

**2270 PLATT LLC**

a Michigan limited liability company

500 Class B Units

\$1,000 per unit

**\$500,000 Regulation Crowdfunding Offering**

November 2019

**A CROWDFUNDING INVESTMENT INVOLVES RISK. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT OR ANY OTHER OFFERING MATERIALS PROVIDED TO INVESTORS.**

**THE U.S. SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OF COMPLETENESS OF ANY OFFERING DOCUMENT OR LITERATURE.**

**THESE SECURITIES ARE OFFERED UNDER AN EXEMPTION FROM REGISTRATION; HOWEVER, THE U.S. SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION.**

## **PROCEDURES**

### **Securities to be offered to investors**

The offering materials being accessed by you (the "Offering Materials") on the Company's profile page (located at <https://localstake.com/businesses/veridian-at-county-farm>) (the "Company Offering Profile") relate to the offer and sale of Class B Units of Membership Interests (collectively, the "Class B Units") in 2270 Platt LLC, a limited liability company organized in Michigan (the "Company"). The Company is seeking to raise between a minimum of \$50,000 (the "Minimum Offering Amount") and a maximum of \$500,000 (the "Maximum Offering Amount") from potential investors (each, an "Investor" and collectively, the "Investors") through the offer and sale of the Class B Units. The Company is offering up to 500 Class B Units in the Offering, at a price of \$1,000 per Class B Unit. Investors will become Members of the Company and will have the rights and obligations set forth in the Operating Agreement, a copy of which is provided in the Offering Materials. For a detailed summary of the Offering and the Class B Units, see the Term Sheet included in the Offering Materials. The Company owns real estate located at 2270 Platt Road, Ann Arbor, MI 48104 (the "Property") and has contracted with THRIVE Collaborative (the "Sponsor") to develop and manage Veridian at County Farm, a mixed-income housing development comprised of 96 total lots to be constructed on the Property (the "Project").

### **Closing procedures for the Offering**

The Offering shall be available to potential Investors until the final closing of the sale and purchase of the Class B Units (the "Final Closing"), which will occur upon the earlier of (i) the date the Company has closed on the purchase and sale of Class B Units for the Offering Amount, (ii) November 6th, 2020 at 11:59 PM EST, or (iii) the Company terminates the Offering in its sole and absolute discretion (the "Termination Date"). The Class B Units are offered by the Company on a best efforts, minimum-maximum basis as specified herein. As such, the Offering is contingent upon the Company's receipt of the Offering Amount, prior to the Termination Date. All funds received from Investors will be held in an escrow account (the "Escrow Account") established with Kingdom Trust Company (the "Escrow Agent") until the Offering Amount has been satisfied. Once the Offering Amount has been received by the Escrow Agent in the Escrow Account, pursuant to the terms of the Escrow Agreement and provided that i) the Company has provided advance written notice to Investors of at least five (5) business days, ii) the Offering has been available on the Company Offering Profile for a minimum of twenty-one (21) days, iii) there has been no material change that would require an extension of the Offering and reconfirmation of the investment commitment, and iv) the Escrow Account continues to meet the Offering Amount at the end of the five business day period after Investors have been notified of the closing, the Escrow Agent will initiate the transfer of Investor funds (net of the placement fee to be paid to the placement agent, Localstake Marketplace LLC (the "Placement Agent"), on such amounts) from the Escrow Account to a deposit account maintained by the Company (the "Initial Closing"), which funds shall constitute net proceeds usable by the Company for the purposes

outlined in the Offering Materials. After the Initial Closing, additional Investor funds will be held in the Escrow Account until, and at such time as, the Placement Agent chooses to, in its sole discretion, direct the Escrow Agent to release the additional Investor funds, (each a "Closing"), to be facilitated using the same procedures identified herein for the Initial Closing. The Company will continue to accept investment commitments up until the occurrence of the Final Closing. If the Offering Amount has not been received by the Company into the Escrow Account prior to the Termination Date of the Offering, no Class B Units will be sold in the Offering, and the Offering will not be consummated. All investment commitments will be cancelled and the Escrow Agent will initiate a return of any Investor funds deposited in the Escrow Account to such Investors within ten (10) business days. Investor funds will not earn interest while in escrow and no interest will be returned with Investor funds if the Offering is not consummated. Any Class B Units subscribed for by control persons of the Company or the Placement Agent (or their affiliates or related persons thereof) will not be counted in determining whether the Offering Amount has been satisfied.

### **Material changes to the Offering**

Should a material change be made by the Company to the Offering Materials, including, but not limited to a change to the Termination Date or the Offering Amount, the Company will provide to all Investors who have made investment commitments notice of the material change. If the Investor does not reconfirm his or her investment commitment within five (5) business days of receipt of such notice, the Investor's investment commitment will be cancelled and the Investor will receive a notification verifying that the investment commitment was cancelled, the reason for the cancellation and the refund amount that the Investor should expect to receive. The Escrow Agent will initiate a return of the Investor's funds deposited in the Escrow Account to such Investor within ten (10) business days.

### **The Company's acceptance of investments and cancellations**

The Company reserves the right to accept, through execution of a countersignature on the Subscription Documents, an Investor's subscription for Class B Units at any time prior to the Termination Date of the Offering and may reject the Subscription Documents based upon the Company's review thereof for any reason or for no reason. Should the Company receive investment commitments for greater than the Offering Amount, the Company will determine, in its sole discretion, which subscriptions to accept up to the Offering Amount. If the Investor has chosen to transfer their investment funds electronically, these funds will be transferred from their linked bank account as specified on the Company Offering Profile to a deposit account in the name of the Company, forty-eight (48) hours after the Company's acceptance thereof. If the Investor has chosen another form of funds transfer, the Investor will receive a notice containing instructions for transferring funds to the deposit account in the name of the Company. Investors may cancel their investment commitment in the Class B Units, using the methods made available on the Company Offering Profile, and have their investment funds returned (if applicable) for any reason up to forty-eight (48) hours after the Closing applicable to the Investor's investment. If an

Investor has not canceled his, her or its investment commitment in the Class B Units prior to such deadline, the Investor's subscription for the Class B Units shall be irrevocable by the Investor, and will be documented through the receipt of an executed copy of the Class B Units, which will also be recorded and maintained on the books of the Company. The Company does not intend to employ the services of a transfer agent.

### **Securities laws being utilized and investor qualifications**

This Offering is made in reliance upon an exemption from registration under the federal Securities Act of 1933, as amended (the "Securities Act") as set forth in Section 4(a)(6) and in accordance with Section 4A and Regulation Crowdfunding (Section 227.100 et seq.). Regulation Crowdfunding sets forth certain statutory investment limitations for purchasers of securities offered pursuant thereto. The Class B Units will be offered and sold only to persons whose investment in the Class B Units, together with any other investments made in any Regulation Crowdfunding offering during the 12-month period preceding the date of such transaction, does not exceed: (i) the greater of \$2,200 or 5 percent of the lesser of the investor's annual income or net worth if either the investor's annual income or net worth is less than \$107,000; or (ii) 10 percent of the lesser of the investor's annual income or net worth, not to exceed an amount sold of \$107,000, if both the investor's annual income and net worth are equal to or more than \$107,000 ((i) and (ii) collectively referred to as the "Qualified Investors"). The minimum investment that will be accepted by the Company from a Qualified Investor is \$500.

