception with more than \$3 billion of this work being in CMAR, hospitality, and gaming projects.

PENTA was selected for the Cal Neva project based largely on their experience base in the North Lake Tahoe market, and both the relationships and pricing knowledge that come with that experience. They recently finished the renovation of the Hyatt Regency Lake Tahoe, including 376 guest rooms, meeting rooms, and three meal restaurant. Other reasons PENTA was particularly impressive included their strong project controls on both schedule and cost, bonding capacity, and the fact that there has been no litigation with an owner in their 13 years of existence.

Architect – Peter W. Grove, Collaborative Design Studios:

Peter has 30 years of experience designing award winning public and private projects including the recent remodel of the Hyatt Lake Tahoe in Incline Village, Aspen Terrace (Addition, Spa and Remodel), the recently completed Northstar at Tahoe Zephyr Lodge, the Heavenly Lake Tahoe Tamarack Lodge, and the Renovation and Addition to the Tenaya Lodge at Yosemite. Peter was also the principal in charge and actively involved in the previous Cal Neva redesign effort for the previous ownership group. Because of that prior role, he not only has considerable working knowledge of the property, but he also worked on the previous condominium entitlements and will be a key asset in our phase II planning and permitting work.

Interior Design – Paul Duesing, Paul Duesing Partners:

Paul Duesing has built an unparalleled reputation in the hospitality industry over the course of 25 years. Paul and his partners are a highly sought after group of interior designers in the industry, and are considered pioneers in bringing a lifestyle-focused approach to luxury resort properties on a unique “personal” scale. A roster of the world’s great names in hospitality — such as The Ritz Carlton, Four Seasons, One & Only, St. Regis, Rosewood and many others — has entrusted their most prestigious projects to Paul and his talented team of interior designers.

Paul’s aim is to design and develop each project with an eye toward the guest’s experience from the moment he/she first approaches the property down to the smallest of details. Examples of his handiwork include the trademark Cabo resort Las Ventanas Al Paraíso. He also created the sumptuous environments at the One & Only Palmilla Resort and Spa, one of Mexico’s most prestigious resorts. Other signature projects include the Claridges Hotel in London, the Grand Hotel du Cap-Ferrat in Saint Jean Cap-Ferrat, France, and many other projects including the Royal Livingstone Hotel at Victoria Falls, Zambia.

Landscape Architect – Don Brinkerhoff, Lifescapes International

No firm speaks the language of landscape more eloquently than Lifescapes International. Guided by founder Donald Brinkerhoff, and managed by a seasoned senior principal team, Lifescapes is an internationally recognized leader of innovative and creatively designed landscaped environments which consistently entertain and delight their clients and, in turn, their customers. Over the past five decades, Lifescapes has designed some of the world’s most iconic landscapes, including destination resorts, casinos, residential communities, golf courses and retail/lifestyle centers. Within just the Las Vegas market, Lifescapes has created destination hotel landscape designs for some of the area’s most iconic properties: The Bellagio, The Venetian (including Tao Beach), Wynn Las Vegas, Caesar’s Palace, The Mirage, and Encore Las Vegas. Other work includes private communities, golf course resorts, themed environments, commercial, and international commissions.

FINANCIAL HIGHLIGHTS

- The project will be capitalized with \$20 million in equity and \$35 million in debt, for total capitalization of \$55 million.
- The Phase I development budget is just under \$51 million, or \$32 million net of land and financing cost. The acquisition price for the property, along with all transaction and financing costs of the acquisition and the \$3 million funded for the first year of pre-development, is \$18 million. We expect to use close to \$19 million for the construction hard cost on the renovation, including all site work. FF&E and OS&E are budgeted at \$6 million, leaving about \$8 million for the remaining development soft costs, including architecture, engineering, development services, financing costs and fees, and contingency.
- The \$29 million construction loan will be interest only at 9% during the first 3 years, then amortizing as a mini-perm for a total term of five years. We plan to refinance that loan in 2017 for about \$60 million,

which could mean the return of close to or all of the cash equity to the investors as soon as the hotel achieves stabilization.

- The hotel opens with an ADR of \$300 in early summer 2015, growing to a rate of \$350+after stabilization. Occupancy is assumed to be 62% on a stabilized basis, consistent with the seasonality of the area as well as the property's ability to sell to groups and weddings to keep a fairly high and stable base of occupancy.
- Guest spending on food and beverage purchases is expected to be over \$200 per occupied room upon stabilization, before even factoring in the revenue from guest spending to use the club yacht, the celebrity showroom tickets and drink sales, or spending at the casino.
- The property can support a loan of \$60M even after only two years of operations with debt service coverage of 1.4x.
- We chose not to pursue the condominium entitlements before work commences on the renovation of the main hotel, as the financial success of this investment requires a prompt re-opening of the hotel. If we are successful in re-entitling the 56 keys, or 28 two-bedroom condominium units on the site (full ownership with rental program for the hotel), the financial returns could be substantially higher than forecast in this plan, especially if we are able to pre-sell a majority of those units to support their construction financing. A pro forma on the condo hotel opportunity projects a roughly \$15 million potential profit opportunity on unit sale.

CAL NEVA HOTEL - \$35M Debt / \$20M Equity

Assumptions and Summary

(Figures in Actual Amounts)

Key Assumptions	
Number of Keys Phase I Remodel*	191
Number of Keys Purchased/Entitled	219
Acquisition Date	April 2013
Construction Start Date (Yr 0)	Apr. 2014
Construction Duration	12 mos.
Remodel Completion Date	Apr. 2015
Opening Date (Yr 1)	May 2015
Rooms ADR	\$ 300
Rooms Occupancy*	65%
Stabilization Year (Yr 3)	2017
Rooms ADR	350
Rooms Occupancy	62%
Refinance Year (Yr 3)	2017
Room ADR	\$ 350
Room Occupancy	62%
NOI Before Debt Service	\$ 6,426,041
Cap Rate	7.0%
Value at Refinance	\$ 91,800,585
LTV	65%
Perm. Loan Amount	\$ 59,670,380
Annual Payment	\$ 4,667,818
Exit Year (Yr 7)	
Room ADR	\$ 394
Room Occupancy	62%
NOI Before Debt Service	\$ 7,344,357
Cap Rate	6.5%
Hotel Value	\$ 112,990,109
Perm Loan Balance	\$ 54,912,569
Net Proceeds from Sales	\$ 58,077,541
Mgmt Fees	
Base Fee =	3% of Revenue
Incentive Fee	0% of NOI Before Reserves and Debt Service
Property Tax Rate	2.000%
Assessed Value upon Completion	\$30,000,000

Sources and Uses of Funds	
Sources	
Preferred Equity	\$ 20,000,000
Mezzanine Loan (Incl. Int. Reserve)	\$ 6,896,000
Construction Loan/Mini-Perm	\$ 29,000,000
Total Sources	\$ 55,896,000
Uses	
Purchase Price	\$ 13,000,000
Architecture & Engineering	\$ 1,592,000
Construction Costs	\$ 18,700,000
FF&E/OS&E	\$ 6,259,250
Development Soft Costs, inc. Pre-Opening	\$ 4,318,000
Financing Costs & Fees	\$ 5,713,498
Contingency	\$ 1,147,039
Total Uses	\$ 50,729,787
Sources/Uses	\$ 5,166,213

Uses of Additional Equity	
Equity Available if \$20M Raised	\$ 5,166,213
Add-Scope for F&B Venues, Finishes, VE Item	\$2,500,000
Condo Units Devel. Equity	\$2,000,000
Fairwinds Estate Costs & Upgrades	\$666,213

Metrics	
CR Purchase price / key	\$59,361
Remodel Cost / Key	\$167,625
Total Project Cost / Key	\$265,601

Mezzanine Loan		Debt	
Amount	\$ 6,896,000		
Interest Rate	12.00%		
Term (Yrs)	3		
Type	Int. Only		
Interest Reserve	\$ 896,000		
Construction Loan/Mini-Perm			
Amount	\$ 29,000,000		
Interest Rate	9.00%		
Term (Yrs)	5		
Type	I/O for 3 yrs.		
	25 yr. amort. yrs 4-5		
Permanent Loan			
Amount	\$ 59,670,380		
Rate	6.0%		
Term (Yrs)	10		
Amortization (Yrs)	25		
Type	25 yr amort w/ balloon pmt yr 10		
Origination Fees	3%		
Total Fees	\$ 1,790,111		
Annual Pmt.	\$ 4,667,818		
Balance at Exit (Yr. 7)	\$ 54,912,569		

CAL NEVA HOTEL

10-Year Proforma P&L

(Figures in Actual Amounts)

