



QUIRK

HOTEL

Charlottesville, VA

Confidential Private
Placement Memorandum

October 9, 2017



QUIRK HOTEL, RICHMOND VIRGINIA

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SECURITIES AND LAW DISCLOSURES

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING OR ANY OF THE OTHER INFORMATION AND MATERIALS PROVIDED TO PROSPECTIVE INVESTORS IN CONNECTION WITH THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

This Confidential Private Placement Memorandum (the “Memorandum”) is being furnished on a confidential basis to select qualified “Accredited Investors” pursuant to a private offering of securities.

Quirk Charlottesville, LLC, a Virginia limited liability company (the “Company”), is offering (the “Offering”) units of its Class B membership interests (the “Class B Units”) at \$250,000 per Class B Unit, upon the terms and conditions set forth in this Memorandum, the Amended and Restated Operating Agreement of the Company, a copy of which is attached to this Memorandum as Exhibit A (the “Operating Agreement”), and the Subscription Agreement for the Offering, the form of which is attached to this Memorandum as Exhibit B (the “Subscription Agreement”). The manager of the Company is Quirk Charlottesville Manager, LLC, a Virginia limited liability company (the “Manager”).

The total amount of the proceeds of the Offering (the “Offering Proceeds”) are intended to capitalize the Company with an amount sufficient, when coupled with any proceeds from any financing obtained by the Company, to design, develop and construct Quirk Charlottesville, an upscale hotel consisting of approximately 80 rooms (“Quirk Charlottesville”) on those certain parcels of real property located on West Main Street in Charlot-

tesville, Virginia, described in more detail herein. The Class B Units are being offered until the earlier of (i) the date on which the Maximum Offering Amount of \$7,500,000 (the “Maximum Offering Amount”) has been sold, (ii) June 30, 2018, which date may be extended for up to an additional twelve (12) months in the sole discretion of the Manager, or (iii) the date on which the Company terminates the Offering in the sole discretion of the Manager (any of the foregoing being the “Offering Termination Date”). The Company reserves the right to terminate the Offering at any time.

The purchase price for the Class B Units (the “Subscription Payment”) is due and payable in full with the delivery of an investor’s Subscription Agreement. All Subscription Payments received for Class B Units prior to receipt and acceptance by the Company of Subscription Payments for the Minimum Offering Amount of \$5,000,000 (the “Minimum Offering Amount”) will be held in a non-interest bearing escrow account (the “Escrow Account”) by Safe Harbor Title Company, LLC, a Virginia limited liability company (the “Escrow Agent”). Funds held in the Escrow Account will be released to the Company upon receipt by the Escrow Agent and acceptance by the Company of subscriptions for the Minimum Offering Amount

(the “Closing”) or to subscribers upon the termination of the Offering. If the Minimum Offering Amount is not sold on or before February 28, 2018, which date may be extended until April 30, 2018 in the sole discretion of the Manager (the “Minimum Offering Termination Date”), the Offering will be terminated and all amounts held in the Escrow Account will be returned to the subscribers without interest and without deduction or charges. The Escrow Agent is acting as escrow holder for the Offering Proceeds and has neither recommended nor provided any advice regarding a purchase of the Class B Units.

The Class B Units have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or any applicable state securities laws, pursuant to an exemption provided by Regulation D promulgated under the Securities Act (“Regulation D”), certain state securities laws and the accompanying rules and regulations promulgated pursuant thereto. The Class B Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted by the Operating Agreement, and as permitted under the Securities Act and applicable state securities laws or pursuant to registration or exemption therefrom. There is no public market for the Class B Units and no public market is expected

to develop. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make an offer or solicitation.

Investors should carefully consider the discussion in this Memorandum set forth under “Risk Factors.” An investment in the Company will involve significant risks due to, among other things, the nature of the Company’s investment and actual and potential conflicts of interest, and there can be no assurance that the Company will realize positive returns on its investment or that there will be any return to investors of their original investment. Investors must be willing and financially able to bear the economic risk of their investment for an indefinite period of time and be able to accept the risks that are characteristic of an investment in the Company, including, among other things, the risk of a total loss of their investment.

This Memorandum is solely for use by the prospective investor to whom it is delivered for the purpose of considering an investment in the Company and by such prospective investor’s advisors and representatives providing assistance for such purpose. It may not be copied or provided to any other person or used for any other purpose. Each person accepting delivery of this Memorandum, by such acceptance, agrees to keep the contents of this Memorandum and any related documents in strict confidence and to return this Memorandum and all other related documents to the Company if the prospective investor decides not to invest in the Company, if the prospective investor’s subscription is rejected or if the Offering is terminated.

Prospective investors should not construe the contents of this Memorandum as investment, tax or legal advice. This Memorandum is provided for

assistance only and is not intended to be, and must not be taken alone as, the basis for an investment decision. Each prospective investor should make such investigations as the prospective investor deems necessary to arrive at an independent evaluation of an investment in the Class B Units and should consult the prospective investor’s own legal counsel and financial, accounting, regulatory and tax advisors to determine the consequences of such an investment.

Prospective investors are hereby notified that (a) any discussion in this Memorandum related to federal, state or city income tax issues was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any federal, state or city income tax or penalties that may be imposed on such taxpayer; (b) any such discussion was written to support the promotion or marketing of the Class B Units; and (c) each prospective investor should seek advice from an independent tax advisor regarding an investment in the Class B Units based on the prospective investor’s particular circumstances.

This Memorandum contains summaries of or references to certain other documents, copies of which will be made available to prospective investors upon request. Such summaries or references are believed to be accurate, but reference is hereby made to the full text of the actual documents for complete information concerning the rights and obligations of the parties thereto. The information in this Memorandum is current only as of the date hereof and may change after that date.

No person has been authorized to give any information or to make any representations other than those contained in this Memorandum, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Company or the Manager.

Certain of the economic and market information

contained in this Memorandum has been obtained from published sources and/or prepared by third party consultants. While such sources are believed to be reliable, neither the Company, the Manager, nor any of their members, managers, officers, affiliates, employees, agents or advisors assume any responsibility for the accuracy, reliability or completeness of any such information.

Only “Accredited Investors” (as defined in Rule 501(a) of Regulation D) may acquire Class B Units. The Company reserves the right, in its sole discretion, to reject any subscription based on any information that may become known or available to it about the suitability of a prospective investor or for any other reason whatsoever.

FOR FLORIDA RESIDENTS

The Class B Units have not been registered under the Florida Securities Act. If sales are made to five (5) or more investors in Florida, any Florida investor may, at such investor’s option, void any purchase hereunder by providing written notice to the Company stating that such investor is voiding and rescinding the purchase within a period of three (3) days after such investor (a) first tenders or pays to the Company, an agent of the Company, or an escrow agent the consideration required hereunder, or (b) delivers such investor’s executed Subscription Agreement, whichever occurs later.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Memorandum are forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its investment.

The Company intends to identify forward-looking statements in this Memorandum by using words or phrases such as “anticipates,” “believes,” “estimates,” “projects,” “expects,” “intends,” “continue,” “may be,” “objective,” “plan,” “predict” and “will be” and similar words or phrases, or the negative thereof or other variations thereof or comparable terminology. All forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual transactions, results or performance of the Company’s investment to be materially different from any future transactions, results or performance expressed or implied by such forward-looking statements. The cautionary statements set forth under “Risk Factors” and elsewhere in this Memorandum identify important factors with respect to such forward-looking statements.

Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there is no assurance that the Company’s expectations will be attained or that any deviations will not be material. The Company’s actual results may differ significantly from the results discussed in the forward-looking statements. The Company undertakes no obligation to publicly release or update the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances that occur.