### **Use of proceeds in the Offering**

The Company intends to use the net proceeds of this Offering for pre-construction soft costs for the Project, as explained in further detail on the Funding tab of the Company Offering Profile.

### **Subscribing for an investment and transferring funds**

Investors interested in subscribing for the Class B Units will be required to complete and return to the Company the Subscription Documents, as described herein. Payment of the investment amount is preferred via electronic ACH transfer, but may also be made by check or domestic wire. Instructions for each method of payment will be provided upon investment via the Company Offering Profile.

### **Fees for placement agent services**

As compensation for Localstake Marketplace LLC's services in connection with the Offering, Localstake Marketplace LLC shall be entitled to receive a placement fee paid by the Company (the "Placement Fee"). Below is a breakdown of the Gross Proceeds, estimated Placement Fee and Net Proceeds for the Offering.

### **For Minimum Offering Amount**

- Gross Proceeds: \$100,000
- Estimated Placement Fee: \$5,000
- Net Proceeds: \$95,000

#### **For Maximum Offering Amount**

- Gross Proceeds: \$500,000
- Estimated Placement Fee: \$25,000
- Net Proceeds: \$475,000

(1) Estimated placement fee payable by the Company to Localstake Marketplace LLC. The Company will pay a Placement Fee of 5.0% on all Gross Proceeds received by the Company from the sale of the Class B Units in the Offering. The resulting aggregate Placement Fee does not include a \$1,000 Offering Preparation fee paid prior to the Offering.

#### **DISCLOSURES**

##### **An investment in the Class B Units is speculative and involves a high degree of risk**

An investment in the Company should not be made by persons unable to bear the risk of loss of their entire investment or by persons who may have a need for liquidity from their investment. In making an investment decision, you must rely on your examination of the Company and the terms of the Offering, including the merits and the risks involved. Like all investments, an investment in the Company involves the risk of the loss of capital, and the Class B Units should not be purchased by anyone who cannot afford the loss of his, her or its entire investment. Investors must be prepared to bear the economic risk of an investment in the Company for an indefinite period of time and be able to withstand a total loss of their investment. Investors are encouraged to consult their own investment or tax advisors, accountants, legal counsel, or other advisors to determine whether an investment in the Class B Units is appropriate.

##### **The Class B Units have not been registered under the Securities Act**

The Class B Units offered by the Company have not been registered under the Securities Act, nor any applicable state securities laws, in reliance on the exemption from registration in Securities Act Section 4(a)(6) and in accordance with Section 4A and Regulation Crowdfunding (Section 227.100 et seq.). The investment contemplated by the Class B Units has not been recommended, approved, or disapproved by the SEC, or any state securities commission, or other regulatory authority, nor have any of these authorities passed upon or endorsed the merits of this Offering or the accuracy, completeness, or adequacy of the Offering Materials. Any representation to the contrary is a criminal offense.

##### **Investors will be subject to certain suitability requirements**

The Class B Units will not be sold to an Investor until such Investor delivers an executed representation, as contained in the Qualified Investor Questionnaire and Subscription Agreement, that he, she or it is a Qualified Investor and meets certain standards. Persons who are not Qualified Investors are not permitted to invest. The fact that a person is a Qualified Investor represents the minimum suitability requirement for an Investor, and compliance with such standards does not necessarily indicate that this would be a suitable investment for such person.

**There is no market for the Class B Units and no such market is expected to develop**

The Class B Units are subject to restrictions on transferability and resale and may not be transferred or resold by any Investor in the Class B Units during the one-year period beginning when the Class B Units were issued, unless the Class B Units are transferred (i) to the Company; (ii) to an Accredited Investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the Investor or the equivalent, to a trust controlled by the Investor, to a trust created for the benefit of a member of the family of the Investor or the equivalent, or in connection with the death or divorce of the Investor or other similar circumstance. The term "member of the family of the Investor or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Investor, and includes adoptive relationships. The term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse. Investors may be required to bear the financial risks of the investment in the Company for an indefinite period of time. Persons who desire liquidity from this investment should not invest.

**The Company will have the right to refuse any subscription in its sole discretion**

The Company will have the right to refuse any subscription in its sole discretion and for any reason (or no reason), including the Company's belief that an Investor does not meet the applicable suitability requirements or that exemptions from the registration requirements of any applicable jurisdiction are not available with respect to the issuance of the Class B Units to any Investor under this Offering. The Company may make or cause to be made such further inquiry and obtain such additional information as it deems appropriate with regard to the suitability of Investors. The Company reserves the right to modify the suitability standards with respect to certain Investors in order to comply with any applicable state or local laws, rules, regulations or otherwise.

**The information presented in the Offering Materials was prepared by the Company and contains "forward-looking" statements**

The Offering Materials (together with any amendments or supplements and any other information that may be furnished by the Company) includes or may include certain forward-looking statements, estimates, and projections with respect to the Company's anticipated future performance. Examples of forward-looking statements include

statements regarding the Company's future sales, purchase orders, financial results, operating results, acquisitions, business and monetization strategies, projected costs, revenues, products, competitive positions and plans and objectives of management for future operations. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "would," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology. Such forward-looking statements, estimates, and projections are not guarantees of future performance and reflect various assumptions of the Company's management that may or may not prove correct and involve various risks and uncertainties over which the Company may have no influence or control. No independent party has verified or confirmed the reasonableness of the assumptions that form the basis of the forecasts. These and many other factors could affect the Company's future financial and operating results, and could cause actual results to differ materially from expectations based on forward-looking statements made in the Offering Materials or elsewhere by the Company (or on its behalf). The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with a pre-construction real estate project. There can be no assurance that the Company will generate any particular level of revenue or will be able to continue to operate profitably. The Placement Agent expressly disclaims any representation or warranty regarding involvement in or responsibility for any forward looking statements contained in the Offering Materials.

**Only the Offering Materials may be relied upon in connection with this Offering**

Only the information expressly set forth in the Offering Materials or contained in documents furnished by the Company upon request may be relied upon in connection with this Offering. No person has been authorized to give any information or to make any representations other than those contained in the Offering Materials and, if given or made, such information or representations must not be relied upon. Access to the Offering Materials at this time does not imply that information therein is correct as of any time subsequent to this date.