	FY 1 2015	FY 2 2016	FY 3 2017	FY 4 2018	FY 5 2019	FY 6 2020	FY 7 2021	FY 8 2022	FY 9 2023	FY 10 2024
DAYS	240	365	365	365	365	365	365	365	365	365
ROOMS	191	191	191	191	191	191	191	191	191	191
RMS AVAIL	45,840	69,715	69,715	69,715	69,715	69,715	69,715	69,715	69,715	69,715
OCC	65%	62%	62%	62%	62%	62%	62%	62%	62%	62%
RMS SOLD	29,796	43,223	43,223	43,223	43,223	43,223	43,223	43,223	43,223	43,223
RATE	\$300	\$340	\$350	\$361	\$371	\$382	\$394	\$406	\$418	\$430
REVPAR	\$195	\$211	\$217	\$224	\$230	\$237	\$244	\$252	\$259	\$267
REVPAR AFTER 5% LICENSE FEE	\$185	\$200	\$206	\$212	\$219	\$225	\$232	\$239	\$246	\$254
REVENUES:										
ROOMS	\$ 8,491,860	\$ 13,951,126	\$ 14,371,747	\$ 14,820,900	\$ 15,345,987	\$ 15,704,396	\$ 16,175,528	\$ 16,660,704	\$ 17,160,618	\$ 17,675,436
FOOD & BEVERAGE	\$ 8,298,075	\$ 9,240,068	\$ 9,380,085	\$ 9,572,888	\$ 9,819,025	\$ 10,020,756	\$ 10,280,395	\$ 10,598,190	\$ 10,964,810	\$ 11,381,610
SPA & SALON	\$ 800,000	\$ 950,000	\$ 1,080,000	\$ 1,113,000	\$ 1,146,300	\$ 1,180,782	\$ 1,216,205	\$ 1,252,691	\$ 1,290,277	\$ 1,328,980
GROUP EVENTS/CONCERT:	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
GAMING LEASE**	\$ 300,000	\$ 309,000	\$ 318,270	\$ 327,818	\$ 337,653	\$ 347,782	\$ 358,216	\$ 368,962	\$ 380,031	\$ 391,432
CLUB YACHT (TBD)										
MOD	\$ 127,378	\$ 209,417	\$ 215,576	\$ 222,043	\$ 228,705	\$ 235,566	\$ 242,633	\$ 249,912	\$ 257,409	\$ 265,132
RETAIL LEASES	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
TOTAL:	\$ 18,367,314	\$ 25,165,428	\$ 26,770,425	\$ 27,573,538	\$ 28,400,744	\$ 29,252,766	\$ 30,130,349	\$ 31,034,260	\$ 31,965,288	\$ 32,924,246
DEPARTMENTAL EXPENSES:										
ROOMS	\$ 2,462,539	\$ 3,769,504	\$ 3,592,937	\$ 3,700,725	\$ 3,811,747	\$ 3,926,099	\$ 4,043,882	\$ 4,165,198	\$ 4,290,154	\$ 4,418,859
FOOD & BEVERAGE	\$ 6,630,461	\$ 7,272,787	\$ 7,170,071	\$ 7,500,173	\$ 7,843,269	\$ 8,199,567	\$ 8,568,284	\$ 8,948,642	\$ 9,340,772	\$ 9,754,208
SPA & SALON	\$ 600,000	\$ 750,000	\$ 840,000	\$ 870,000	\$ 900,000	\$ 930,000	\$ 960,000	\$ 990,000	\$ 1,020,000	\$ 1,050,000
GROUP EVENTS/CONCERT:	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990	\$ 99,990
GAMING LEASE**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CLUB YACHT (TBD)										
MOD	\$ 50,951	\$ 83,767	\$ 86,230	\$ 88,817	\$ 91,482	\$ 94,226	\$ 97,053	\$ 99,965	\$ 102,964	\$ 106,053
RETAIL LEASES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL:	\$ 9,844,041	\$ 11,926,713	\$ 12,304,189	\$ 12,639,925	\$ 13,019,123	\$ 13,409,697	\$ 13,811,987	\$ 14,226,347	\$ 14,663,137	\$ 15,092,732
DEPARTMENTAL PROFITS:										
ROOMS	\$ 6,029,221	\$ 10,191,622	\$ 10,778,810	\$ 11,120,175	\$ 11,534,240	\$ 11,778,287	\$ 12,131,646	\$ 12,495,595	\$ 12,870,463	\$ 13,256,577
FOOD & BEVERAGE	\$ 1,657,615	\$ 2,051,299	\$ 2,210,014	\$ 2,072,715	\$ 2,041,711	\$ 2,091,229	\$ 2,181,111	\$ 2,281,511	\$ 2,391,038	\$ 2,500,802
SPA & SALON	\$ 200,000	\$ 250,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000
GROUP EVENTS/CONCERT:	\$ 200,010	\$ 233,345	\$ 240,345	\$ 240,345	\$ 240,345	\$ 240,345	\$ 240,345	\$ 240,345	\$ 240,345	\$ 240,345
GAMING LEASE**	\$ 300,000	\$ 309,000	\$ 318,270	\$ 327,818	\$ 337,653	\$ 347,782	\$ 358,216	\$ 368,962	\$ 380,031	\$ 391,432
CLUB YACHT (TBD)										
MOD	\$ 76,427	\$ 125,650	\$ 129,346	\$ 133,226	\$ 137,223	\$ 141,340	\$ 145,580	\$ 149,947	\$ 154,446	\$ 159,079
RETAIL LEASES	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
TOTAL:	\$ 8,523,273	\$ 13,238,716	\$ 14,466,236	\$ 14,933,613	\$ 15,381,621	\$ 15,843,070	\$ 16,318,362	\$ 16,807,913	\$ 17,312,150	\$ 17,831,515
OVERHEAD EXPENSES										
GENERAL & ADMIN	\$ 1,102,039	\$ 1,600,926	\$ 1,608,226	\$ 1,654,412	\$ 1,704,045	\$ 1,755,166	\$ 1,807,821	\$ 1,862,056	\$ 1,917,917	\$ 1,975,455
SALES & MARKETING	\$ 1,895,731	\$ 2,516,543	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134	\$ 2,514,134
REPAIRS & MAINT.	\$ 918,368	\$ 1,008,617	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817	\$ 1,070,817
UTILITIES	\$ 367,346	\$ 503,309	\$ 536,409	\$ 551,471	\$ 568,015	\$ 585,055	\$ 602,607	\$ 620,685	\$ 639,306	\$ 658,485
TOTAL:	\$ 4,224,482	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394	\$ 5,536,394
GROSS OPERATING PROFIT:	\$ 4,298,790	\$ 7,702,322	\$ 9,112,151	\$ 9,418,905	\$ 9,701,472	\$ 9,982,517	\$ 10,292,292	\$ 10,601,061	\$ 10,919,093	\$ 11,246,665
FIXED CHARGES										
TAXES	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
INSURANCE	\$ 200,000	\$ 200,000	\$ 212,180	\$ 218,545	\$ 225,102	\$ 231,855	\$ 238,810	\$ 245,975	\$ 253,354	\$ 260,955
BASE MANAGEMENT FEE	\$ 551,019	\$ 754,963	\$ 803,113	\$ 827,206	\$ 852,022	\$ 877,583	\$ 903,910	\$ 931,028	\$ 958,959	\$ 987,727
TOTAL:	\$ 1,351,019	\$ 1,560,963	\$ 1,615,293	\$ 1,645,752	\$ 1,677,124	\$ 1,709,438	\$ 1,742,721	\$ 1,777,003	\$ 1,812,313	\$ 1,848,682
NET OPERATING INCOME:	\$ 2,947,771	\$ 6,141,359	\$ 7,496,858	\$ 7,773,154	\$ 8,024,348	\$ 8,283,079	\$ 8,549,571	\$ 8,824,058	\$ 9,106,780	\$ 9,288,916
CAP EX RESERVE	\$ 367,346	\$ 754,963	\$ 1,070,817	\$ 1,102,942	\$ 1,136,030	\$ 1,170,111	\$ 1,205,214	\$ 1,241,370	\$ 1,278,612	\$ 1,316,970
NOI AFTER RESERVE:	\$ 2,580,425	\$ 5,386,396	\$ 6,426,041	\$ 6,670,212	\$ 6,888,319	\$ 7,112,968	\$ 7,344,357	\$ 7,582,688	\$ 7,828,168	\$ 7,971,946
DEBT SERVICE										
CONSTRUCTION LOAN	\$ 1,522,500	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000
MEZZANINE LOAN	\$ 482,720	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520	\$ 827,520
PERMANENT LOAN										
TOTAL:	\$ 2,005,220	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520	\$ 3,437,520
NOI AFTER DEBT SERVICE:	\$ 575,205	\$ 1,948,876	\$ 2,988,521	\$ 2,002,394	\$ 2,220,501	\$ 2,445,190	\$ 2,676,539	\$ 2,914,870	\$ 3,160,350	\$ 3,304,128
INCENTIVE MGMT FEE	\$ 294,777	\$ 614,136	\$ 749,686	\$ 777,315	\$ 802,435	\$ 828,308	\$ 854,957	\$ 882,406	\$ 910,678	\$ 938,892
OPER. DEFICIT RESERVE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET CF FOR DISTRIBUTION	\$ 280,428	\$ 1,334,740	\$ 2,238,835	\$ 1,225,079	\$ 1,418,066	\$ 1,616,842	\$ 1,821,582	\$ 2,032,464	\$ 2,249,672	\$ 2,375,236
DISCR	1.29	1.57	1.87	1.43	1.48	1.52	1.57	1.62	1.68	1.71

* Group events and concerts assume revenue from site fees only and includes all private parties and weddings in addition to the Celebrity Showroom. Pending a partnership with a concert promoter, we assume only that we get a reasonable site fee and that all costs (other than security) and revenue from music events goes to the promoter. Events on the club yacht are included in that line of business.

** Gaming operation will be leased to a licensed gaming operator who will pay a monthly base lease and will keep all revenue from gaming. The gaming economics may change once we identify our partner for the casino operation.