In addition, any projections and representations, written or oral, which do not conform to the projections contained in or referenced by this Memorandum, must be disregarded, and their use is a violation of law. The projections contained in or referenced by this Memorandum are based upon specified assumptions. If these assumptions prove to be inaccurate, the projections would also be inaccurate. No representation or warranty can be given that the estimates, opinions or assumptions made in or referenced by this Memorandum will prove to be accurate. Prospective investors should carefully review the assumptions set forth in or referenced by this Memorandum.

THE EXECUTIVE SUMMARY

The following is a summary of the more detailed information appearing elsewhere in this Memorandum and is intended to provide an overview regarding the Company, this Offering and a new, upscale boutique hotel to be known as Quirk Charlottesville, which the Company intends to design, develop, construct, manage, own and sell. Prospective investors are urged to read this Memorandum in its entirety.

THE COMPANY AND THE INVESTMENT OPPORTUNITY

Organization

The Company was formed on November 2, 2016 as a limited liability company under the Virginia Limited Liability Company Act. The manager of the Company is Quirk Charlottesville Manager, LLC, a Virginia limited liability company (the “Manager”), which is solely owned and managed by Joseph E. Ukrop (“Ted Ukrop”). See “The Company” and “The Manager”. Investors will not be involved in the management or day-to-day affairs of the Company. The Manager is authorized and required to carry out the business and operations of the Company in accordance with the Operating Agreement, subject to the right of investors and the other members of the Company to vote on certain matters, as described therein. See the Operating Agreement.

Investment Objectives

The Company’s principal objectives will be to:

- 1 design, develop, construct, manage, own and eventually sell Quirk Charlottesville, an upscale hotel to consist of approximately 80 rooms which will be located on those certain parcels of land commonly known as 421, 425, 501 and 503 West Main Street, which consist of approximately [.800] acres of land located on the north side of West Main Street, in the City of Charlottesville, Virginia (the “Property”);
- 2 provide current income to the Company’s investors through cash distributions commencing upon Quirk Charlottesville’s opening for occupancy; and
- 3 create capital appreciation for the Company’s investors by eventually selling Quirk Charlottesville and distributing the net sales proceeds to them.

Return Objectives

The Company is targeting a non-cumulative eight percent (8%) simple annual rate of return (the “Preferred Return”) to holders of Class B Units (the “Class B Members”). The targeted Preferred Return does not take into account the tax liability of investors with respect to the income and gain from their Class B Units. There can be no assurance that the targeted Preferred Return will be achieved in any given fiscal year. In the event the Company does not make distributions in a given fiscal year sufficient to provide the entire Preferred Return to Class B Members for such fiscal year, Class B Members will receive only the portion of the Preferred Return that the Company distributes and shall not have a right to any future payments for the balance of the Preferred Return for such fiscal year. For any fiscal year in which the Company makes no distributions (e.g., during construction of Quirk Charlottesville), Class B Members will receive no Preferred Return for such fiscal year.

Distributions of Cash from the Operation of

Quirk Charlottesville

All cash distributions from the operation of Quirk Charlottesville shall be distributed as follows:

First, to the holders of the company's Class A membership interests (the "Class A units," and such holders, the "Class A Members") and the Class B Members, pari passu and pro

rata in proportion to their relative unpaid Preferred Returns for the fiscal year with respect to their outstanding Class A Units and Class B Units, respectively, until all such unpaid Preferred Returns are reduced to zero;

Second, to the Class A Members and the Class B Members, pari passu and pro rata in proportion to their relative unreturned Capital Contributions with respect to their outstanding Class A Units or Class B Units, as applicable, until all such unreturned Capital Contributions are reduced to zero; and

Then, the balance, if any, 70% to the Class A Members and Class B Members, pari passu, pro rata in accordance with their respective numbers of Class A Units and Class B Units, and 30% to the Class C Members pro rata in accordance with their respective numbers of Class C Units.

Investors

Investors will be the purchasers of the Class B Units offered by this Memorandum. Each investor’s liability will be limited to the amount of the investor’s original investment in the Company, plus any undistributed profits attributable to such investor, except as provided by law or as expressly provided for in the Operating Agreement.

Each investor’s Subscription Payments will serve as the investor’s original investment in the Company, with the full amount of the Subscription Payment being credited to the investor’s capital account in the Company. See the Operating Agreement.

Class B Units are transferable only upon the satisfaction of certain requirements, including the Manager’s prior written consent, in its sole discretion, and the requirement to offer to the Company, and if the Company does not elect to accept such offer, to the Class A Members, the opportunity to purchase such Class B Units. Transfers for the foregoing purposes do not include a gift during life

or transfer at death to a spouse or child of a member of the Company. See “Restrictions on Transferability.”

Development of Quirk Charlottesville

PWQ Charlottesville, LLC, a Virginia limited liability company (the “Developer”), retained a third-party hotel consultant, Retro Hospitality, which has analyzed the market competition and determined what it believes to be the optimal parameters for the rental rates, amenities and other aspects of the design of Quirk Charlottesville. In conjunction with Architecture Firm, LLC (the “Architect”), the Developer has created the site plan, the exterior design, the floor plans and the design and content of the rooms, roof top bar, lobby and other amenities. The Company made its initial submission of the site plan to the City of Charlottesville, Virginia on June 13, 2017 and anticipates receiving final approval of the site plan in November 2017. The Developer has and will continue to supervise the land planners, architects, engineers, interior designers and any other professionals retained by the Company for the development of Quirk Charlottesville. Along with these professionals, it will select the final materials, finishes, features and colors for Quirk Charlottesville, as well as create the interior design of the hotel and its accommodations and amenities. See “Quirk Charlottesville – Development, Construction and Management Status.”

The Investment

The Company intends to use the proceeds from the Offering (the “Offering Proceeds”) to develop, construct, manage and eventually sell Quirk Charlottesville. Quirk Charlottesville will consist of approximately 80 upscale hotel rooms. Amenities at Quirk Charlottesville are currently anticipated to include an art gallery, restaurant, rooftop bar and courtyard. Two additional historical buildings located on the Property which are to be incorporated into the site plan for Quirk Charlottesville are anticipated to

house a hair salon, approximately two guest rooms, staff offices, a coffee shop and a whiskey bar. Valet parking will be provided both on-site and off-site and the Company has negotiated lease for off-site parking. See “Quirk Charlottesville.”

An appraisal of the portion of the Property consisting of 425, 501 and 503 West Main Street (the “Initial Property”) was prepared for the Company by Hospitality Appraisals, Inc. with an appraised value of \$3,000,000 as of December 17, 2016 for the land only and specifically excluding the three structures located thereon. An appraisal for 421 West Main Street is currently in process. The Company purchased the Initial Property on February 13, 2017 for \$3,750,000 from an unrelated third party seller, with the funding for such acquisition provided partially by Ted Ukrop and James E. Ukrop (“Jim Ukrop”) in the approximate total amount of \$2,500,000, with the balance being funded by a loan from Towne Bank in the original principal amount of \$1,250,000. On October 25, 2017, the Developer entered into a contract for the purchase of an adjacent property located at 421 West Main Street (the “Additional Property”) by special warranty deed from an unrelated third party for a purchase price of \$950,000, which contract the Developer intends to assign to the Company. The Company intends to obtain a loan from Towne Bank for the entire purchase price of the Additional Property, which loan will be repaid from the proceeds of the Offering. The Company is currently conducting a customary due diligence review of the Additional Property and expects to close on the acquisition of the Additional Property in late November or early December 2017. See “Acquisition of the Property and Construction Loan – Acquisition of the Property.”