**The Offering Materials do not purport to be all-inclusive**

The Offering Materials provided to Investors do not purport to be all-inclusive or contain all of the information that you may desire in investigating the Company. You must rely on your own examination of the Company and the terms of the Offering, including the merits and risks involved in making an investment in the Class B Units. Prior to making an investment decision, you should consult your own counsel, accountants, and other advisors and carefully review and consider all of the Offering Materials provided and the other information that you acquire. You should not construe any statements made in the Offering Materials provided as investment, tax or legal advice.

**The Company reserves the right to reject some or all of any prospective investment**

The offer of the Class B Units by the Company is subject to prior sale and certain other conditions. The Company reserves the right, in the Company's sole discretion and for any reason, to withdraw, cancel, or modify the Offering and to accept or reject some or all of any prospective investment. The Company will have no liability to any Investor in the event that the Company takes any of these actions.

**The terms, conditions and restrictions of the Class B Units are fully set forth in the Operating Agreement**

The terms, conditions and restrictions of the Class B Units are fully set forth in the Operating Agreement, which you will be required to execute if you decide to invest, the form of which has been provided to you in the Offering Materials section for this Offering on the Company Offering Profile. You should not invest unless you have completely and thoroughly reviewed the provisions of the Operating Agreement. In the event that any of the terms, conditions, or other provisions of the Operating Agreement are inconsistent with or contrary to the information provided in the Offering Materials, that agreement will control. Any additional information or representations given or made by the Company in connection with the Offering, whether oral or written, are qualified in their entirety by the information set forth in the Offering Materials, including, but not limited to, the risks of investment.

**No solicitation in any state or other jurisdiction in which such solicitation is not authorized**

The Offering Materials do not constitute an offer to sell, or a solicitation of an offer to buy, any security in any state or other jurisdiction in which such an offer or solicitation is not authorized. Except as otherwise indicated, the offering materials speak as of the date the Offering was initiated. Neither access to the Offering Materials nor any sale of the Class B Units shall, under any circumstances, create an implication that there has been no change in the Company's affairs from the date the Offering was initiated.

**Each investment is subject to the terms and conditions of the Investor Registration Agreement**

Each Investor's subscription for and purchase of the Class B Units is governed by, and subject to, the terms and conditions of the Investor Registration Agreement entered into between the Placement Agent and such Investor, including, without limitation, the investment limits established by the Placement Agent for such Investor, the Placement Agent's rights to terminate the offering or any Investor's registration with the Placement Agent.

**The Company will be available to you to answer questions and furnish additional information**

The Company will make available to you, upon request, copies of material agreements and other documents relating to the Company and will afford you the opportunity to ask

questions and receive answers from the Company concerning its business and financial condition. The Company will also provide you an opportunity to meet with representatives of the Company to obtain other additional information.

## **COMPANY RISKS**

### **Need for additional financing**

In order to finance the construction of the Project, the Company is looking to raise \$2,105,275 in additional equity financing for the Project outside of this Offering, in addition to a \$480,000 capital contribution by the managers of the Company. The Company also plans to take on long term debt to cover the difference between the total estimated Project costs of \$10,015,250 and the total financing raised through this Offering and other sources. If the Company's gross proceeds from this Offering and other financing sources do not cover estimated Project costs, completion of the Project may be delayed indefinitely or cancelled, jeopardizing the Company's ability to make equity distributions to Investors, or possibly resulting in a total loss of investment for the Investors.

### **No operating history**

The Company was formed in February 2019 and has no previous operating history or past financial information. The Company has not generated any income to date. The Project is currently in an early phase of construction and is not generating rental income. Due to the Company's lack of operating history and the development status of the Project, the Company is unable to forecast its income with any assurance of accuracy. Therefore, we cannot provide any assurance that the Company will be able to achieve projected income levels or projected equity distributions to Investors.

### **Unpredictability of future revenues; Potential fluctuation in operating results**

Because the Company has no operating history, the ability to forecast revenues is limited. The Company's future financial performance and operating results may vary significantly from projected amounts and fluctuate substantially from quarter to quarter due to a number of factors, many of which are likely to be outside of the Company's control. These factors, each of which could adversely affect results of operations, include:

- Actual expenses could be in excess of projected expenses;
- The Company may not be able to sell the lots on the Property at a price that is above its purchase and development costs;
- Changes in the demand for or supply of competitive properties;
- Environmental controls and other governmentally imposed restrictions;
- Changes in state or local tax rates and assessments;
- Changes in general or local economic conditions and acts of God or other calamities;
- The Company's ability to attract, train and retain qualified personnel;

- Change in federal or state laws and regulations;
- Loss of key business partners.

The projections of the Company's future expenses are based upon assumptions as to future events and conditions, which the Company believes to be reasonable, but which are inherently uncertain and unpredictable. The Company's assumptions may prove to be incomplete or incorrect, and unanticipated events and circumstances may occur. Due to these uncertainties and the other risks outlined herein, the actual results of the Company's future operations can be expected to be different from those projected, and such differences may have a material adverse effect on the Company's prospects, business or financial condition. Any projections that were prepared or provided by the Company were not prepared with a view toward public disclosure or complying with the published guidelines of the American Institute of Certified Public Accountants or the Securities Exchange Commission regarding projected financial information. Under no circumstances should such information be construed to represent or predict that the Company is likely to achieve any particular results.

### **Existing and potential litigation**

Although management is unaware of any threatened or pending litigation against the Company or management, there can be no assurance that future claims will not be asserted and that, even if without merit, the cost to defend against such claims would not be significant, thus having a material adverse effect on the Company's business, financial condition and results of operations. The Company has never filed any lawsuit against any other person or entity, or been the subject of a lawsuit.

### **Control of the Company**

The managers comprising the Company's management team will have sole management authority over the business and affairs of the Company, regardless of the opposition of Investors to pursue an alternate course of action. Investors will have no right to vote with respect to the management or to participate in any decision regarding management of the Company's business, other than the situations provided for in the Operating Agreement. On matters subject to a member vote, the Investors will represent a minority interest in the Company and may be overruled by the majority holding a majority in interest of the outstanding units of the Company.

### **The Company is obligated to indemnify its management**

Executive officers and managers of the Company owe certain duties to the Company they serve in connection with the use of its assets. Executive officers and managers are fiduciaries, and as such are under obligations of trust and confidence to the Company and owners to act in good faith and for the interest of the Company and its owners, with due care and diligence. Notwithstanding the foregoing, the Company is obligated to indemnify officers and managers of the Company for actions or omissions to act by such officers and managers of the Company on behalf of the Company that are authorized

under the organizational documents of the Company. In addition, an officer may be entitled to advancement of expenses they may incur associated with or in defense of charges, claims or legal action arising from such person's position as an officer or manager of the Company, which could result in a decrease in the assets available for Investors in certain circumstances. The assets of the Company will be available to satisfy these indemnification obligations. Such obligations will survive dissolution of the Company. There are very limited circumstances under which the management of the Company can be held liable to the Company. Accordingly, it may be very difficult for the Company or any Investor to pursue any form of action against the management of the Company.