CAL NEVA HOTEL - \$35M Debt / \$20M Equity

Phase II - 28 Managed Residences for Sale

Proposed Program

Two - Bedroom (w.Lockoff) Units (2 keys ea.)	28 Units	1,250 nsf /Unit	35,000 NSF
Efficiency Factor	12.0%		4,200 SF
Add'l Common Areas			1,500 SF
Parking Garages	0 Cars	350 sf/Car	0 SF
TOTAL AREA (GSF)			40,700 GSF

Development Cost Forecast

Condominiums

Land & Pre-Development			\$ 50,000
Design Development			\$ 400,000
Construction (NSF)	35,000 /NSF	\$400 /NSF	\$ 14,000,000
Construction Efficiency Factor (GSF)	5,700 /SF	\$200/SF	\$ 1,140,000
Fixtures, Furnishings and Equipment		\$40,000/unit	\$ 1,120,000
Operating Supplies & Equipment			\$ 210,000
Pre-Opening			\$ 75,000
Development & Financing			\$ 2,100,000
Marketing (plus 7.5% cost of sales below)			\$ 1,000,000
Contingency			\$ 500,000
Total Development Cost Forecast - Hotel			\$ 20,595,000

Residential Sales Forecast

Income from Sales

Net Saleable Area			35,000 NSF
Price per NSF			\$1,200
Reimbursement of FF&E + Mark Up		15.0%	\$1,288,000
Gross Sales Income			\$43,288,000
Cost of Sales		7.5%	(\$3,246,600)
Founder Member Discounts (\$500K/unit)			(\$3,500,000)
Net Income from Sales			\$36,541,400

Net Profit	\$15,946,400
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Notes: Estimates for pricing \$850-\$1650 / sf range
 Northstar lodging condos \$850/sf, Ritz Carlton \$1000/sf, Incline Village Lakefront over \$1500/sf
 Estimates for absorption 2.5 units/mth
 Pre-sales will be required to support construction financing.
 The for-sale units could be developed at any time (with the hotel renovation, 1yr after, 3yrs after, etc...)
 Assume Buyers reimburse Developer for FF&E at closing (developer would have to capitalize up front)

If these units were built as hotel suites and not sold, a reasonable estimate could be made to support their contributing an additional \$1.5M NOI to the bottom line at stabilization, which over 10yrs with inflation (est. \$18M), plus a disposition at a 7% Cap Rate on \$2M NOI after 10yrs of inflation would add \$28.5M to the asset value. Net of construction cost, these 28 suites could still add almost \$10M in profit to the venture.

CAL NEVA HOTEL - \$35M Debt / \$20M Equity

Investor Returns

(Figures in Actual Amounts)

Cash Flow Waterfall

Period	Apr 2014-Apr. 2015		May Open 2015		2016		2017		2018		2019		2020		2021		TOTAL
	Devel. Period		Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		
Annual Net Cash Flow			280,428		1,334,740		2,238,835		1,225,079		1,418,066		1,616,842		1,821,582		9,935,571
CF From Loan Refinancing (End of Yr. 3)							59,670,380										
Annual Net Cash Flow			280,428		1,334,740		61,909,215		1,225,079		1,418,066		1,616,842		1,821,582		69,605,951

Senior Loan Balance

29,000,000 28,719,572 27,384,832 25,145,997

Mezzanine Loan Balance

6,896,000 6,896,000 6,896,000 6,896,000

EXIT VALUATION - YEAR 7

Hotel Value \$ 112,990,109
Perm Loan Balance \$ 54,912,569
Net Proceeds from Sales \$ 58,077,541

Total Distributions with Exit

Total Project	(20,000,000)	-	-	27,628,383	1,225,079	1,418,066	1,616,842	59,899,123	91,787,492
Return									
Equity Multiple									4.59
IRR									34.3%

Total Distributions - Yr. 7 Exit - Condo Sales Contribute \$16M Net Profit from Sales

Net Profit from Condo Sales	(20,000,000)	-	-	15,946,400	1,225,079	1,418,066	1,616,842	59,899,123	107,733,892
Total Project Return				43,574,783					
Return									
Equity Multiple									5.39
IRR									43.9%

Note: Condo Units also contribute 56 keys of inventory with both rental program use and on-property spending by owners and guests. No P&L contribution is shown in this n

NOTE: 2015 is only a 7-month period, so this annual IRR will be improved on a monthly calculation.

CalNeva Hotel

Lake Tahoe, Nevada

	Cost Summary	Total Project	% of Total
10000	Total Land & Pre-Development Costs	\$ 13,000,000	25.6%
20000	Total Design Costs	\$ 1,592,000	3.1%
30000	Total Construction Costs	\$ 18,700,000	36.9%
40000	Total Fixtures, Furnishings, And Equipment Costs (FFE)	\$ 4,691,000	9.2%
50000	Total Operating Supplies and Equipment Costs (OSE)	\$ 1,568,250	3.1%
60000	Total Pre-Opening Costs	\$ 1,600,000	3.2%
70000	Total Development and Financing Costs	\$ 7,713,498	15.2%
80000	Total Development Contingency	\$ 1,147,039	2.3%
90000	Total Carry	\$ 718,000	1.4%
TOTAL DEVELOPMENT COSTS (Budget)		\$ 50,729,787	100.0%

Account	Category Description	Budget Total Project
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10000 Pre-Development Costs / Land Acquisition

10100	Land Acquisition Costs - Hotel	
10101	Acquisition Costs	\$ 13,000,000
10102	Miscellaneous	\$ -
10103	Transaction Costs and Fees	
10100	Total - Land Acquisition Costs	\$ 13,000,000

10200	Pre-Development Costs - Hotel	
10201	Planning Review / Use Permit (refer to Permits, Insurance, Taxes)	\$ -
10202	Building Permits (Refer to Permits Insurance, Taxes)	\$ -
10203	Other	\$ -
10200	Total - Pre-Development Costs	\$ -

10300	Pre-Development Costs - Miscellaneous	
10301	Events	\$ -
10302	Miscellaneous	\$ -
10303	Reimbursable Expenses	\$ -
10300	Total - Miscellaneous	\$ -

10000	Total Pre-Development Costs	\$ 13,000,000
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20000 Design Costs

20100	Civil Engineer	
20101	Civil Engineer - Basic Fee	\$ 75,000
20102	Civil Engineer - Reimbursable Expenses	\$ 5,000
20103	Civil Engineer - Additional Services / Contingency	\$ -
20100	Total - Civil Engineer	\$ 80,000

21000	Landscape Design & Planning	
21001	Landscape Architect - Basic Fee	\$ 275,000
21002	Landscape Architect - Reimbursable Expenses	\$ 25,000
21003	Additional Services / Contingency	\$ -
21000	Total - Landscape Design & Planning	\$ 300,000

21100	Architect (Incl MEP, Struc.)	
21101	Architect - Basic Fee	\$ 400,000
21102	Architect - Initial Services - TRPA Studies	\$ 50,000
21103	Architect - Reimbursable Expenses	\$ 50,000
21104	Architect - Additional Services / Contingency	\$ -
21100	Total - Architect - Historian	\$ 500,000

21200	Structural Engineer	
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Account	Category Description	Budget Total Project	
21201	Structural Engineer - Basic Fee	Incl.	
21202	Structural Engineer - Reimbursable Expenses	Incl.	
21203	Structural Engineer - Additional Services	Incl.	
21200	Total - Structural Engineer	\$	-
21300	MEP / Fire Protection Engineer		
21301	MEP / Fire Engineer - Basic Services	Incl.	
21302	MEP / Fire Engineer - Reimbursable Expenses	Incl.	
21303	MEP / Fire Engineer - Additional Services / Contingency	Incl.	
21300	Total - MEP / Fire Protection Engineer	\$	-
21400	Interior Designer		
21401	Interior Designer - Basic Fee	\$	384,000
21402	Interior Designer - Reimbursable Expenses	\$	100,000
21403	Interior Designer - Renderings, Special Projects	\$	20,000
21404	Interior Designer - Additional Services / Contingency	\$	-
21400	Total - Interior Designer	\$	504,000
22100	Spa Consultant		
22101	Spa Consultant - Basic fee	\$	-
22102	Spa Consultant - Reimbursable Expenses	\$	-
22103	Spa Consultant - Additional Services / Contingency	\$	-
22100	Total - Spa Consultant	\$	-
22200	Kitchen / Laundry Consultant		
20301	Kitchen / Laundry Consultant - Basic Fee	\$	28,000
20302	Kitchen / Laundry Consultant - Reimbursable Expenses	\$	5,000
20303	Kitchen / Laundry Consultant - Additional Services / Contingency	\$	-
20300	Total - Kitchen / Laundry Consultant	\$	33,000
22300	Lighting Consultant		
22301	Lighting Design Consultant - Basic Fee	\$	120,000
22302	Lighting Design Consultant - Reimbursable Expenses	\$	10,000
22303	Lighting Design Consultant - Additional Services / Contingency	\$	5,000
22300	Total - Lighting Design Consultant	\$	135,000
22500	Signage / Graphics		
22501	Signage Graphics Design - Basic fee	\$	15,000
22502	Signage Graphics Design - Reimbursable Expenses	\$	5,000
22503	Signage / Graphics Design - Additional Services / Contingency	\$	-
22500	Total - Hold	\$	20,000
22600	Liquidation Services		
22601	Liquidation Services	\$	-
22602	Hold	\$	-
22603	Hold	\$	-
22600	Total - Hold	\$	-
22700	Hold		
22701	Hold	\$	-
22702	Hold	\$	-
22700	Total - Hold	\$	-
29000	Miscellaneous Consultants		
29001	Specialty Consultants	\$	20,000
29000	Total - Miscellaneous Consultants	\$	20,000
20000	Total Design Costs	\$	1,592,000
30000	Construction Costs		
30000	General Contractor		
30001	19000 - GC Fees	3.0% \$	500,000
30002	18000 - Insurance	1.0% \$	250,000