The completion of the development and construction of Quirk Charlottesville is expected to take approximately twenty (20) months from the

date of the commencement of construction, which will begin after the Closing. Although the Company expects to own and operate Quirk Charlottesville, it may sell Quirk Charlottesville at any time it deems opportunistically advantageous to the Company and its investors, subject to the approval of the sale by the Class A Members holding the majority of the Class A Units. See the Operating Agreement.

Financing

The Company intends to fund the development and construction of Quirk Charlottesville with a portion of the Offering Proceeds and a construction loan in the anticipated principal amount of \$24,500,000 (the “Construction Loan”) if the Maximum Offering Amount is raised. The Company expects that Ted Ukrop and Jim Ukrop will be required to personally guaranty the Construction Loan and that the loan-to-cost ratio for the Construction Loan will be approximately 70% based upon the total cost of Quirk Charlottesville. However, the Company may obtain financing that is less than, or exceeds, such amount and loan-to-cost ratio, in the Company’s sole discretion. See “Acquisition of the Property and Construction Loan – Construction Loan.”

Construction

The Developer will design and develop Quirk Charlottesville for a development fee equal to six percent (6%) of the total amount of the hard costs and soft costs incurred for the design and development of Quirk Charlottesville, excluding furniture, fixtures, operating supplies and equipment, as consideration for the Developer’s services in connection with the design and development of Quirk Charlottesville, which fee shall be paid to the Developer in monthly progress payment installments in accordance with the terms of the Development Agreement by and between the Company and the Developer, as may be amended from time to time. The Developer is being compensated for its

services during the design and development period and for its expertise in creating and designing Quirk Charlottesville. The Developer retained a third-party hotel consultant, Retro Hospitality, which has analyzed the market competition and determined what it believes to be the optimal parameters for the rental rates, amenities and other aspects of the design of Quirk Charlottesville. In conjunction with Architecture Firm, LLC (the “Architect”), the Developer has created the site plan, the exterior design, the floor plans and the design and content of the rooms, roof top bar, lobby and other amenities, including those to be located in the adjacent historical buildings, which will be incorporated into the site plan for Quirk Charlottesville. The Company made its initial submission of the site plan to the City of Charlottesville, Virginia on June 13, 2017 and anticipates receiving final approval of the site plan in November 2017. The Developer has and will continue to supervise the land planners, architects, engineers, interior designers and any other professionals retained by the Company for the development of Quirk Charlottesville. Along with these professionals, it will select the final materials, finishes, features and colors for Quirk Charlottesville, as well as create the interior design of the rooms and amenities. The Developer does not receive any reimbursement or other payment from the Company for its overhead, office expenses or salaries of its employees required to complete the design and development of Quirk Charlottesville. See “Quirk Charlottesville – Development, Construction and Management Status”.

A third-party general contractor will be selected by the Developer and serve as the general contractor for the construction of Quirk Charlottesville (the “General Contractor”). Upon the closing of the Construction Loan, the Company will cause the General Contractor to commence construction pursuant to a construction contract with the

Company for approximately \$18,500,000. See “Estimated Use of Proceeds”, “Compensation to the Manager and Its Affiliates” and “Conflicts of Interest – Specific Conflicts of Interest.”

Management

The Company will pay Bank Street Advisors, LLC, as the asset manager, (i) a monthly asset management fee, to be paid in arrears, in an amount equal to one and one-half percent (1.5%) of the gross revenues of the Company for such preceding month, and (ii) an amount equal to five percent (5%) of the total cost of any capital repairs, replacements or additions to the Property.

The Company intends to hire a third-party property manager to oversee the management, operation and maintenance of Quirk Charlottesville (the “Property Manager”) and will enter into a property management agreement (the “Property Management Agreement”) with the Property Manager to provide these property management services in exchange for a property management fee of approximately four percent (4%) of the gross monthly revenue from the operations of Quirk Charlottesville (the “Property Management Fee”).



THE OFFERING

Securities Offered

The Company is offering the Class B Units upon the terms and conditions set forth in this Memorandum, the Operating Agreement and the Subscription Agreement. The purchase price per Class B Unit is \$250,000, with a minimum purchase of one (1) Class B Unit. Each purchaser of a Class B Unit will become an owner of the Company and will be required to enter into the Operating Agreement. See “Plan of Distribution – Capitalization of the Company.”

The Class B Units are being offered until the earlier of (i) the date on which the Maximum Offering Amount of \$7,500,000 has been sold, (ii) June 30, 2018, which date may be extended for up to an additional twelve (12) months in the sole discretion of the Manager, or (iii) the date on which the Company terminates the Offering in the sole discretion of the Manager (any of the foregoing being the “Offering Termination Date”). The Company reserves the right to terminate the Offering at any time.

The purchase price for the Class B Units is due and payable in full with the delivery of an investor’s Subscription Agreement. All Subscription Payments received for Class B Units prior to receipt and acceptance by the Company of Subscription Payments for the Minimum Offering Amount of \$5,000,000 will be held in the Escrow Account by the Escrow Agent. Funds held in the Escrow Account will be released to the Company upon receipt by the Escrow Agent and acceptance by the Company of subscriptions for the Minimum Offering Amount or to subscribers upon the termination of the Offering. If the Minimum Offering Amount is not sold on or before April 28, 2018, which date may be extended until June 30, 2018 in the sole discretion of the Manager (the “Minimum Offering Termination Date”), the Offering will be terminated and all amounts held in the Escrow Account will be returned to the subscribers without interest and without deduction or charges. The Escrow Agent is acting as escrow holder for the Offering Proceeds and has neither recommended nor provided any advice regarding a purchase of the Class B Units. See “Plan of Distribution – Sales of Class B Units.”

Investor Suitability Requirements

Prospective investors must be Accredited Investors who meet certain minimum financial and other requirements..

Legal Counsel

Williams Mullen, a law firm founded in 1909 and with more than 230 attorneys in offices located within the mid-Atlantic and southeastern United States, is the Company’s securities counsel.

Operating Agreement

The operations of the Company and the rights and obligations of investors will be governed by the Operating Agreement. Each prospective investor should review the entire Operating Agreement before subscribing for Class B Units. See the Operating Agreement.

Financial Reporting

Within 120 days after the close of each fiscal year of the Company, the Company will provide to investors audited annual financial statements. The Company will also provide to investors unaudited quarterly reports of the Company’s operations and activities. See the Operating Agreement.

Tax Considerations

It is expected that the Company will be classified as a partnership for U.S. federal income tax purposes. Thus, it is expected that the Company will not be subject to U.S. federal income taxation. Instead, each investor will generally be required to report their share of the Company’s income, gains, losses, deductions and credits on their United States federal income tax return, whether or not such investor receives any distributions from the Company.

Compensation to the Manager and Conflicts of Interests

The Manager and its principals and affiliates will receive substantial fees and other compensation in connection with the Offering, and for supervising the design, development, construction, management, operation and sale of Quirk Charlottesville. As a result, conflicts of interest between or among the Company and the Manager and its principals and affiliates may occur from time to time. See “Compensation to the Manager and Its Affiliates” and “Conflicts of Interest – Specific Conflicts of Interest.”

Risk Factors

An investment in the Class B Units involves significant risk. All prospective investors should read the sections of this Memorandum entitled “Risk Factors” and “Conflicts of Interest” and consult their own professional advisors about the suitability of an investment in the Company for them.

THE OPPORTUNITY



COMPUTER GENERATED IMAGE

LOBBY RENDERING

QUIRK CHARLOTTESVILLE, LLC, FOUNDED IN 2016 BY TED UKROP AND JIM UKROP, IS RAISING CAPITAL TO CREATE A HOTEL AND EVENT SPACE.