### **No audited financial statements**

While the historical financial statements provided in the Offering Materials has been reviewed by an independent accounting firm, this information has not been audited and there is no assurance that the Company will have its financial statements audited in the future.

### **The Company may not obtain sufficient insurance coverage**

The cost of insurance policies maintained by the Company to protect the Company's business and assets could increase in the future. In addition, some types of losses, such as losses resulting from natural disasters, generally are not insured because they are uninsurable or it is not economically practical to obtain insurance to cover them. Moreover, insurers recently have become more reluctant to insure against these types of events. Should an uninsured loss or a loss in excess of insured limits occur, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### **Certain actions by members could result in the loss of the limited liability protections of the Company**

The liability of each Member will be limited assuming compliance with the laws of each jurisdiction where the Company operates and assuming compliance with the Operating Agreement and applicable formative and qualification requirements in the State of Michigan. However, if a Member participates in the control of the business of the Company, such Member may be held liable for Company obligations to the same extent as a Manager.

### **Continuity of the manager**

The Company relies exclusively on the expertise and experience of the managers of the Company. The loss of managers, or the Sponsor, whether by death, disability, or through some other cause, could materially and adversely affect the development of the Property, and the Company's business, financial condition, and operations. There can be no assurance that the Company would be able to attract additional qualified managers. The

failure to attract and retain a successor manager could materially and adversely affect the Company's business, financial condition and results of operations.

### **General real estate industry risks**

The Company will be subject to all the risks inherent in developing and investing in real estate assets. A major risk of owning real estate is the possibility that the Project will not generate sufficient income to meet expenses, including debt service or other required payments, or will decrease in value. Additional risks may include, without limitation, general and local economic and social conditions, the supply and demand for comparable properties, energy shortages and costs, declines in neighborhood Project values, changes in tax, zoning, building, environmental and other applicable laws, real Project tax rates, changes in interest rates and the availability of mortgage funds which may render the sale of properties difficult or unattractive. Such risks also include fluctuations in operating expenses which could adversely affect the value of the Project. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Company.

### **Environmental liabilities**

Federal, state and local laws may impose liability on a property owner for releases, or the otherwise improper presence on the premises, of hazardous substances without regard to fault or knowledge of the presence of such substances. A property owner may be held liable for environmental releases of such substances that occurred before it acquired title and that are not discovered until after it sells the property. If any hazardous substances are found at any time on or around the Property, the Company may be held liable for all cleanup costs, fines, penalties and other costs regardless of whether it owned the Property when the releases occurred or the hazardous substances were discovered.

### **Impact of government regulation**

Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions, environmental protection and safety and other matters affecting the ownership, use and operation of the Property. Regulations may be promulgated which could have the effect of restricting or curtailing usages of existing structures, or requiring that such structures be renovated or altered in some manner. The enforcement of such regulations could have the effect of increasing the expenses, and lowering the income or rate of return, as well as adversely affecting the value, of the Property owned by the Company.

### **Title and survey matters**

The Property is subject to various matters affecting title, including but not limited to, zoning ordinances, building codes and the matters set forth on the title commitments and surveys. Such matters may include, for example, easements, declarations, restrictions and

other limitations on the right of the Company to use the Property. In addition, other issues that are not disclosed by the title commitments or the surveys may affect title. In connection with the acquisition of the Property, the Company will obtain title insurance. In the event that a known or new matter arises with respect to any of the Property, however, there is no guaranty that the title insurance will sufficiently protect the Company against all title issues affecting the Property, that the title company will pay any claim, that the title insurance is sufficient to cover any damages, or that the Company will not incur costs in making a title insurance claim.

### **Sale of the Property**

The proceeds realized from potential sales of the lots on the Property will be distributed to the Company and then by the Company among the Investors in accordance with their respective ownership, but only after payment of the Senior Loan (and any other loans) and satisfaction of the claims of other third-party creditors. The ability of any Investor to recover all or any portion of its investment will, accordingly, depend on the amount of net proceeds realized from such sale and the amount of claims to be satisfied therefrom. There can be no assurance that the Investors will receive any proceeds from sale of the Property. In addition, since the Property is comprised of a total of 96 separate lots, the length of time required for each of the lots to sell is unknown at the time of this Offering. The return on investment for the Investors will be materially impacted if some or all of the lots take longer than expected to sell, or are not sold at all.

### **Competition from other properties**

The Property competes with similar properties in the Ann Arbor, Michigan market. Potential homebuyers will have various options of other new and existing properties in the surrounding area, and there is no guarantee that the Company will be able to compete effectively in attracting homebuyers. Other properties and real estate investments may be more attractive than the Property. The Company has no ability to accurately predict the competitive market in the area of the Property and an increase in competition could have a materially adverse effect on the Company's prospects, business, operating results, and financial condition.

### **Dependence on a single income producing asset**

The Project is expected to be, for the foreseeable future, the Company's only asset. As a result, the Company will not have diversified sources of revenue. The prospects of the Company depend upon the timing of the buildout for the Project and the sale of the lots comprising the Project. The typical risks relating to an investment in real estate will apply to the Project and its ability to meet debt service obligations and generate equity distributions. These include, but are not limited to:

- Changes in the general economic climate and market conditions of the United States and Ann Arbor, Michigan;
- A failure to sell the Project lots in a timely manner or the timeline anticipated;

- Limited availability of mortgage funds or fluctuations in interest rates which may effect the sale of the Project lots;
- Unanticipated increases in real estate taxes and other operating expenses;
- Competition from other similar housing properties;
- Environmental considerations;
- Zoning laws and other governmental rules and policies; and
- Uninsured losses including possible acts of terrorism or natural disasters.

Due to the lack of diversification, any one or more of the preceding factors could materially adversely affect the value of the Project. If the value of the Project were to decrease and the Company were to choose to sell the Project, liquidate and distribute its remaining assets after paying creditors senior to the Investors in the Class B Units, Investors might not recover the amount of their investment, if Investors were to receive any funds at all.

### **Investments in property requiring substantial construction carry significant risks**

Because the Property requires substantial construction efforts, there are additional risks relating to the nature of such construction efforts. Construction risks include, but are not limited to, the timeliness of the project's completion, the integrity of appraisal values, and the length of the ultimate construction process. If construction work is not completed (due to contractor abandonment, unsatisfactory work performance, or various other factors) and all available financing has already been expended, then in the event of a default the Company may in some instances borrow significant additional funds to complete the construction work. Any such investment could potentially require that it be repaid by the Company prior to the Investors being paid back on their investment; in such event, the ability of the Investors to realize on their investment would be materially adversely affected. Default risk also exists where it takes the Developer longer than anticipated either to construct the Property. Investments involving properties with such development or significant rehabilitation business plans have an increased risk of failure.