Account	Category Description	Budget Total Project		
30003	17010 - Construction Contingency	\$		650,000
30000	Total - General Contractor	\$		1,400,000
31000	General Requirements			
31001	Supervision and General Conditions	\$		1,000,000
31000	Total - General Requirements	\$		1,000,000
32000	General Construction			
32001	Sitework / Landscaping / Porte Cochere	\$		1,000,000
32002	Pool / Pool Deck / Hardscape	\$		1,300,000
32003	Abatement / Demolition	\$		800,000
32004	Tower Rooms	\$		7,200,000
32005	Low Buildings / Lodge	\$		3,800,000
32006	Tower Roofs & Mansard	\$		450,000
32007	Low Building Roofs	\$		250,000
32008	General R&M	\$		1,500,000
32000	Total - General Construction	\$		16,300,000
	Sub-Total Construction Costs	\$		17,300,000
30000	Total Construction Costs	\$		18,700,000
40000	Fixtures, Furnishings & Equipment (FF&E) Costs - Hotel			
40100	FFE - Accommodation Units	Keys	\$/Key	Extended
40101	Tower Guestrooms - King - Typical	118 Keys	\$12,000	\$ 1,416,000
40102	Tower Guestrooms - D/D - Typical	42 Keys	\$13,000	\$ 546,000
40103	Tower Suites	18 Keys	\$22,000	\$ 396,000
40104	Terrace Units	8 Keys	\$27,000	\$ 216,000
40105	Cabins	5 Keys	\$12,000	\$ 60,000
40106	Corridors	0 Keys	Incl.	\$ 30,000
40100	Total FFE - Accommodation Units	191 Keys	\$13,948	\$ 2,664,000
40200	FFE - Public Areas			
40201	Reception Area / Lobby		\$	25,000
40202	Indian Room		\$	25,000
40203	Casino		\$	30,000
40204	Casino Lounge / Bar		\$	50,000
40205	Showroom		\$	35,000
40206	Meeting Rooms		\$	35,000
40207	Three Meal Restaurant		\$	250,000
40208	Circle Bar / Circle Bar Restaurant		\$	250,000
40209	Public Area Circulation / Lounge		\$	35,000
40210	Miscellaneous (Kid's Club, Arcade, Etc)		\$	20,000
40200	Total - FFE - Public Areas		\$	755,000
40300	FFE - Back-of-House			
40301	Miscellaneous - Tools, Radios, etc.		\$	25,000
40302	Vehicles			Leased
40300	Total - FFE - Back-of-House		\$	25,000
40600	FFE - Equipment - Hotel			
40601	FFE - Kitchen(s), Bars		\$	350,000
40602	FFE - Laundry Equipment		\$	-
40603	FFE - Communication / PBX		\$	75,000
40604	FFE - Safety & Security Systems		\$	25,000
40605	FFE - Boat Amenity (Furnishings)		\$	-
40606	FFE - Model Room (Incl. Construction)		\$	150,000
40600	Total - FFE - Equipment		\$	600,000
40700	FFE - Miscellaneous			
40701	FFE - Purchasing Company Fees		\$	162,000
40702	FFE - Purchasing Company Fees			Incl. Above
40703	FFE - Purchasing Company Reimbursable Expenses		\$	20,000

Account	Category Description	Budget	
		Total Project	
40704	FFE - Taxes	\$	400,000
40704	FFE - Installation Costs	\$	65,000
40700	Total - FFE - Miscellaneous	\$	647,000
40000	Total Fixtures, Furnishings & Equipment	\$	4,691,000
50000	Operating Supplies & Equipment (OS&E) Costs - Hotel		
50100	General		
50101	OSE - Rooms / China & Glass		Incl.
50102	OSE - Rooms / Linen		Incl.
50103	OSE - Rooms / Cleaning Supplies		Incl.
50104	OSE - Rooms / Guest Supplies		Incl.
50105	OSE - Rooms / Printing & Stationery		Incl.
50106	OSE - Rooms / Carts (Interior)		Incl.
50107	OSE - Rooms / Cleaning Equipment		Incl.
50108	OSE - Rooms / Allowance	\$	850,000
50109	OSE - F&B / Paper Supplies		Incl.
50110	OSE - F&B / Menus		Incl.
50111	OSE - F&B / Printing & Stationery		Incl.
50112	OSE - F&B / Banquet Equipment		Incl.
50113	OSE - F&B / China		Incl.
50114	OSE - F&B / Glass		Incl.
50115	OSE - F&B / Silver		Incl.
50116	OSE - F&B / Chafers & Serving Equipment		Incl.
50117	OSE - F&B / Linen		Incl.
50118	OSE - F&B / Kitchen Fuel		Incl.
50119	OSE - F&B / Cleaning Supplies		Incl.
50120	OSE - F&B / Guest Supplies		Incl.
50121	OSE - F&B / Audio - Video (Showroom Upgrades)	\$	75,000
50122	OSE - F&B / Carts	\$	20,000
50123	OSE - F&B / Allowance	\$	100,000
50124	OSE - General Allowance	\$ -	100,000
50100	Total - OSE - General	\$	1,145,000
50200	OSE - Spa		
50201	OSE - Spa Equipment Allowance	\$	55,000
50202	OSE - Spa / Facial Supplies		Incl.
50203	OSE - Spa / Manicure - Pedicure Equipment		Incl.
50204	OSE - Spa / Manicure - Pedicure Supplies		Incl.
50205	OSE - Spa / Fitness Equipment		Incl.
50206	OSE - Spa / Group Exercise		Incl.
50207	OSE - Spa / Testing Equipment		Incl.
50208	OSE - Spa / Aquatics Equipment		Incl.
50209	OSE - Spa / Other		Incl.
50210	OSE - Spa / Massage - Hydrotherapy		Incl.
50211	OSE - Spa / Storage Equipment		Incl.
50212	OSE - Spa / Linens		Incl.
50213	OSE - Systems / Computer Software	\$	100,000
50214	OSE - Systems / Computer Hardware (Incl. Cabling)	\$	50,000
50215	OSE - Systems / POS	\$	75,000
50216	OSE - Misc. / Televisions, Alarm Radios, Etc.	\$ 750.00	\$ 143,250
50200	Total	\$	423,250
50000	Total Operating Supplies & Equipment	\$	1,568,250
60000	Pre-Opening Costs		
60100	Marketing - Hotel		
60150	Pre-Opng. - Marketing / Public Relations	\$	1,000,000
60100	Total - Pre-Opening - Marketing	\$	1,000,000
60200	Working Capital - Hotel		
60250	Pre-Opng. - Miscellaneous	\$	250,000

Account	Category Description	Budget Total Project
60200	Total - Pre-Opening - Working Capital	\$ 250,000
60300	Admin & General - Hotel	
60350	Pre-Opng. - General Line Item	\$ 350,000
60300	Total - Pre-Opening - Admin & General	\$ 350,000
60000	Total Pre-Opening Costs	\$ 1,600,000
70000	Development & Financing Costs	
70100	Development Expenses - Hotel	
70101	General & Administrative	\$ 250,000
70102	Development Fees	\$ 1,200,000
70103	Permits, Taxes, Insurance	\$ 550,000
70104	Open	\$ -
70100	Total - Development Expenses	\$ 2,000,000
70200	Financing Costs - Hotel	
70201	Legal	\$ 75,000
70202	Financing Costs, Fees	\$ 1,430,000
70203	Title Insurance	Incl.
70204	Bond Fees	Incl.
70205	Clark Loan Interest	\$ 1,476,658
70206	Canyon Loan Interest	\$ 515,987
	Mezzanine Loan Interest (12 months funded by loan)	\$ 896,000
70207	Development Loan Interest (Reserve)	\$ 1,319,853
70200	Total - Financing Costs	\$ 5,713,498
70000	Total Development & Financing Costs	\$ 7,713,498
80000	Development Contingency - Hotel	
80100	Development Contingency	
80101	Development Contingency	\$ 1,147,039
80102	Other Contingency	\$ -
80100	Total - Development Contingency	\$ 1,147,039
80000	Total Contingency	\$ 1,147,039
90000	Carry	
90100	Operations During Construction / Shortfalls	
90101	Operating Loss Subsidy	\$ 400,000
90102	Operations During Construction - Utilities	\$ 250,000
90103	Operations During Construction - Temp Staff	\$ 48,000
90104	Operations During Construction - Fees	\$ 10,000
90105	Operations During Construction - Ongoing Maintenance / Security Contracts	\$ 10,000
90100	Total - Pre-Opening and Operating Shortfalls	\$ 718,000
90000	Total Carry	\$ 718,000
100000	TOTAL DEVELOPMENT COSTS	\$ 50,729,787

EXHIBIT C
HOTEL MARKET ANALYSIS

A. INTRODUCTION

As a hotel includes a going-concern business as well as real property, the market value of a lodging facility is a direct function of the supply and demand for hotel rooms within the market. Accordingly, an analysis of the local area lodging market is a key component of the valuation process.