Quirk Charlottesville is a to-be-built boutique hotel located on West Main Street Charlottesville situated between the Downtown Mall and the University of Virginia’s “Corner” and historic Rotunda. The mostly ground-up construction project will offer clientele a trendy hospitality alternative to the traveler looking for a non-flag, up-scale experience. Design elements will combine the edgy feel of the Charlottesville Arts Scene and the historic vibrance of the City’s urban core. The 80 rooms will be punctuated with a roof top garden and bar, and the Quirk Gallery will be located in the lobby.

TOTAL INVESTMENT: \$36,500,000
TOTAL EQUITY: \$11,000,000
MINIMUM OWNERSHIP INVESTMENT: \$250,000.00

Following payment of non cumulative 8% preferred return and repayment of capital account, Investors will receive 70% of all Quirk Hotel Charlottesville profit distributions.
Those certain parcels of land commonly known as 421, 425, 501 and 503 West Main Street, which consist of approximately [.800] acres of land located on the north side of West Main Street, in the City of Charlottesville, Virginia (the “Property”);
Potential 31.43%+ Cash-on-Cash in Quirk Hotel Charlottesville investment



503 WEST MAIN STREET



501 WEST MAIN STREET



425 WEST MAIN STREET



421 WEST MAIN STREET

PROJECT SITE

THE COMPANY

The Company was formed by Ted Ukrop and Jim Ukrop on November 2, 2016 as a Virginia limited liability company to acquire the Property and develop, construct, operate, manage and sell Quirk Charlottesville. The principal place of business and the mailing address of the Company is 10120 West Broad Street, Suite J, Glen Allen, Virginia 23060. The telephone number of the Company is (804) 262-1585. The Company is a recently formed business with a limited history of operations.

THE MANAGER

The manager of the Company is Quirk Charlottesville Manager, LLC, which was formed on June 13, 2017 as a Virginia limited liability company. The Manager has the exclusive authority to manage and control all aspects of the business of the Company. In the course of its management, the Manager may, in its sole discretion, employ such persons, including affiliates of the Manager, as it deems necessary. The Manager is authorized and required to carry out the business and operations of the Company in the manner it deems to be in the best interests of the Company.

Ted Ukrop is the sole member and manager of the Manager. Since 2000, Ted has served as a managing member of President’s Walk Properties, which owns a variety of multifamily and other commercial properties, including surface parking lots. In that role, Ted oversees the management of eight multi-use properties on West Broad Street in Richmond, Virginia. From 2002 until 2010, Ted served as Vice President of Construction Administration and Site Acquisition for First Market Bank, overseeing the acquisition, development and construction of retail bank branches throughout Virginia. In 2005, he also helped to develop the Berry Burk Building located in Richmond, Virginia and which contains 31 apartments and a restaurant, and has served as a managing member of its management team since that time. In 2007, Ted also helped develop and oversee the marketing, sale and maintenance of 69 condominiums at 1350 Westwood Avenue in Richmond, Virginia and continues to serve as a managing member of its owner, GPCV, LLC. He was also the Declarant Representative for the property’s Condominium Association from September 2008 through May 2014. Additionally, in 2013, he helped to develop the Quirk Hotel, a 74-room, boutique hotel located at 201 West Broad Street, in Richmond, Virginia.

THE DEVELOPER

The Developer, PWQ Charlottesville, LLC, was founded specifically for the development of Quirk Charlottesville. The members are Edward Brown, Christian Kiniry and Ted Ukrop, who have partnered together to lever their combined experience in real estate development, brokerage and management. The Developer’s combined commercial portfolio of assets extends from historic Shockoe Slip and Monroe Ward to the Innsbrook Office Park, Short Pump and Staples Mill in the Richmond, Virginia metropolitan area. Its asset management services are regional and extend throughout the mid-Atlantic, servicing over 1.5 million square feet with values exceeding \$100 million. The following are the principals, directors and officers of the Developer in addition to Ted Ukrop, whose biography is listed above:

Edward W. Brown. In 2001, Ed began investing and brokering commercial real estate transactions. He had previously served as a member of the management team of a FTSE 100 company. He founded Bank Street Advisors in 2006, specializing in commercial real estate investment brokerage throughout the mid-Atlantic and Florida. He has completed over \$200 million in transactions in both the United States and Canada during his career. Ed is a Virginia native and a graduate of the University of Richmond with a Bachelors of Arts in Political Science, which he received in 1994. Ed is currently enrolled in the College of William and Mary’s Masters of Business Administration program with a concentration in Finance.

J. Christian Kiniry. Christian began his career in commercial real estate in 1996. He is a native of the Richmond, Virginia area, spending his entire career working in the area except for a three-year period in New York City where he leased and managed office space. Some of Christian’s notable transactions include the development and leasing of the United Dominion Realty Trust Headquarters building, the repositioning and leasing of the ALCOA Reynolds headquarters to Philip Morris USA, the acquisition and re-development of the Schnabel Office Building, the development of 315 West Broad Street into the corporate offices and flagship store of Ledbury, and the development of another Quirk Hotel in Richmond, Virginia. Christian received his Bachelor of Arts from Gettysburg College in 1996 and a Masters in Business Administration from Fordham University in 2007. He is involved with many professional and civic organizations, including Richmond Strikers, Inclusive Racing, and the Downtown Neighborhood Association.

QUIRK CHARLOTTESVILLE

The Property, which is the site for the development of Quirk Charlottesville, is located in the Starr Hill neighborhood in the City of Charlottesville, Virginia. The neighborhood is also known as “midtown” due to its location in the center of the City between the University of Virginia and the downtown commercial core. Preston Avenue, Ridge McIntire Road and West Main Street are the commercial corridors that form the boundaries of the neighborhood.

The Starr Hill neighborhood is historically integrated in the Charlottesville community. In the early part of the 20th century, many African-American professionals and their families resided in the neighborhood. During this time, the Union Station property on West Main Street served as the transportation hub for the community, and many of the railroad workers resided in the area. The Starr Hill neighborhood is located just west of Vinegar Hill, which was razed during Urban Renewal in the 1960s. In addition to the Union Station building, other historical structures include the Ebenezer Baptist Church, First Baptist Church, Mt. Zion African Baptist Church and the Jefferson School, which served the community as Charlottesville’s African-American high school. The Jefferson School was recently restored and renamed the Jefferson School City Center, which now houses several non-profit institutions, an African-American heritage center, and the City’s Carver Recreation Center.

Community facilities include a public park, Greyhound bus station and the Amtrak station at the Union Station Building. The City Yard, headquarters for the Charlottesville Public Works Department, occupies a significant amount of land in the northern portion of the neighborhood. Commercial activity is situated around the West Main Street corridor, which has experienced significant revitalization over the past decade, and along Preston Avenue, to a lesser extent. Vinegar Hill Shopping Center is a community retail center located along Ridge McIntire Road. Traditional residential housing in the Starr Hill neighborhood consists primarily of early 1900s single-unit and two-unit residences.

By the 1930s, much of the West Main Street corridor was a stretch of auto and auto-service uses. Many of the original uses have been renovated and converted to other commercial uses over the years. For example, the Main Street Market Annex, located on the north side of West Main Street, is a renovation of the former C & R Auto Service property. The recently constructed Marriott Residence Inn, located at the intersection of West Main Street and Ridge/McIntire Road, is the recent redevelopment of the parcel which formerly included a building which the Mooney’s Oldsmobile showroom occupied.