### **SECURITIES RISKS**

#### **No market; Lack of liquidity**

There currently is no public or other trading market for the Class B Units being offered or any other securities of the Company and there can be no assurance that any market may ever exist for the Class B Units being offered or any other securities of the Company. If a public market does develop, factors such as competitors' announcements about performance, failure to meet securities analysts' expectations, changes in laws, government regulatory action, and market conditions for the industry in which the Company operates in general could harm the price of the Company's publicly traded securities. The Company has no obligation to register the Class B Units being offered or any other securities under the Securities Act or any state securities laws. Investors should be prepared to hold their Class B Units for an indefinite period.

### **Restrictions on transferability**

The Class B Units offered by the Company have not been registered under the Securities Act, nor any applicable state securities laws, in reliance on the exemption from registration in Securities Act Section 4(a)(6) and in accordance with Section 4A and Regulation Crowdfunding (Section 227.100 et seq.). As a result, the Class B Units are subject to restrictions on transferability and resale and may not be transferred or resold by any Investor in the Class B Units during the one-year period beginning when the Class B Units were issued, unless the Class B Units are transferred (i) to the Company; (ii) to an Accredited Investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the Investor or the equivalent, to a trust controlled by the Investor, to a trust created for the benefit of a member of the family of the Investor or the equivalent, or in connection with the death or divorce of the Investor or other similar circumstance. The term "member of the family of the Investor or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Investor, and includes adoptive relationships. The term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse. In addition, there is no market for the Class B Units being offered and the Company does not expect that any market will be developed in the foreseeable future.

### **Investors may not receive a return of their investment amounts and there is no guarantee of return**

Investors will be entitled to receive a return on their investment only through the Class B Units. The only source of funds for the repayment of the Investors' investment amounts and a return on such investment amounts is the Company's operations. The return to Investors and the future value of the investment will depend on a number of factors which cannot be predicted at this time and which may be beyond the control of the Company. These include the general, local, and industry-related economic conditions. In the event that the Company does not generate sufficient revenues from operations, the Investors may not receive any return at all and may lose a substantial portion (or possibly all) of their investment amounts. Neither the Company nor the Placement Agent makes any representations or warranties with respect to any return on an investment in the Company. There can be no assurance that an Investor will receive any return on an investment in the Company or realize any profits on such Investor's investment in the Company.

### **Future changes in federal tax legislation or regulations could adversely affect the Company**

Under current Treasury Department regulations and based upon the terms of the Operating Agreement, the Company will be classified as a partnership for federal income tax purposes. Investors should recognize that the present federal income tax treatment of a Member in a limited liability company may be modified at any time by legislative

changes in the federal income tax laws, administrative changes in regulations, administrative interpretations by the IRS or judicial action and that any such action could adversely affect an investment in the Company. If the Company is treated as an organization taxable as a corporation, the Company would be required to pay tax at corporate rates upon its profits and distributions to the Members would be taxable to them as dividends to the extent of the Company's current and accumulated earnings and profits; such distributions would not be deductible by the Company. Furthermore, if the IRS audits the Company, it may seek to allocate the profits and losses of the Company in a manner less favorable to the Members than that which is set forth in the Operating Agreement.

**The Company may cause a member to incur tax liability without making any cash distributions to its members**

Each Member is required to report on his, her or its federal income tax return such Member's allocable share (usually as determined by the Operating Agreement) of the income, gain, loss and deductions of the Company whether or not any actual cash distribution is made to such Member during such Member's taxable year. Prior to the disposition of the Class B Units, a Member will only be allowed to use such Member's share of the Company's losses, if any, to offset income from other passive activities or to carry over the losses (subject to any adjustments) to apply against passive income or gains in future years. To the extent the Company does not distribute cash in an amount sufficient to enable a Member to satisfy the tax obligation attributable to such Member's share of the Company's taxable income or capital gain for a given year, the Member will have to pay the tax attributable to such Member's share of such taxable income or capital gain using other sources of cash. In addition, a Member may experience a gain resulting from the disposition of such Member's Class B Units or from a disposition by the Company of some or all of its assets (whether by sale, exchange, forfeiture or foreclosure) even though no cash (or an amount of cash less than the amount of tax) is realized on the disposition. In such circumstances the affected Member may experience an out of pocket cost to the extent that the tax on such gain exceeds the cash, if any, realized.

**Purchase price of the Class B Units may not reflect the value of the Class B Units**

The offering price of the Class B Units has been established by the management of the Company and is not necessarily indicative of the value of the Class B Units or the Company's asset value, net worth, or other criteria of value. There can be no assurance that this price accurately reflects the current value of the Class B Units.

**Long-term investment**

An investment in the Company requires a long-term commitment with no certainty of return. It is anticipated the Property will be held for a significant period of time and may not be liquidated. Dispositions of such investments may require a lengthy time period. While it is the intention of the Company to follow its strategy in the Offering Materials,

other factors such as overall economic conditions, the competitive environment and the availability of potential acquirers may shorten or lengthen the holding period of the Property.

### **Investor's ability to withdraw their capital contributions is limited**

Members may not withdraw their capital contributions, except upon dissolution of the Company or as otherwise provided in the Company's Operating Agreement or as required by Michigan state law. Otherwise, Members will be entitled to receive a return of their capital contributions only through distributions in accordance with the Operating Agreement. The only sources of funds for the repayment of Members' capital contributions is from selling the lots in the Project and from selling the Project to another buyer. In the event that the Company does not generate sufficient cash flow from from selling the lots or from selling the Project to another buyer, the Members will not receive a return of their capital contributions.

### **Potential for dilution**

The issuance or sale of additional Class B Units or other equity securities of the Company in connection with acquisitions or additional rounds of equity financing will have a dilutive effect on existing Members of the Company. As a result, the percentage ownership of a Member and/or such Member's economic interest in the Company may be reduced in the future. In addition, subsequent investors may demand and receive terms more favorable than the terms of the Class B Units in this Offering. Please see the Capitalization of the Company section for detail on additional proposed capital raises, which may have a diluted effect on the Class B Units being offered in this Offering.

### **Senior debt obligations of the Company**

The Company plans to secure senior bank debt from either Chemical Bank or Bank of Ann Arbor in the amount of \$7,010,675 (the "Senior Lender", and the "Senior Loan", respectively), which will impose certain conditions on the Company. Any Senior Loan documents will likely contain various representations, covenants (affirmative and negative) and other provisions. Such restrictions, while relatively common in today's small business financing market, increase the risks of an investment in the Company. If the Company fails to satisfy the covenants, the Senior Lender may declare the Senior Loan in default, in which case, Investors could lose their entire investment in the Company.