Presented in the following text is a brief overview of the national lodging market. Following this discussion, we present an analysis of the historical performance of the identified competitive market of properties located in the Lake Tahoe area. In addition, we have also presented the historical performance of comparable regional destination resorts. Also presented are our projections of the future performance of the competitive market and the Subject for the next ten years of operation.

B. NATIONAL MARKET OVERVIEW

In addition to PKF Consulting, our Firm contains a research division, PKF Hospitality Research. PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry with a high degree of accuracy. *Hotel Horizons®* reports are published on a quarterly basis for 50 markets and six national chain-scales.

Based on information compiled in the *June – August 2013 National Edition of Hotel Horizons®*, RevPAR for the U.S. lodging market grew by 5.4 percent in 2010, 8.2 percent in 2011, and 6.8 percent in 2012. As a point of comparison, RevPAR declined by 16.7 percent in 2009, the largest percentage decline since PKF Research began tracking lodging performance in 1935. This significant drop was a direct result of the severe national and global recession which began in the fall of 2007 and lasted well into 2009. Further, it resulted in a 40.0 percent decrease in hotels' net operating income ("NOI"), subsequently impacting hotel values throughout the nation. For the next four years, the overall U.S. lodging market is projected to achieve RevPAR growth rates of approximately 6.1 percent, 7.7 percent, 8.5 percent, and 5.3 percent respectively, with ADR gains leading these increases. Beginning in 2017, RevPAR growth is anticipated to taper to long-term averages.

Upon completion of the renovation, the Subject will be positioned as an upper upscale, full-service casino resort. The RevPAR for this segment experienced a decline of (17.7) percent in 2009, slightly above the nation-wide average. RevPAR for this segment increased 6.0 percent in 2010, 6.6 percent in 2011, and 6.6 percent in 2012. PKF Research is projecting RevPAR growth of 7.0 and 7.5 percent in 2013 and 2014, respectively. Going forward, RevPAR is projected to increase 8.0 percent in 2015, before tapering to long-run averages.

The Subject is also identified as a Resort Hotel. In 2009, RevPAR for U.S. Resort Hotels declined 18.6 percent over prior year levels; above the decline experienced by the overall U.S. hotel market. Modest RevPAR growth of 3.6 percent was achieved in 2010 before more health RevPAR growth of 10.1 and 7.1 percent was experienced in 2011 and 2012, respectively. In

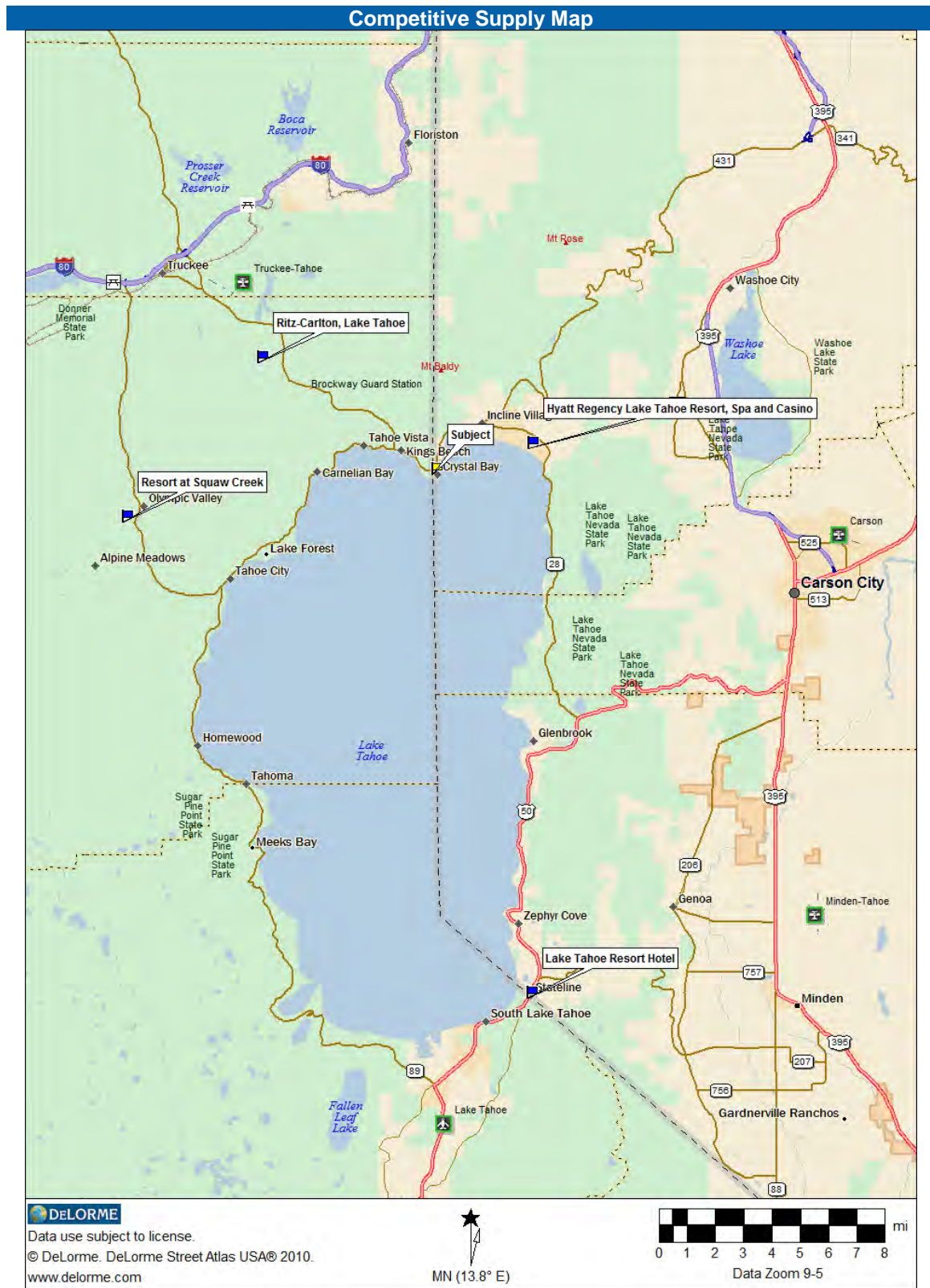
2013 and 2013, the Resort Hotel segment is projected to increase at approximately 8.0 percent per annum before tapering to long-run averages.

C. COMPETITIVE HOTEL MARKET ANALYSIS

As noted, the Subject will be classified as an upper upscale hotel and will, therefore, compete primarily with other upper upscale and luxury hotels and resorts located throughout the Lake Tahoe area. In this analysis, we have excluded the Subject from the overall historical market performance to better illustrate the supply, demand, and ADR trends of the other five upper upscale and luxury lodging facilities that the Subject will more directly compete with upon completion of the renovation.

Based on our research, we have identified five properties as representing the primary local competitive market. The total number of rooms in the competitive supply is 1,598. Competitive properties were identified on the basis of location, room product offered, guest type, rate structure, and overall quality. The following table provides a brief summary of the competitive properties. A map and additional information on each individual property is presented on the following pages.

Cal Neva Resort Hotel & Casino Summary of Competitive Hotels			
Property	Location	Number of Rooms	Year Opened
Resort at Squaw Creek	Squaw Valley, CA	344	1990
Ritz-Carlton Highlands Lake Tahoe	Truckee, CA	170	2009
Embassy Suites South Lake Tahoe	South Lake Tahoe, CA	398	1991
Hyatt Regency Lake Tahoe	Incline Village, NV	422	1975
Total		1,334	-



Resort at Squaw Creek



Address:

400 Squaw Creek Road
Squaw Valley, CA

Distance from the Subject: 17.4 miles

Rooms: 344

Date Opened: December 1990

Amenities:

- Spa at Squaw Creek – 10 treatment rooms, spa boutique, dry saunas, steam rooms
 - Fitness center
 - Sweet Potatoes Deli
 - Chuck Wagon barbecue (winter)
 - The Oasis poolside bar (summer)
 - Six Peaks Grille
 - Sandy's Pub
 - Mountain Pizzeria (winter)
 - 33,000 SF of indoor and 14,750 SF of outdoor meeting space
 - 18-hole championship golf course
 - Cross country ski center and fly fishing center
 - Ice skating rink
 - 3 outdoor heated swimming pools, whirlpools, and waterslide
 - Shopping promenade
 - On-property chair lift
- Mountain Buddies children's program

Note: The Resort at Squaw Creek is located approximately 17 miles southwest of the Subject in Squaw Valley, and recently completed a \$53 million renovation. It is an independently-operated luxury condominium hotel. The Resort achieved an occupancy level below the competitive market average and an ADR slightly above the competitive market average in 2012.