At the west end of the neighborhood is The Corner, a University gathering place which offers restaurants, retail establishments and nightlife which cater to the University’s students, faculty and townspeople. The former Red Roof Inn, located at The Corner, was renovated by AJ Capital Partners of Chicago in 2015 and re-opened as the Graduate Hotel-Charlottesville. Immediately east of the intersection of West Main Street and Jefferson Park Avenue, the University of Virginia recently constructed the Battle Building at UVA’s Children’s Hospital, which is a 200,000-square foot, seven story medical complex designed to centralize medical care for children. In November 2016, the UVA Foundation purchased the former Kanesh Furniture site, which is also located on that block.

The corner of West Main Street and 11th Street SW was sold in March 2016 for the development of a Marriott Autograph Hotel. Traveling east on the corridor, The Uncommon, a 342-bedroom off-campus housing project with commercial space, was recently completed at 1000 West Main Street. On the north side of West Main Street opposite The Uncommon, the University purchased the former Under the Roof site in February 2016. Republic Plaza, also located on the north side of West Main Street in the area, is being demolished and redeveloped with a 600-bedroom off-campus housing project known as The Standard. On the south corridor, The Flats at West Village, a 622-bedroom off-campus housing project, opened in August 2014.

Toward the eastern end of the West Main Street corridor, there is a proposed redevelopment of the Blue Moon Diner site, which is conceptualized as a six-story apartment building to be built above and behind the existing diner. The Property for Quirk Charlottesville is located on the north side of West Main Street on the same block. The eastern end of West Main Street is anchored by the Marriott Residence Inn, which opened in 2015.

The transportation network for the neighborhood hinges on West Main Street, which serves as the major east-west path for both vehicles and pedestrians. The corridor is a two-lane road with bike paths. Ridge/McIntire is a primary north-south linkage, and to a lesser extent, 4th Street NW is a north-south vehicular and pedestrian path. There is a limited amount of on-street parking along the West Main Street corridor. There are a handful of short term public parking spaces available in an off-street lot adjacent to the Old Albemarle Hotel building on the 600 block of West Main Street. Most parking spaces located on the corridor are privately held, with the exception of about 280 publicly available spaces at the Amtrak station and 228 spaces located at the Jefferson School City Center.

The Property is zoned “West Main Street East”, and allowable uses include, but are not limited to

eating establishments, financial institutions, government facilities, hotels and motels, multifamily residential, indoor sports facilities, health clinics, retail goods establishments, retail service establishments, daycare facilities and educational facilities. The zoning district permits by right hotels with up to 100 rooms. Quirk Charlottesville is anticipated to have approximately 80 rooms, well within the permitted maximum.

Quirk Charlottesville is a to-be-built hotel that will be located on West Main Street in Charlottesville, Virginia between the Downtown Mall and the University of Virginia. It will offer its clientele a trendy hospitality alternative to travelers looking for a non-flag, upscale experience. Its design elements will combine the edgy feel of the Charlottesville art scene with the historic past of the city’s urban core. The Property consists of four parcels that will host Quirk Charlottesville – 421, 425, 501 and 503 West Main Street. There are four improvements presently situated on the Property. Two are masonry buildings which will be razed on, on 421 and 425 W. Main Street and two historic buildings built in 1895 and the early 1900s containing 6,098 square feet and 8,348 square feet, respectively. Because the Property is located within the historical preservation and architectural design control overlay district, both historic buildings are required to be preserved as part of the redevelopment of the Property. Amenities at Quirk Charlottesville are currently anticipated to include an art gallery, restaurant, rooftop bar and courtyard. The two additional historical buildings located on the Property are to be incorporated into the site plan for Quirk Charlottesville and are anticipated to house a hair salon, approximately two guest rooms, staff offices, a coffee shop and a whiskey bar. Valet parking will be provided off-site and the Company has negotiated a lease for off-site parking. The Company made its initial submission of the site plan to the City of Charlottesville, Virginia on June 13, 2017 and anticipates receiving final approval of the

site plan in December 2017.

Quirk Charlottesville is positioned to be a luxurious yet trendy alternative to the iconic Boars Head Inn and is expected to appeal to a wide variety of travelers that are looking for something beyond the Marriott and Omni franchises. It is anticipated to draw room nights through multiple sales platforms and appeal to both leisure and business travelers.

The Company expects Quirk Charlottesville to stabilize in its third year of operations with an occupancy of 66% and ADR of \$245.14 for a RevPar of \$161.79. The smaller size of the hotel combined with its market positioning is anticipated to allow management of the hotel to adjust pricing more effectively to produce RevPar in line with projections. After food and beverage (including the roof top bar) and other income, total revenues are projected at \$10.7 million and after reserve NCF is projected at 20% of revenue. See the Project Pro Forma beginning on page 20.



COMPETITION

Two of Quirk Charlottesville’s primary competitors are located along West Main Street within a six-block area, which are the Marriott Courtyard and the newly opened Residence Inn. The Marriott Courtyard reported an occupancy rate of approximately 82% with an average daily rate of approximately \$170.00 for the trailing twelve months ending December 2016. The Residence Inn reported an occupancy rate of approximately 68.2% from March 2016 through October 2016 with an average daily rate of approximately \$181.00 for that same period. The Company believes there is demand in the market for additional lodging and currently construction is underway for a 150-room Marriott Autograph Hotel. There are also additional hotels currently in development in the Charlottesville area, but none which would compete with Quirk Charlottesville as directly as the foregoing properties. See Real Estate Appraisal Report of the Initial Property by Hospitality Appraisals, Inc. (December 17, 2016).

COMPARABLE RECENT HOTEL SALE TRANSACTIONS

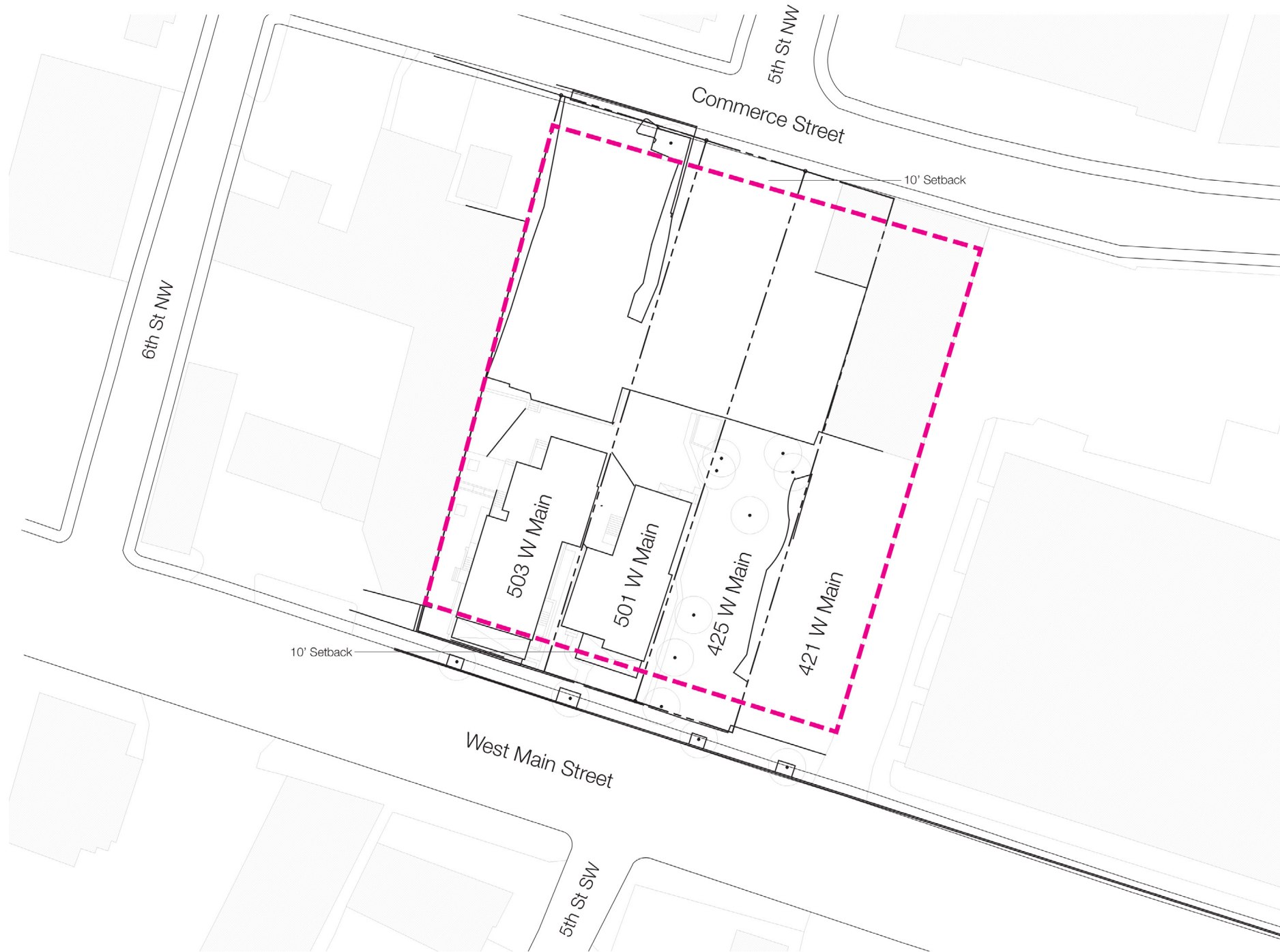
According to the appraisal of the Initial Property, four hotel land sales occurred between 2013 and November 2016 when the appraisal for the Initial Property was conducted by Hospitality Appraisals, Inc., which were as follows:

- A 1.125 +/- acre site located approximately one block from the Property on Main Street at the corner of Ridge and Main. The property sold for \$3,500,000 and was developed as a 124-unit limited service Residence Inn by Marriott. Prior to adjustments, the price per unit was \$28,226.
- A 1.541 +/- acre site located at 201 Monticello Avenue within the city limits of Charlottesville, which is proposed to be developed as a 103-room, four-story limited service hotel. The property sold for \$1,500,000 in December 2014 and prior to adjustment, the price per unit was \$14,563.
- A 0.462 +/- acre site located at 1106/1102 West Main Street, which is being developed as a 150-room Marriott Autograph Hotel. The property sold for \$4,000,000 in March 2016 or \$26,667 per unit prior to adjustments.
- A 3.70 +/- acre site located on the U.S. 29 north corridor in Charlottesville, which is proposed to be developed as a 192-room Spring Hill Suites and Town Place Suites. The property sold for \$4,225,000, or \$22,005 per unit prior to adjustments, in November 2016.

See Real Estate Appraisal Report of the Initial Property by Hospitality Appraisals, Inc. (December 17, 2016).



QUIRK HOTEL, RICHMOND VIRGINIA



CONSTRUCTION TIMELINE

We expect a period of roughly 20 months from “breaking ground: to “doors open.” This estimate takes into account permitting, demolition, construction and interior design/purchasing/decorating.

LEGEND

- Subject Lot Line
- - - Setback Line

NOTES

Project site encompasses 3 lots totaling 26700

sf. Existing conditions include 3 structures and surface parking.

Historic District and Overlay District:

Downtown ADC District

Zoning: West Main East (“WME”)

Allowable height: 52 feet maximum

Setbacks:

Primary street frontage: 10 feet minimum

Side and rear: none required

DEVELOPMENT, CONSTRUCTION AND MANAGEMENT STATUS

As of the date of this Memorandum, the Company has completed the following development activities with respect to the Initial Property:

- Obtained geotechnical studies and core drilling to test soils;
- Obtained Environmental Site Assessment;
- Obtained approval from the Board of Architectural Review for use, massing and demolition plans;
- Submitted site plan to the City of Charlottesville;
- Submitted Erosion and Sediment Control and Stormwater Management Plan to the City of Charlottesville;
- Made Electrical Transformer and Vault Location Submission and Request to Dominion Power; and
- Completed 100% of Design Development.

On October 25, 2017, the Developer entered into a contract for the purchase of the Additional Property by special warranty deed, which contract the Developer intends to assign to the Company. The Company intends to undertake similar development activities for the Additional Property during or after the acquisition of the Additional Property.

The floor plan and final design details of Quirk Charlottesville may be varied by the Developer and the Manager, in their discretion, to successfully adapt to any changes in the market area or to enhance Quirk Charlottesville; however, Quirk Charlottesville will be completed substantially as described in this Memorandum.

Prior to the Closing, some of the costs related to the foregoing activities and certain other costs outlined in the “Estimated Use of Proceeds” section of this Memorandum will have already been incurred by the Company or affiliates of the Company on behalf of the Company, and such costs will be reimbursed accordingly upon the Closing. These reimbursable costs include, but are not limited to, the costs incurred to complete the development activities outlined above, certain architectural and engineering fees, the costs related to the formation of the Company, the costs related to the Offering and the marketing and sale of the Class B Units.



ACQUISITION OF THE PROPERTY

An appraisal of the Initial Property was prepared for the Company by Hospitality Appraisals, Inc. with an appraised value of \$3,000,000. An appraisal for the Additional Property is currently in process. Pursuant to the terms of the Agreement of Sale and Purchase by and between The Sutton Group – Charlottesville, LLC, as seller, and PWQ, LLC, as the purchaser, which the purchaser subsequently assigned all its rights in to the Company, the Company purchased the Property for a purchase price of \$3,750,000 on February 13, 2017. On October 25, 2017, the Developer entered into a contract for the purchase of the Additional Property by special warranty deed from an unrelated third party for a purchase price of \$950,000, which contract the Developer intends to assign to the Company. The Company is currently conducting a customary due diligence review of the Additional Property and expects to close on the acquisition of the Additional Property in late November or early December 2017.

CONSTRUCTION LOAN

The Company expects to fund the construction of Quirk Charlottesville with a combination of a portion of the Offering Proceeds and the proceeds from the Construction Loan, which Construction Loan will pay off the acquisition loan for the Property. The maturity date of the acquisition loan currently encumbering the Initial Property is June 30, 2018. See “Estimated Use of Proceeds.” It is anticipated that the lender will extend the maturity date of the acquisition loan until such time as the Company closes on the Construction Loan.

If the Maximum Offering Amount is raised, the Construction Loan is anticipated to be in the amount of \$25,500,000 with a floating interest rate during construction and a fixed or floating rate once Quirk Charlottesville is refinanced with a permanent loan. The floating rate is anticipated to be LIBOR plus 2.85% per annum, for a total rate of approximately 5.50% per annum. The fixed rate is anticipated to be approximately between 4.75% and 6.50% per annum; provided, however, the fixed rate for a permanent loan for Quirk Charlottesville will not be known until such time at Quirk Charlottesville is refinanced with permanent financing. The term of the Construction Loan is anticipated to be up to 36 months, and the subsequent permanent loan is anticipated to have a term of five (5) to seven (7) years. The Company expects to make interest-only payments for the entire term of the Construction Loan with monthly payments of principal and interest due under the permanent financing based on a 25-year amortization schedule. The interest payments for the Construction Loan will be paid from the Offering Proceeds until Quirk Charlottesville reaches stabilization, after which the interest payments for the Construction Loan and principal and interest payments for the permanent financing are anticipated to be paid from the operating income of Quirk Charlottesville. The Construction Loan is anticipated to have a loan fee of approximately 1% (\$255,000) of the Construction Loan amount. The Company expects that Ted Ukrop and Jim Ukrop will be required to personally guaranty the Construction Loan and the permanent financing. The Company anticipates that the loan-to-cost ratio for the Construction Loan will be approximately 70% based upon the total costs of Quirk Charlottesville. However, the Company may, in its sole discretion, obtain financing that is less than or exceeds such amount and loan-to-cost ratio.