### **Additional corporate actions may have a negative impact on Investors**

Approval of the Members is not required in order for the Company to issue additional units or enter into any other material transactions. In addition to the issuance of additional units, if the Company were to repurchase securities and there were fewer units outstanding, the Company may not have enough cash available for operating expenses to reach its goals. If the Company does not have enough cash to operate, it is anticipated

that the market price of the Class B Units would decline. A sale of the Company or of the assets of the Company may result in an entire loss of your investment. The Company cannot predict the market value of the Company or of its assets, and the proceeds of a sale may not be cash, but instead, unmarketable securities, or an assumption of liabilities. It is unlikely that in the near term, a sale would result in a premium that is significant enough over book value to generate a return to Investors.

### **The terms of the Class B Units may be amended without the consent of the Investor**

Any term of the Class B Units as defined in the Operating Agreement may be amended or waived with the written consent of the Company and Members holding at least fifty percent (50%) of the total ownership owned by all Members. Such an amendment would be effective to, and binding against all Investors in the Class B Units. As such, the Investor should be aware that it is possible for the Class B Units to be amended without their consent.

## **TAXES**

### **General tax considerations**

Investors in the Class B Units are urged to consult their tax advisors concerning the federal, state, local and foreign income tax consequences of acquiring, owning, and disposing of, the Class B Units as well as the application of state, local and foreign income and other tax laws. Any federal tax discussion contained in these Offering Materials, including any attachments, was written in connection with the Offering of the Class B Units by the Company, and is not intended or written to be used, by anyone for the purpose of avoiding federal tax penalties that may be imposed by the federal government. Nothing in these Offering Materials shall be deemed tax or legal advice by the Company or its members. The tax-related information herein summarizes certain material U.S. federal income tax aspects of the purchase and ownership of the Class B Units. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the regulations thereunder, published administrative rulings, and judicial decisions in effect on the date of the Offering Materials. No assurance can be given that future legislative or administrative changes or court decisions will not significantly modify the statements expressed in these Offering Materials. Any such changes may or may not be retroactive with respect to transactions completed prior to the effective dates of such changes. The tax-related information herein is a general discussion of U.S. federal income tax consequences of investing in Class B Units by individuals and does not purport to deal with all federal income tax consequences applicable thereto or the federal income tax consequences applicable to all categories of Investors, some of which may be subject to special rules (e.g., Investors who do not reside in or citizens of the U.S.). This discussion is not intended as a substitute for careful tax planning. Any federal tax discussion contained in these Offering Materials, including any attachments, was written in connection with the offering of Class B Units by the Company, and is not intended or written to be used, by anyone for the purpose of avoiding federal tax penalties

that may be imposed by the federal government. Investors are urged to consult their own tax advisors, lawyers, or accountants with specific reference to their own tax situations.

### **Tax treatment of Investors in the Class B Units**

The Company will be classified as a partnership for federal tax purposes. The Company itself will not be subject to federal income tax, although it is possible that the Company would be subject to income tax in one or more state or local tax jurisdictions. Instead, each Member will be required to report on such Member's own income tax return the Member's share of the Company's income, gains, losses, deductions, tax credits, and tax preferences. In determining the federal income tax liability of a Member as a consequence of the Member's investment in the Company, the following principles will apply in the order summarized below: (a) The allocation provisions contained in the Operating Agreement will determine each Member's share of the items of profits and losses of the Company for tax purposes to the extent that such allocations have substantial economic effect or are otherwise in accordance with the Member's Interest in the Company; (b) Each Member's tax basis in the Member's Class B Units must equal or exceed the amount of losses allocated to the Member, net of profits so allocated, and cash distributed to such Member; and (c) Each Member's amount "at risk" in the Member's Class B Units must equal or exceed the amount of losses allocated to the Member, net of profits so allocated, and cash distributed to the Member. In addition to and after satisfying the foregoing principles, the ability of a specific Member to take advantage of any losses or deductions allocated to the Member with respect to such Member's Class B Units may be limited by the passive loss and passive credit limitations described in the "Limitations on Losses from Passive Activities" section. Cash or other property received by a Member from the Company generally will not cause recognition of income for tax purposes by the Member but will reduce such Member's basis and amount "at-risk" in the Member's Class B Units by the cash or the Company's basis in other property received by the Member. A distribution of cash and generally marketable securities in excess of a Member's adjusted basis in the Member's Class B Units prior to the distribution will result in the recognition of taxable income to the extent of the excess. Any such taxable income generally will be treated as capital gain. Each Member will be allocated a share of profits and/or losses for tax purposes. It is possible that the Company will not be able to distribute sufficient funds to the Members to enable them to meet their tax obligations attributable to profits for tax purposes.

### **Tax basis for the Class B Units**

A Member's tax basis for the Member's Class B Units generally will be equal to the Member's Capital Contribution plus the Member's share of the Company's liabilities. From time to time, such tax basis will be (a) increased by the amount of profits for tax purposes allocated to the Member, and (b) decreased by distributions and the amount of losses for tax purposes allocated to the Member, and (c) increased or decreased by changes in liabilities. Each Member may deduct, on the Member's own federal income tax return, the Member's share of the Company's losses for tax purposes, if any, to the extent that the Member has tax basis in the Member's Class B Units, subject to other

limitations discussed in this section. Any tax losses in excess of a Member's tax basis may be carried over indefinitely and may be deducted in future years to the extent otherwise allowable and to the extent that the Member's basis has increased above zero. See "Tax Treatment of Holders of Class B Units," "Application of At-Risk Limitations" and "Limitations on Losses from Passive Activities" for other limitations on the amount of losses that may be claimed by an investor in the Preferred Membership Interests.

### **Application of at-risk limitations**

Code Section 465 provides that the amount of any losses (otherwise allowable for the year in question) that may be deducted by an individual or a "closely held corporation" (i.e., generally a C corporation in which five or fewer shareholders directly or indirectly own more than 50% of the stock) other than a leasing company, in connection with activities that are part of a trade or business or that are engaged in for the production of income, cannot exceed the aggregate amount with respect to which such taxpayer is "at risk" in such activity at the close of the tax year. In the case of a partnership engaged in such activities, the limitations apply to each partner who is an individual, trust, estate or "closely held corporation." A Member generally will be considered "at risk" to the extent of the cash and adjusted basis of other property contributed to the Company, as well as any liabilities with respect to which such Member is personally liable for payment from the Member's assets. If at the end of a taxable year a Member's amount "at risk" has been reduced below zero, the deficit amount "at risk" is recaptured and must be included in gross income in that year. The amount recaptured is treated in future years as if it were a deduction suspended by the "at risk" provisions. To the extent that a Member's amount "at risk" is increased above zero in a subsequent year, this additional deduction may be allowable at such time.