Compared to the Subject (after renovation):

Location: Inferior
Physical Condition: Superior
Guestroom Product: Comparable
Amenities: Comparable

Ritz-Carlton, Lake Tahoe



Address:

13031 Ritz Carlton Highlands Court
Truckee, CA

Distance from the Subject: 10.5 miles

Rooms: 170

Date Opened: December 2009

Amenities:

- Fitness center
- Business center
- Manzanita restaurant
- The Living Room bar
- Mountainblue café
- The Ritz-Carlton Spa – 13 treatment rooms
- 15,000 SF of indoor and 15,000 SF of outdoor meeting space
- Outdoor heated pool and adult spa lap pool
- On-site ski shop, Bloom Boutique
- Seasonal intermountain gondola

Note: The Ritz-Carlton, Lake Tahoe is located approximately 11 miles northwest of the Subject in Incline Village. It is affiliated with Marriott Hotels & Resorts as a luxury property. It is the smallest and the newest property in the competitive set. In 2012 the Ritz-Carlton achieved an occupancy level slightly below the competitive market average and an ADR above the competitive market average. It should be noted that the Ritz-Carlton achieves one of the highest ADR levels in the competitive market.

Compared to the Subject (after renovation):

Location: Inferior
Physical Condition: Superior
Guestroom Product: Superior
Amenities: Superior

Hyatt Regency Lake Tahoe Resort, Spa and Casino



Address:

111 Country Club Drive
Incline Village, NV 89451

Distance from the Subject: 4.8 miles

Rooms: 422

Date Opened: July 1975

Amenities:

- Business center
- Stillwater Spa – 16 treatment rooms, salon
- Hyatt Stay Fit gym
- Camp Hyatt daycare
- Lake Tahoe Casino
- Golf course
- Gift shop, sport shop
- Lone Eagle Grille
- Sierra Café
- Tahoe Provisions
- Lakeside Beach Bar and Grill
- Stillwater Pool Bar and Grille
- Lone Eagle Lounge Great Room
- Sports Bar, Lobby Bar, Pier 111 Bar
- Cutthroat Saloon
- Outdoor dining and lounge
- 50,000 SF of indoor and 25,000 SF of outdoor meeting space
- Lagoon-style pool and 2 whirlpools
- Pier and outdoor fire pits

Note: The Hyatt Regency Lake Tahoe Resort is located approximately 5 miles northeast of the Subject in Incline Village. It is affiliated with Hyatt Hotels as a luxury property. It is the largest property in the competitive as well as the oldest next to the Subject. In 2012, the Hyatt Regency achieved an occupancy level and ADR above the competitive market average.

Compared to the Subject (after renovation):

Location: Superior
Physical Condition: Comparable
Guestroom Product: Inferior
Amenities: Comparable

Lake Tahoe Resort Hotel (formerly the Embassy Suites South Lake Tahoe)



Address:

4130 Lake Tahoe Boulevard
South Lake Tahoe, CA

Distance from the Subject: 28.6 miles

Rooms: 398

Date Opened: December 1991

Amenities:

- Complimentary breakfast and manager's reception
- Heated indoor pool and whirlpool
- Fitness center
- Nightly manager's reception
- Echo Restaurant
- 10,000 square feet of meeting space
- Heavenly Ski/Snowboard Shop, gift shop
- In-room massage

Note: The Embassy Suites Lake Tahoe Hotel & Ski Resort is located approximately 29 miles south of the Subject in South Lake Tahoe, California. It was previously affiliated with Hilton Hotels as an upper upscale property until April 2013 when the hotel lost its flag. The Embassy Suites currently operates as an independent hotel. In 2012, the Hotel achieved an occupancy level slightly above the competitive market average and an ADR far below the competitive market average.

Compared to the Subject:

Location: Comparable
Physical Condition: Inferior
Guestroom Product: Inferior
Amenities: Inferior

D. CHANGES IN SUPPLY

According to discussions with city officials, local developers, and general managers of lodging facilities in the area, we have identified one property in the South Lake Tahoe area that is currently in the planning stages. This property is the proposed 154-room Edgewood Resort which will be located along the south shore of Lake Tahoe in Stateline, Nevada. The hotel will be situated on the southern portion of the existing Edgewood Tahoe Golf Course development and will represent a luxury, mixed-use resort. The projected opening date of this project is January 1, 2017. As the Subject will represent an upper upscale hotel upon completion of the extensive renovation, competing with upper upscale and luxury hotels, we have included this addition in our projections of supply and demand for the local competitive lodging market.

E. HISTORICAL MARKET PERFORMANCE

1. Historical and Projected Performance of the Competitive Market

Presented in the following table is a summary of the historical performance of the identified competitive market, excluding the Subject, for the past six years (2007 to 2012), as well as for year-to-date ("YTD") June 2012 and 2013.

Cal Neva Resort, Spa & Casino Historical Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2007	427,780	-	256,494	-	60.0%	\$214.29	-	\$128.49	-
2008	427,780	0.0%	250,562	-2.3%	58.6%	\$218.47	2.0%	\$127.96	-0.4%
2009	429,970	0.5%	217,093	-13.4%	50.5%	\$215.76	-1.2%	\$108.94	-14.9%
2010	486,910	13.2%	258,924	19.3%	53.2%	\$217.32	0.7%	\$115.56	6.1%
2011	486,910	0.0%	263,237	1.7%	54.1%	\$219.39	1.0%	\$118.61	2.6%
2012	486,910	0.0%	259,898	-1.3%	53.4%	\$224.07	2.1%	\$119.60	0.8%
CAGR	2.6%	-	0.3%	-	-	0.9%	-	-1.4%	-
YTD Jun '12	243,455	-	118,447	-	48.7%	\$210.96	-	\$102.64	-
YTD Jun '13	243,455	0.0%	137,585	16.2%	56.5%	\$227.89	8.0%	\$128.79	25.5%

Source: PKF Consulting USA

As noted in the table above, supply for the competitive market increased at a compound annual growth rate ("CAGR") of 2.6 percent over the past six years. Despite the reduction in available rooms at the Resort at Squaw Creek from 352 to 344 rooms in 2009, overall market supply increased 0.5 percent as a result of the opening of the 170-room Ritz-Carlton Highlands Lake Tahoe in December 2009. Due to the annualized opening of the Ritz-Carlton, market supply increased an additional 13.2 percent in 2010.

Over the past six years, demand for the competitive market increased at a CAGR of 0.3 percent, as occupancy fluctuated between approximately 51 and 60 percent. In 2008, demand declined 2.3 percent before experiencing a significant decline of 13.4 percent in 2009 as a result of the economic downturn. As the economy began to show signs of recovery, the number of occupied rooms increased 19.3 percent in 2010, resulting in a market occupancy of 53.2 percent. It is worth noting, this significant growth in demand was also attributable to the increased supply of hotel rooms available during the peak summer and winter months as a result of the annualized opening of the Ritz-Carlton. During these peak months, hotels typically operate near capacity due to the increase of leisure demand in the local market. In 2011, while demand further increased 1.7 percent, occupancy remained approximately six percentage points below 2007 levels. Through year-end 2012, demand decreased 1.3 percent over prior year levels, resulting in a market occupancy of 53.4 percent. Demand increased a significant 16.2 percent through YTD June 2013, with occupancy increasing from 48.7 to 56.5 percent, coinciding with the positive impacts of a strong economy, particularly in the San Francisco Bay Area.

Unlike the large fluctuations in market occupancy over the past six years, average daily rate (“ADR”) experienced modest fluctuations as rates ranged from approximately \$214 to \$224 since 2007. In 2008, ADR increased two percent to \$218.47. In 2009, coinciding with the economic downturn, managers of competitive hotels were forced to slightly discount room rates in order to stimulate demand. However, given the high seasonality of the local market, demand remained strong during the summer and winter months, limiting the discounting in ADR to the weaker off-season shoulder months. As a result, ADR declined a modest 1.2 percent in 2009, significantly less relative to the rest of the nation. In 2010 and 2011, ADR growth remained modest at 0.7 and one percent, respectively, as managers continued to focus on attracting higher levels of demand. ADR increased 2.1 percent through year-end 2012, resulting in an ADR of \$224.07 in 2012, the highest rate achieved over the six-year period. Through YTD June 2013, ADR increased a significant 8.0 percent over prior year levels.

Due to fluctuations in both market occupancy and ADR, revenue per available room (“RevPAR”) decreased at a CAGR of 1.4 percent over the six-year period. During this period, RevPAR ranged from approximately \$109 to \$128. Through YTD June 2013, RevPAR increased a significant 25.5 percent over prior year levels as a result of healthy increases in both occupancy and ADR.

In the following table, we have provided an overview of the individual market performance for the competitive properties for year-end 2012. Due to the confidential nature of this information, we have hidden their identities and presented their information in random order.

Competitive Properties' Individual Performance - 2012			
Property	Occupancy	ADR	RevPAR
Hotel A	High 40s	High \$220s	Low \$110s
Hotel B	Low 50s	Low \$360s	High \$180s
Hotel C	Mid 50s	High \$220s	Mid \$120s
Hotel D	Mid 50s	Low \$160s	Low \$90s
Average	53.4%	\$224.07	\$119.60
Source: PKF Consulting USA			

The majority of demand accommodated by the local lodging market is from the transient leisure market segment (approximately 60- 70 percent) with group demand comprising the remaining balance. Within the local competitive market, the Subject is considered most comparable to the Hyatt Regency with regard to location, given the hotel's positioning along the northern shore of Lake Tahoe. With regard to product quality, the Subject Hotel will be considered most comparable to the Ritz-Carlton, which currently represents the newest luxury lodging product in the local competitive market. It is worth noting, the Hyatt Regency and Ritz-Carlton have historically represented the market leaders in occupancy and ADR, respectively. Given the Subject Hotel's location and proposed upper upscale lodging product upon completion of the renovation, it is anticipated to perform in line or above the occupancy and ADR levels achieved by the Hyatt and Ritz-Carlton.