Quirk Charlottesville is expected to be subject to a first mortgage and other standard loan documents granted in favor of the lender to secure the Company’s obligations under the Construction Loan and the permanent financing. See the Project Pro Forma beginning on page 20.

ESTIMATED USE OF PROCEEDS

The following table outlines the Company’s sources and estimated uses of the Offering Proceeds. This represents an estimated use of proceeds.

1 Each separate line item in this table represents the estimated costs for that particular item. Any savings in a particular line item will be reallocated to another line item in the sole discretion of the Manager, as it deems to be in the best interests of the investors.

2 The development fee is equal to six percent (6%) of the total amount of the hard costs and soft costs incurred for the design and development of Quirk Charlottesville, excluding furniture, fixtures, operating supplies and equipment, as consideration for the Developer’s services in connection with the design and development of Quirk Charlottesville, which fee shall be paid to the Developer in monthly progress payment installments in accordance with the terms of the Development Agreement to be entered into to be entered into by and between the Company and the Developer, as may be amended from time to time. The Developer retained a third-party hotel consultant, Retro Hospitality, which has analyzed the market competition and determined what it believes to be the optimal parameters for the rental rates, amenities and other aspects of the design of Quirk Charlottesville. In conjunction with Architecture Firm, LLC, the Developer has created the site plan, the exterior design, the floor plans and the design and content of the rooms, roof top bar, lobby and other amenities. The Developer has and will continue to supervise the land planners, architects, engineers, interior designers and any other professionals retained by the Company. Along with these professionals, it will select the final materials, finishes, features and colors for Quirk Charlottesville. See “Quirk Charlottesville – Development, Construction and Management Status”, “Conflicts of Interest – Specific Conflicts of Interest” and “Compensation to the Manager and Its Affiliates.”

Sources	Maximum Offering Amount	Percentage of Total Cost	Minimum Offering Amount	Percentage of Total Cost
Equity Contributions from Sale of Class B Units	\$8,500,000	23.29%	\$5,000,000	13.70%
Existing Equity Contributions from Class A Members	3,500,000	9.59%	3,500,000	9.59%
Proceeds from Construction Loan*	\$24,500,000	67.12%	\$28,000,000	76.71%
	\$36,500,000	100.00%	\$36,500,000	100.00%
* A portion of the Offering proceeds, estimated to be \$[_____], will be used to repay the acquisition loans obtained by the Company in connection with the purchase of the Property.				
Uses				
Acquisition cost of Property	\$4,700,000	12.88%	\$4,700,000	12.88%
Development fee (2)	1,599,149	4.38%	1,599,149	4.38%
Architectural and design fees (3)	1,125,000	3.08%	1,125,000	3.08%
Third-party reports (4)	437,526	1.20%	437,526	1.20%
Construction costs (5)	18,500,000	50.68%	18,500,000	50.68%
Furniture, fixtures & equipment (6)	4,250,000	11.64%	4,250,000	11.64%
Office supplies & equipment (7)	1,738,658	4.76%	1,738,658	4.76%
Other Soft Costs (8)	3,288,589	9.01%	3,288,589	9.01%
Loan Fee (9)	220,000	0.60%	270,000	0.74%
Pre-Development Fee (10)	300,000	0.82%	260,000	0.71%
Organization and Offering Expenses(11)	100,000	0.27%	100,000	0.27%
Miscellaneous Costs	241,078	0.66%	231,078	0.63%
Total Uses				
	\$36,500,000	100.00%	\$36,500,000	100.00%

3 This amount includes the costs for the engineering and design professionals associated with the development and design of Quirk Charlottesville. It also includes the costs expended for architectural services related to the design of Quirk Charlottesville and the preparation of the stamped and sealed construction plans and specifications.

4 This amount includes the costs for various third-party reports obtained for the due diligence of the development of Quirk Charlottesville, including the environmental site assessment and site and underground utility survey. See “Quirk Charlottesville – Development, Construction and Management Status”.

5 The General Contractor will be selected by the Developer and serve as the general contractor for the construction of Quirk Charlottesville. Upon the closing of the Construction Loan, the Company will cause the General Contractor to commence construction pursuant to a construction contract with the Company for approximately \$18,500,000.

6 This amount includes the cost for furniture, fixtures and equipment for the guest rooms, lobby, reception, café bar, restaurant, whiskey bar, rooftop bar and art gallery, as well as signage and artwork.

7 This amount is for other soft costs and equipment, including kitchen supplies, operating supplies and equipment and low voltage installation.

8 This amount includes legal fees related to the development of the property, accounting fees, real estate taxes, utility connection fees, marketing costs and insurance premiums.

9 This amount includes the estimated loan fee of approximately 1% to be paid to the lender for the Construction Loan. See “Acquisition of the Property and Construction Loan – Construction Loan.”

10 This amount is payable to Bank Street Advisors, LLC for its services in structuring the Offering and the investment in the development of Quirk Charlottesville. See “Compensation to the Manager and Its Affiliates.”

11 This amount represents offering expenses incurred in connection with the Offering and the sale of the Class B Units (including legal, finance, accounting, printing and other miscellaneous costs and expenses), as well as the costs and expenses relating to the organization of the Company. The Manager anticipates that these expenses will be approximately \$100,000. If the Minimum Offering Amount is not sold, any Organization and Offering Expenses incurred will be the responsibility of the Manager and any Offering Proceeds escrowed will be returned to investors without interest, deduction or charge. See “Compensation to the Manager and Its Affiliates” and “Plan of Distribution – Marketing of Class B Units.”