### **Limitations on losses from passive activities**

The following is a general discussion of certain limitations on losses from passive activities, applicable to individual and other non-corporate investors. However, the manner in which the limitations on losses from passive activities will apply to any particular Member may differ because they are applied at the Member (rather than the Company) level and will depend on the particular circumstances of each Member. Each potential investor is strongly advised to consult its own tax advisor regarding the effect of the limitation on the allowance of passive losses on its specific situation. Code Section 469 imposes limits on the ability of taxpayers to use losses and tax credits from certain "passive activities" to offset taxable income and tax liability arising from non-passive sources. A passive activity generally includes (a) one which involves the conduct of a trade or business in which the taxpayer does not materially participate, or (b) any rental activity. A Member generally will be treated as materially participating in the Company's activities if the Member is involved in the operations of the Company on a regular, continuous and substantial basis. Code Section 469 and the regulations thereunder contain specific provisions that further clarify the definition "material participation." To the extent a Member is considered a limited partner for tax purposes, Code Section 469 provides that such Member generally will be deemed not to materially participate in the

Company's activities, subject to certain exceptions. Because the determination of whether a Member will be treated as a limited partner and application of the other material participation standards for tax purposes will depend upon the unique circumstances of each Member, each Member must consult its own tax advisor regarding whether the Member will be treated as materially participating in the activities of the Company. To the extent that a Member's aggregate losses from all passive activities exceed the Member's aggregate income from all such activities in a given taxable year, the Member has a "passive activity loss" for such year. Such a loss may be carried forward to successive taxable years until fully utilized against income from passive activities in such years; however, such losses may not be carried back to prior years. When a Member disposes of the Member's entire interest in a passive activity in a transaction in which all of the gain or loss realized on such disposition is recognized, any loss from that activity that was disallowed by these passive loss rules will cease to be treated as a passive loss and any loss on such disposition will not be treated as arising from a passive activity.

### **Sales or exchanges of the Class B Units**

A Member may not be able to sell the Member's Class B Units because it is not anticipated that a public trading market in the Class B Units will develop. Any gain realized with respect to a sale of Class B Units by a Member who holds such Class B Units as a capital asset generally will be capital gain, except to the extent the gain is allocable to "unrealized receivables" or "inventory items" as such terms are defined in Code Section 751. See, however, "Limitations on Losses from Passive Activities" regarding the allowance of previously suspended passive activity losses and passive activity credits upon the disposition of all of a Member's Class B Units.

### **Dissolution and liquidation of the Company**

Generally, upon liquidation or dissolution of the Company, a Member will recognize income only to the extent that the sum of the cash and marketable securities (subject to certain exceptions set forth in Code Section 731) distributed to the Member and the Member's proportionate share of any then existing liabilities of the Company which are deemed relieved, including nonrecourse liabilities, exceeds the Member's adjusted basis in the Member's Class B Units at the time of distribution.

### **Elections**

The Code permits an entity taxed as a partnership to elect to adjust the basis of the entity's property on the transfer of an interest in such entity by sale or exchange or on the death of a person who holds an interest in such entity and on the distribution of property by the entity to a person (referred to as a "Section 754 election"). The general effect of such an election by the Company is that transferees of Class B Units are treated, for purposes of depreciation and taxable gain, as though they had acquired a direct interest in the Company's assets. The Company intends to make a Section 754 election where such election is, in the Managers' opinion, beneficial to the Members. The Company also may make various elections for federal income tax reporting purposes that could result in

various items of income, gain, loss, deduction or credit being treated differently for tax purposes than for accounting purposes.

### **Company tax returns and tax information**

The Code requires that the tax treatment of the Company items be determined at the Company level, rather than in separate proceedings with the Members. Thus, the availability and amount of tax deductions taken by the Company will depend not only on the general legal principles discussed herein, but also upon various determinations of the Manager. Such determinations are subject to challenge by the IRS on factual or other grounds. Under the procedures described above, each Member is required to treat Company items on the Member's return consistently with the treatment on the Company's return. Where such treatment is inconsistent, a statement must be filed by the Member identifying the inconsistency. If the consistency requirement is not satisfied, the IRS may assess a deficiency against the Member before audit proceedings are completed at the Company level. Under the Code, a Member of the Company is to be designated as the "tax matters partner," and in the absence of such designation, the Member with the largest profits interest in the Company at the end of the year involved will be the "tax matters partner" (the "TMM"). The TMM is responsible for protecting the interests of the Company in the audit process. For example, the TMM is given the right, on behalf of the Company, to determine whether to challenge a final partnership administrative adjustment proposed by the IRS by initiating an action in the Tax Court, a federal district court, or the Claims Court. If the TMM determines not to challenge such administrative adjustment, a notice member or a notice group (as defined in the Code) may challenge it. The TMM will have the authority and the responsibilities delegated and imposed under the Code. The Code gives the TMM the discretion to file suit in the Tax Court, a federal district court, or the Claims Court. Thus it is possible, although unlikely, that Members might be obligated to pay their shares of a tax deficiency prior to final judicial review in order for the Company to gain access to a forum believed to be more favorable to its position. The procedures regarding the audit of limited liability companies are complex and cannot be described completely herein. Each Member is urged to seek the advice of his individual tax advisor with respect to those audit provisions.

### **General taxation of non-US investors**

Generally, ordinary income received by an Investor who is a nonresident alien individual and who is not engaged in the conduct of a United States trade or business will be subject to the 30% federal withholding tax, unless such tax is reduced or eliminated pursuant to a treaty between the United States and the country where the Investor has his or her tax home. Gain realized on the sale, exchange, or redemption of Class B Units by a nonresident alien individual generally will not be subject to tax by the United States. If a nonresident alien individual is present in the United States for 183 days or more during the year, or if such an Investor is engaged in the conduct of a United States trade or business, then the Investor should consult his or her own tax advisor regarding the tax consequences of holding the Class B Units.

### **Net investment income tax**

Certain U.S. Investors that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their income and net gains from the disposition of the Class B Units. If you are a U.S. Investor that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the net investment income tax to your income.

### **No analysis has been done of potential state or local tax consequences**

Investors should consider potential state and local tax consequences of an investment in the Class B Units and they are urged to consult their own tax advisor to determine the state and local income tax consequences of investing in the Class B Units. The Offering Materials make no attempt to summarize the state and local tax consequences to potential investors.

### **RELATED PARTIES**

#### **Related party participation in the Offering**

Any securities subscribed for by managers or affiliates of the Company (or their affiliates or related persons thereof) will not be counted in determining whether the Minimum Offering Amount has been raised in the Offering. At the commencement of this Offering, it is not expected that the officers or directors of the Company will participate in the Offering.

#### **Related party transactions**

At the commencement of this Offering, it is expected that the managers of the Company will be making an aggregate capital contribution of \$480,000 to the Company, in exchange for 480 Class A Units.

### **CONFLICTS OF INTEREST**

#### **Competition with affiliates**

The Company is subject to various conflicts of interest arising out of its relationships with the Manager and their affiliates, including, without limitation, THRIVE Collaborative, the Sponsor for the Property. Because the Company was organized by and will be operated by the managers of both the Company and THRIVE Collaborative, these conflicts will not be resolved through arms-length negotiations but through the exercise of the managers' judgment consistent with their fiduciary responsibility to the Members and the Company's investment objectives and policies.