Presented below is the projected growth in supply, demand, ADR, and RevPAR for the identified competitive market over the seven-year period 2013 to 2019. Also presented is the actual performance for 2012.

Cal Neva Resort, Spa & Casino Projected Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2012	486,910	0.0%	259,898	-1.3%	53%	\$224.07	2.1%	\$119.60	0.8%
2013	486,910	0.0%	280,700	8.0%	58%	\$242.00	8.0%	\$139.51	16.6%
2014	486,910	0.0%	282,400	0.6%	58%	\$261.00	8.0%	\$151.38	8.5%
2015 ¹	556,625	14.3%	322,800	14.3%	58%	\$279.00	7.0%	\$161.80	6.9%
2016	556,625	0.0%	322,800	0.0%	58%	\$296.00	6.0%	\$171.66	6.1%
2017 ²	612,835	10.1%	355,400	10.1%	58%	\$308.00	4.0%	\$178.62	4.1%
2018	612,835	0.0%	355,400	0.0%	58%	\$317.00	3.0%	\$183.84	2.9%
2019	612,835	0.0%	355,400	0.0%	58%	\$327.00	3.0%	\$189.64	3.2%
CAGR	3.9%	-	4.0%	-	-	5.1%	-	5.2%	-
¹ Assumed opening date of the Subject on January 1, 2015									
² Assumed opening date of the proposed Edgewood Hotel on January 1, 2017									
Note: Numbers may not foot due to rounding									
Source: PKF Consulting USA									

As noted, we project the renovation of the Subject to be complete by January 1, 2015. The addition of the 191-room Subject results in an increase of 14.3 percent in supply in 2015. As discussed, we have also included the addition of the 154-room proposed Edgewood Hotel, which is projected to be open and available for occupancy by January 1, 2017, resulting in an increase in supply of 10.1 percent. Despite the additions of the renovated Subject and the proposed Edgewood Hotel, market occupancy is projected to remain stable at 58 percent as these properties are readily absorbed into the market. As a point of reference, while the Subject represents an increase in supply of 14.3 percent, it also represents existing rooms in the overall Lake Tahoe lodging market and, therefore, is not expected to materially impact the overall market performance. A

stabilized occupancy of 58 percent is deemed reasonable based on the seasonality in the local market and long-term average performance trends.

As stated above, we forecast that ADRs in the competitive market will increase above inflation over the next five years of operation. Through YTD June 2013, ADR increased 8.0 percent over prior year levels. This growth is projected through year-end 2013 as well as in 2014. Thereafter, ADR growth is projected to taper. Specifically, we project ADR growth of 7.0, 6.0, and 4.0 percent in 2015, 2016, and 2017, respectively. This ADR growth is deemed reasonable as the competitive market operates at a stabilized occupancy level of 58 percent and the underlying fundamentals of the primary feeder markets in Northern California remain strong. This ADR growth results in an ADR of \$308 in 2017 value dollars, an approximately \$84 increase over 2012 levels. Thereafter, we project ADR to increase at 3.0 percent per annum.

RevPAR is projected to increase 16.6 percent through year-end 2013, below the increase in RevPAR of 25.5 percent achieved through YTD June 2013 by the competitive market. Between 2014 and 2016, RevPAR is projected to increase between approximately 6.0 and 9.0 percent per annum, in line with the national average for resort hotels as presented earlier. Thereafter, RevPAR is projected to increase at approximately 3.0 percent per annum, consistent with our projections of ADR growth for the competitive market.

2. Historical Performance of the Subject

Presented in the following table is the historical performance of the Subject over the past five years of operation. Additionally, we have included management's 2013 reforecast, which is based on five months of data. It should be noted that this historical performance information is based on a lack of necessary capital upgrades, portions of the Subject not in full operation, and the lack of qualified management.

Cal Neva Resort, Spa & Casino Historical Performance of the Subject									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	ADR	Percent Change	RevPAR	Percent Change
2008	72,635	-	20,120	-	27.7%	\$108.01	-	\$29.92	-
2009	72,635	0.0%	12,871	-36.1%	17.7%	\$95.56	-11.5%	\$16.91	-43.5%
2010	72,635	0.0%	17,371	35.0%	23.9%	\$104.97	9.8%	\$25.09	48.3%
2011	72,635	0.0%	22,840	31.4%	31.4%	\$88.96	-15.3%	\$27.93	11.3%
2012	72,635	0.0%	23,227	1.6%	31.9%	\$83.05	-6.6%	\$26.49	-5.2%
CAGR	0.0%	-	3.6%	-	-	-6.4%	-	-3.0%	-
'13 Reforecast	72,635	0.0%	25,886	11.7%	35.6%	\$77.61	-6.6%	\$27.66	4.4%
Source: PKF Consulting USA									

The Subject's occupancy remained below 32 percent over the past five years, which is approximately 14 percentage points below the six-year low occupancy level achieved by the competitive market. This unfavorable performance can be attributable to the fact that the Subject has been mismanaged in past years while the Resort was being listed for sale. Furthermore, these relatively low occupancy levels, which are significantly lower than most hotels located throughout the Lake Tahoe region, can be attributable to the condition of the property. Based on five months of actual data in 2013, management projects the Subject to achieve an occupancy level of 35.6 percent through year-end 2013.

Over the past five years, ADR for the Subject decreased at a CAGR of 6.4 percent. As a result of the economic downturn, ADR at the Subject decreased 11.5 percent in 2009, resulting in an ADR of approximately \$96. While ADR increased approximately 10.0 percent in 2010, the declines in rate achieved in 2011 and 2012 resulted in an ADR level of approximately \$83, which is roundly \$20 below 2010 levels. Based on five

months of actual data, management estimates ADR to decreased 6.6 percent to \$77.61, a \$5 decline over prior year levels.

As a result of the aforementioned fluctuations in occupancy and ADR, RevPAR for the Subject decreased at a CAGR of 3.0 percent over the past five years. Management estimates the Subject to achieve RevPAR of approximately \$27 through year-end 2013, in line with the performance through year-end 2012.

F. ESTIMATED PERFORMANCE OF THE SUBJECT – UPON COMPLETION OF THE RENOVATION

1. Occupancy

In order to project the future occupancy levels of the Subject, we have estimated the level of patronage by market segment that can be reasonably captured. The extent to which the Subject can capture demand from each market segment was estimated by performing a fair share penetration analysis. A hotel's fair share is defined as the number of available rooms divided by the total supply of available rooms in the competitive market, including the Subject. Factors indicating the Subject would possess competitive advantages suggest a market penetration in excess of 100 percent of fair share, while competitive weaknesses are reflected in penetration less than 100 percent.

In projecting the Subject's future penetration upon completion of the renovation in January 2015, we noted the following competitive advantages.

- *The Subject will represent the newest upper upscale, full-service lodging facility in the Lake Tahoe area benefiting from an excellent location on Lake Tahoe in Crystal Bay, Nevada;*
- *The Subject represents one of the smaller properties within the competitive market, benefiting the performance of the hotel in terms of occupancy during the off season;*
- *The Subject features unique facilities such as the Celebrity Showroom and Frank Sinatra's secret tunnel. Furthermore, the Subject is an iconic property in Northern California that is rich in history, an important selling point for the resort; and,*
- *Upon completion of the planned \$32,200,000 renovation (approximately \$169,000 per room based on 191 guestrooms) to the Subject's guestrooms, public areas, and exterior, the Subject will benefit from a more attractive lodging product, operating as an upper upscale, full-service resort, heightening the Subject's overall appeal.*

In review of the attributes affecting the renovated Cal Neva Resort, Spa & Casino and after analysis of the competitive market, the Subject is projected to perform above its fair share, penetrating the market on a stabilized basis at 103 percent. A penetration rate of approximately 103 percent results in a stabilized occupancy of **60 percent** first achieved in 2017, the Subject's third full year of operation as a renovated, repositioned, upper upscale hotel. We are of the opinion that a stabilized occupancy level of 60 percent is appropriate for the Subject given its relatively small size at 191 rooms when compared to the individual hotels comprising the competitive market, which range between 170 and 422 rooms. This occupancy level positions the Subject above the 422-room Hyatt Regency located in Incline Village, which is a short distance from the Subject in Crystal Bay. In addition to representing a smaller property, it is anticipated that the Subject will attract more than its fair share of demand given all of the amenities and special features proposed at the Subject, including the Celebrity Showroom where group events and concerts will be held, the numerous food and beverage facilities, the brand new casino, and the appealing pool area features, to name a few. While demand for the Lake Tahoe lodging market is typically highest during the summer and winter months due to the outdoor activities available during these periods, the Subject is projected to benefit from demand associated with the group events and concerts in the Celebrity Showroom during the shoulder periods,

primarily Fall and parts of Winter. The stabilized market segmentation for the Subject is projected to be approximately 70 percent transient and 30 percent group.