The managers and their affiliates are engaged and will continue to engage in other business activities, including but not limited to real estate brokerage, leasing, financing,

development, management and ownership. The managers and their affiliates have formed and are members of, and expect to form and to manage or advise, additional real estate investment entities. Members will have no right to participate in future investment entities organized by the managers or their affiliates, although such participation is not specifically precluded. The managers or different partnerships or other entities affiliated with the managers may acquire other real estate projects, which may compete with the leasing, operation or sale of the Property. Such ownership may provide conflicts of interest both in leasing and in any sale of the properties by their owners.

The managers and their affiliates are and will be contingently liable for the financial obligations of such other investment entities, if the assets of such other investment entities are insufficient to meet such entities' financial obligations. If necessary, any net worth of the managers and their affiliates could be called upon to satisfy the financial obligations of the Company and such other investment entities, which could substantially exceed the net assets of the managers.

The managers and their affiliates may have conflicts in allocating time, services and functions of management and staff between and among the Company and any other investment entities in which they may be members and other business ventures in which they are involved. The managers and their affiliates believe that they are fully capable of discharging such responsibilities.

#### **Provision of services by management and their affiliates**

The managers and their affiliates, including the Sponsor, will be retained by the Company to render services for the Company, such as operational services and sales, which may result in conflicts between the Company and the entity retained to perform such services. The compensation to be received by the Manager and affiliates from the Company was not negotiated at arms-length. Set forth below is a description of the compensation and fees that may be received by the Manager and its affiliates from the Company or in connection with the acquisition, development, management and sale of the Project. Development Fee. The Sponsor shall be paid a "Development Fee" equal to 5% of the total development costs of the project. The Development Fee shall be paid as follows: 1) a \$10,000 upfront deposit, 2) monthly payments equal to 5% of the amount of development costs incurred each month until the completion of the Project. Guaranty Fee. A 1.5% guaranty fee to be paid to the managers in the event the managers are required to execute a personal guaranty as a condition of the Senior Loan.

### **CAPITALIZATION AND PREVIOUS SECURITIES OFFERINGS**

#### **Capitalization of the Company**

To this point, the managers of the Company have contributed approximately \$70,000 to cover start-up costs, operating expenses and other costs. The Company has three classes of membership: Class A, Class B and Class C. All three classes of Membership Interests carry one vote per interest. Situations requiring a vote of the Members are covered in the

Operating Agreement. The managers are currently the only Class A Members, as described below. In addition to the Class B Units issued in this Offering, it is expected that additional Class C Units will be issued to other investors in return for a capital contribution of up to \$2,105,275. This issuance of Class C Units will have a dilutive effect on the ownership percentage of the Investors in this Offering. The allocation of distributions between the Class A and Class B and C Members is covered in Article VI of the Operating Agreement. Class B and Class C Members have equal rights and preferences under the Operating Agreement

<b>Member</b>	<b>Units</b>	<b>% Voting Power</b>
Joseph Jonna	160 Class A	12.5%
David Eifrid	160 Class A	12.5%
Matthew Grocoff	160 Class A	12.5%
Class C Investor	300 Class C	23.4375%
Class B Investors	500 Class B	39.0625%

### **Indebtedness of the Company**

The Company does not carry any existing debt, however the Company plans to finance up to \$7,010,675 of senior debt through the Senior Loan described in the Securities Risks herein.

### **Previous securities offerings of the Company**

The Company has not previously raised outside capital through a securities offering, however the Company is planning to pursue an additional Class C Unit offering with a target close date of September 2020, raising up to \$2,105,275.

## **DIRECTORS AND OFFICERS OF THE COMPANY**

### **Principal/Director Name: Joey Jonna**

- Dates of Service: July 2019-Present
  - Title: Manager
  - Responsibilities: Financing and Business Development
- Other Experience
  - Employer: Jonna Luxury Homes
    - Dates of Service: December 2012-Present
    - Employer's Principal Business: Custom home builder
    - Title: Owner
    - Responsibilities: Chief Estimator, Accounting Oversight, Tech Implementation, Business Development
  - Employer: DryHouse
    - Dates of Service: December 2016-Present

- Employer's Principal Business: Basement waterproofing, crawlspace repair, foundation repairs, crack repairs
  - Title: Owner
  - Responsibilities: Accounting, Bidding, Office Management, HR
- Employer: Jonna Facility Services
  - Dates of Service: December 2008-Present
  - Employer's Principal Business: Facility maintenance
  - Title: Owner
  - Responsibilities: Accounting, Office Management, HR, Purchasing

**Principal/Director Name: Matthew Grocoff**

- Dates of Service: July 2019-Present
  - Title: Manager
  - Responsibilities: Strategic Vision & Sustainability Lead
- Other Experience
  - Employer: THRIVE Collaborative
    - Dates of Service: December 2011-Present
    - Employer's Principal Business: Real Estate development
    - Title: Founder
    - Responsibilities: Principal. Focusing on Net Zero Energy and Living Building Challenge projects

**Principal/Director Name: David Eifrid**

- Dates of Service: July 2019-Present
  - Title: Manager
  - Responsibilities: Technical Building and Performance Lead
- Other Experience
  - Employer: Greenlife Building
    - Dates of Service: January 2005-Present
    - Employer's Principal Business: Sustainable construction specialists
    - Title: President
    - Responsibilities: day to day operations
  - Employer: Eifrid & Company
    - Dates of Service: January 1999-Present
    - Employer's Principal Business: Manufacturer's Representatives
    - Title: President
    - Responsibilities: day to day operations

**ONGOING REPORTING**

In addition to the Information Rights provided to investors under the Class B Units, the Company will file a report electronically with the Securities & Exchange Commission annually and post the report on its website, no later than 120 days after the end of each fiscal year covered by the report. Once posted, the annual report may be found on the

Company's website at: [http://https://thrive-collaborative.com/veridianatcountyfarm/investor\\_reports](http://https://thrive-collaborative.com/veridianatcountyfarm/investor_reports)

The Company must continue to comply with the ongoing reporting requirements until:

- 1. the Company is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- 2. the Company has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
- 3. the Company has filed at least three annual reports pursuant to Regulation Crowdfunding;
- 4. the Company or another party repurchases all of the Class B Units issued in this Offering, including payment in full of the Class B Units; or
- 5. the Company liquidates or dissolves its business in accordance with state law.

### **ADDITIONAL INFORMATION**

The Offering Materials for the Offering are available on the company offering profile at <https://localstake.com/businesses/veridian-at-county-farm>. All communications or inquiries relating to these materials or to a possible investment in the Company should be made through Localstake or the Company at its principal office listed below.

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CRD# 162726  
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