2. Average Daily Rate

In order to project the future ADR of the Subject upon completion of the extensive renovation, we first estimated a *hypothetical* ADR if the Subject were renovated and open today. In doing so, we have reviewed the actual ADRs achieved by each of the competitive hotels over the last six years as well as our general knowledge about the performance of upper upscale and luxury resorts located in mountain resort destinations throughout the western United States. Based on the aforementioned analysis of the competitive market, we are of the opinion that the Subject could achieve a hypothetical annual ADR of \$285 stated in 2013 value dollars. This would position the Subject (upon completion of the renovation) approximately \$120 above the lowest rated property in the competitive market and approximately \$150 below the highest rated property in the competitive market. We are of the opinion that this hypothetical ADR of \$285 in 2013 value dollars is appropriate given the waterfront location of the Resort in the north shore of Lake Tahoe and its “like new” hotel product. Furthermore, as the property is projected to undergo an approximately \$32.2 million renovation, we are of the opinion that this hypothetical ADR is reasonable.

After concluding to a hypothetical ADR, we then projected ADR growth of the market based on current trends. As previously discussed, we project ADR for the competitive market to increase “ramp down” from 8.0 percent in 2013 and 2014 to 3.0 percent in 2019. The following table details the projected ADR of the Subject for the first five years of operation as an upper upscale hotel.

Cal Neva Resort, Spa & Casino Projected Performance									
Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Subject Occupancy	Subject Penetration	RevPAR	Percent Change
2013	\$285.00	-	-	-	-	-	-	-	-
2014	\$308.00	8%	-	-	-	-	-	-	-
2015	\$330.00	7%	6%	\$312.00	-	55%	95%	\$171.60	-
2016	\$350.00	6%	2%	\$343.00	10%	58%	100%	\$198.94	16%
2017	\$364.00	4%	0%	\$364.00	6%	60%	103%	\$218.40	10%
2018	\$375.00	3%	0%	\$375.00	3%	60%	103%	\$225.00	3%
2019	\$386.00	3%	0%	\$386.00	3%	60%	103%	\$231.60	3%

¹ Assumed opening date of the Subject on January 1, 2015
Note: Numbers may not foot due to rounding
Source: PKF Consulting USA

We are of the opinion that the renovated and repositioned Subject could have achieved an average daily rate of approximately \$285 in 2013, under the hypothetical assumption that it was renovated and open in 2013 and stabilized. For the purpose of this analysis, we have accounted for a 6.0 percent introductory discount from the hypothetical ADR in 2015 and a 2.0 percent introductory discount in 2016, resulting in an ADR of \$312 projected in the Subject’s first year of operation and \$343 in the Subject’s second year of operation. This introductory discount is projected as the hotel is reintroduced into the Lake Tahoe lodging market. Presented in the following table is a summary of our projected occupancy and ADR for the Subject over the first ten years of operation as a renovated, upper upscale, full-service boutique resort.

Cal Neva Resort, Spa & Casino			
Projected Future Performance			
Calendar Year Projections			
Year	Occupancy	ADR	Percent Change
2015	55.0%	\$312.00	-
2016	58.0%	\$343.00	10%
2017	60.0%	\$364.00	6%
2018	60.0%	\$375.00	3%
2019	60.0%	\$386.00	3%
2020	60.0%	\$398.00	3%
2021	60.0%	\$410.00	3%
2022	60.0%	\$422.00	3%
2023	60.0%	\$435.00	3%
2024	60.0%	\$448.00	3%
Note: Average daily rates rounded to the whole dollar			
Source: PKF Consulting USA			

On a stabilized basis, we estimate the Subject's ADR to be \$323 stated in 2013 value dollars. This ADR is determined by discounting (deflating) the future ADR of the hotel on a stabilized basis (approximately \$375 in 2018) at 3.0 percent annually to 2012.

This ADR of \$323 in 2013 value dollars, along with a stabilized occupancy of 60 percent, has been used as the basis for our stabilized year cash flow forecast presented in Section V.

Although it is possible that the Subject will experience growth in occupancy and ADRs above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to the room supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the Subject over the projected holding period based on our analysis of the market as of the date of this appraisal.

EXHIBIT D

THE HISTORIC CAL NEVA RESORT

Since its development in 1926, the Cal Neva has served as a focal point for social activity on the North Shore of Lake Tahoe. The Property has had a long list of colorful owners from wealthy real estate developers to reputed organized crime figures to Ole Blue Eyes, Frank Sinatra. The Cal Neva has also played host to a long line of entertainers, politicians and social elites from around the world.

The Cal Neva is unique in America as it is one of the few developed properties that is located in two states.

The original Cal Neva Lodge was built in 1926 by wealthy San Francisco businessman, Robert P. Sherman, who used the Lodge as a guesthouse for his friends and real estate clients. The Lodge was patterned after Frank Bacon's log cabin in the hit Broadway play "LIGHTNIN'," starring Will Rogers. The Cal Neva quickly became the playground for celebrities and socialites who wanted to escape the public eye. (In fact, one of the most notorious features of the resort is the set of tunnels constructed so Frank Sinatra and other guests in need of a discreet exit could go directly from the showroom to their private cottages.)

The original Cal Neva Lodge burned to the ground on May 17, 1937 and was rebuilt in just over thirty days. 500 men were employed to work around the clock to finish the new building, including the now famous Indian Room, Circle Bar, and the main casino area.

The Indian Room, known then as the Wigwam Room, had three wigwams on the state line. Moose and deer heads as well as bear skins adorned the walls, and on the right side near the entrance, a massive fireplace was constructed and flanked by large boulders that brought the outside in. The dining-showroom was on the California side and featured many of the great stars of the day.

Rumors circulate about the property having lookouts for California lawmen coming. The property supposedly allowed gaming in the Wigwam room on both sides of the border. If the California lawmen were spotted all the gaming was quickly moved to the Nevada side of the property.

The Cal Neva Lodge survived many owners during the early years, but none were as famous or visible as Frank Sinatra, who purchased the Cal Neva and was licensed on September 20, 1960. He did extensive remodeling, and the Celebrity Showroom was built on the Nevada side with a helicopter pad on top of it. The helicopter pad was used only while Sinatra owed the Cal Neva Lodge. The Cal Neva Lodge filled to capacity during the summer months when Frank Sinatra owned and opened it. He booked big name entertainers for the Indian Room and for the Celebrity Showroom. Among Sinatra's guests were Marilyn Monroe, Judy Garland, Peter Lawford, and the Kennedy family.

The world famous Circle Bar was decorated by Sinatra, who personally selected stuffed animals that graced the near ceiling-level shelf that circled the room, and each animal was named after one of his pals. Hollywood followers were enamored with Sinatra and the "Rat-Pack," an unforgettable fraternity that aligned itself with the White House and controversial celebrities.

Troubles arose in 1963 when the McGuire Sisters were appearing at the Cal Neva Lodge. Sam Giancana, a reputed underworld figure who was in Nevada's Black Book of unwanted casino guests, visited Phyllis McGuire at the Lodge. The ensuing controversy with the Nevada Gaming Control Board resulted in the revocation of Sinatra's license on October 22, 1963.

In 1970, the Property underwent extensive renovations that included the construction of the Tower, and in 1985, after Charles Bluth acquired the Property, the Resort was renovated again and converted into the full-service resort, casino, and wedding/honeymoon facility that it was for next 25 years. Charles Bluth sold the Property in 2005 to the developer who ultimately deeded it to Canyon, and it was essentially open solely to keep the permits active pending a major renovation since that 2005 sale. The Property was closed in Sept. 2013 to begin roof repairs, model room, and abatement work in preparation for the full construction start.

More on the Colorful History of the Cal Neva

- *Cal-Neva Lodge is the oldest originally licensed casino in the United States.*
- *Robert P. Sherman, owner/co-founder of the early Cal Neva, gained initial fame for his football prowess, having fielded the longest punt return in UC Berkley history (105 yards), a record that still stands today.*
- *Judy Garland may have never been discovered by MGM (and never made The Wizard of Oz) if she had not accidentally left a hat box at Cal Neva and had gone back to retrieve it. Her unplanned return to the Lodge (in June 1935) caused her to meet Lew Brown (a lyricist) and Al Rosen, a talent scout who then began the arduous task of marketing her to the movie studios. He eventually introduced her to Jack Robins who then saw her potential and encouraged Lois B. Mayer to audition Judy himself.*
- *Frank Sinatra's first performance on a Cal Neva stage happened in late July, 1958 when he climbed up on stage (in the Indian Room) and jammed with his first professional employer, Harry James and his wife, Betty Grable.*
- *Sinatra was only approached to invest in the Lodge after being asked in May of 1960 if he would perform there. When he discovered a major shareholder had passed away in February of that same year, he realized he had an opportunity to buy a portion of the casino interest (25%).*
- *On July 27th, 1963, Sam Giancana had a fist-fight with the road manager of the McGuire Sisters, which ultimately caused Sinatra to lose the Lodge. Phyllis McGuire had a nervous breakdown in the days following the incident and she was unable to perform for several months thereafter.*
- *Frank Sinatra, eighth owner of the Lodge, was the first and only person who ever had a gaming license revoked on the basis of associating with a person listed in the "Black Book" of undesirable people maintained by the Nevada Gaming Commission.*
- *The last member of the Rat Pack to perform at the Lodge was Dean Martin, whose final appearance was in May of 1977 in the Celebrity Room.*