QUIRK HOTEL, RICHMOND VIRGINIA

PRO FORMA

80 ROOMS																				
Projected at a full year																				
	1	2	3	4	5	6	7	8	9	10										
Occ %	64.00%	66.00%	3.13%	66.00%	0.00%	67.00%	1.52%	68.00%	1.49%	68.00%	0.00%	68.00%	0.00%	68.00%	0.00%	68.00%	0.00%	68.00%	0.00%	
ADR \$	\$230.00	\$238.00	3.48%	\$245.14	3.00%	\$252.49	3.00%	\$260.07	3.00%	\$267.87	3.00%	\$275.91	3.00%	\$284.18	3.00%	\$292.71	3.00%	\$301.49	3.00%	
Rev Par	\$147.20	\$157.08	6.71%	\$161.79	3.00%	\$169.17	4.56%	\$176.85	4.54%	\$182.15	3.00%	\$187.62	3.00%	\$193.25	3.00%	\$199.04	3.00%	\$205.01	3.00%	
Rm Sold	18,688	19,272	3.13%	19,325	0.27%	19,564	1.24%	19,856	1.49%	19,856	0.00%	19,856	0.00%	19,856	0.00%	19,856	0.00%	19,856	0.00%	
Room Revenue	4,298,240	40.94%	4,586,736	39.16%	4,737,281	38.78%	4,939,797	38.62%	5,163,931	38.51%	5,318,848	38.06%	5,478,414	37.61%	5,642,766	37.17%	5,812,049	36.72%	5,986,411	36.28%
Food Revenue	3,150,000	30.1%	3,622,500	30.93%	3,803,625	31.13%	3,993,806	31.22%	4,193,497	31.28%	4,403,171	31.51%	4,623,330	31.74%	4,854,496	31.98%	5,097,221	32.21%	5,352,082	32.44%
Bev Revenue	2,750,000	26.19%	3,162,500	27.00%	3,320,625	27.18%	3,486,656	27.26%	3,660,989	27.30%	3,844,039	27.51%	4,036,240	27.71%	4,238,052	27.92%	4,449,955	28.12%	4,672,453	28.32%
F&B Other Revenue	260,000	2.48%	299,000	2.55%	313,950	2.57%	329,648	2.58%	346,130	2.58%	363,436	2.60%	381,608	2.62%	400,689	2.64%	420,723	2.66%	441,759	2.68%
Other Revenue	40,000	0.38%	40,800	0.35%	41,616	0.34%	42,448	0.33%	43,297	0.32%	44,163	0.32%	45,046	0.31%	45,947	0.30%	46,866	0.30%	47,804	0.29%
Total Revenue	10,498,240	100.00%	11,711,536	100.00%	12,217,097	100.00%	12,792,355	100.00%	13,407,843	100.00%	13,973,658	100.00%	14,564,639	100.00%	15,181,951	100.00%	15,826,815	100.00%	16,500,509	100.00%
Rooms P/R	564,962	13.14%	580,665	12.66%	592,592	12.51%	606,140	12.27%	620,390	12.01%	632,727	11.90%	645,309	11.78%	658,141	11.66%	671,229	11.55%	684,577	11.44%
Rooms Other	284,809	6.63%	301,294	6.57%	309,830	6.54%	321,536	6.51%	334,549	6.48%	343,381	6.46%	352,529	6.43%	362,008	6.42%	371,834	6.40%	382,025	6.38%
F&B Labor	2,655,000	45.00%	2,985,400	44.00%	3,063,428	43.00%	3,216,599	43.00%	3,377,429	43.00%	3,546,300	43.00%	3,723,615	43.00%	3,909,796	43.00%	4,105,286	43.00%	4,310,550	43.00%
Food Cost	1,102,500	35.00%	1,195,425	33.00%	1,217,160	32.00%	1,278,018	32.00%	1,341,919	32.00%	1,409,015	32.00%	1,479,466	32.00%	1,553,439	32.00%	1,631,111	32.00%	1,712,666	32.00%
Bev Cost	660,000	24.00%	727,375	23.00%	763,744	23.00%	801,931	23.00%	842,027	23.00%	884,129	23.00%	928,335	23.00%	974,752	23.00%	1,023,490	23.00%	1,074,664	23.00%
Other F&B Cost	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Miscellaneous Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total Direct Expenses	5,267,271	50.17%	5,790,159	49.44%	5,946,754	48.68%	6,224,224	48.66%	6,516,314	48.60%	6,815,552	48.77%	7,129,254	48.95%	7,458,136	49.13%	7,802,949	49.30%	8,164,483	49.48%

The pro forma was prepared using assumptions and hypotheses that may or may not be correct. No presentation, warranty or guaranty of any kind is made respecting its accuracy or completeness. One should not rely on it for investment decisions.

PRO FORMA

A&G P/R	325,000	3.10%	331,500	2.83%	338,130	2.77%	344,893	2.70%	351,790	2.62%	358,826	2.57%	366,003	2.51%	373,323	2.46%	380,789	2.41%	388,405	2.35%
A&G Other	419,930	4.00%	439,183	3.75%	458,141	3.75%	479,713	3.75%	502,794	3.75%	524,012	3.75%	546,174	3.75%	569,323	3.75%	593,506	3.75%	618,769	3.75%
Marketing P/R	225,000	2.14%	229,500	1.96%	234,090	1.92%	238,772	1.87%	243,547	1.82%	248,418	1.78%	253,387	1.74%	258,454	1.70%	263,623	1.67%	268,896	1.63%
Marketing Other	524,912	5.00%	585,577	5.00%	610,855	5.00%	639,618	5.00%	670,392	5.00%	698,683	5.00%	728,232	5.00%	759,098	5.00%	791,341	5.00%	825,025	5.00%
Prop Op P/R	199,763	1.90%	203,758	1.74%	207,833	1.70%	211,990	1.66%	216,229	1.61%	220,554	1.58%	224,965	1.54%	229,464	1.51%	234,054	1.48%	238,735	1.45%
Prop Op Other	209,965	2.00%	292,788	2.50%	366,513	3.00%	383,771	3.00%	402,235	3.00%	419,210	3.00%	436,939	3.00%	455,459	3.00%	474,804	3.00%	495,015	3.00%
Utilities	119,424	1.14%	124,393	1.06%	127,216	1.04%	131,001	1.02%	135,192	1.01%	138,190	0.99%	141,322	0.97%	144,597	0.95%	148,026	0.94%	151,620	0.92%
Total Indirects	2,023,993	19.28%	2,206,698	18.84%	2,342,778	19.18%	2,429,756	18.99%	2,522,181	18.81%	2,607,893	18.66%	2,697,021	18.52%	2,789,718	18.38%	2,886,143	18.24%	2,986,465	18.10%
Gross Operating Profit	3,206,976	30.55%	3,714,678	31.72%	3,927,566	32.15%	4,138,374	32.35%	4,369,348	32.59%	4,550,213	32.56%	4,738,364	32.53%	4,934,097	32.50%	5,137,723	32.46%	5,349,561	32.42%
Management Fee	367,438	3.50%	409,904	3.50%	427,598	3.50%	447,732	3.50%	469,275	3.50%	489,078	3.50%	509,762	3.50%	531,368	3.50%	553,939	3.50%	577,518	3.50%
Management Exp	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Rent/Leases	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Taxes	195,000	1.86%	195,000	1.67%	199,875	1.64%	204,872	1.60%	209,994	1.57%	215,244	1.54%	220,625	1.51%	226,140	1.49%	231,794	1.46%	237,589	1.44%
Commercial Insurance	75,000	0.71%	80,719	0.69%	86,874	0.71%	93,498	0.73%	100,627	0.75%	108,300	0.78%	116,558	0.80%	125,445	0.83%	135,010	0.85%	145,305	0.88%
Asset Management Fee 1.5%	157,474		175,673		183,256		191,885		201,118		209,605		218,470		227,729		237,402		247,508	
Other Fixed	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total Fixed	794,912	7.57%	861,296	7.35%	897,603	7.35%	937,987	7.33%	981,013	7.32%	1,022,226	7.32%	1,065,414	7.32%	1,110,683	7.32%	1,158,145	7.32%	1,207,919	7.32%
EBITDA	2,412,064	22.98%	2,853,383	24.36%	3,029,962	24.80%	3,200,387	25.02%	3,388,336	25.27%	3,527,987	25.25%	3,672,950	25.22%	3,823,415	25.18%	3,979,578	25.14%	4,141,642	25.10%
4% FF&E Reserve	209,965	2.00%	234,231	2.00%	366,513	3.00%	511,694	4.00%	536,314	4.00%	558,946	4.00%	582,586	4.00%	607,278	4.00%	633,073	4.00%	660,020	4.00%
Cash Flow Available for Debt	2,202,099	20.98%	2,619,152	22.36%	2,663,449	21.80%	2,688,693	21.02%	2,852,022	21.27%	2,969,041	21.25%	3,090,364	21.22%	3,216,136	21.18%	3,346,505	21.14%	3,481,622	21.10%

PRO FORMA

		1	2	3	4	5	6	7	8	9	10
ROOMS SOLD		18,688	19,272	19,325	19,564	19,856	19,856	19,856	19,856	19,856	19,856
Cost		36,500,000									
Cost per Room		456,250									
Value (Mgmt 4%, FFE 4%)	8.00%	30,806,936	36,399,257	35,583,822	34,408,185	36,488,265	37,986,363	39,539,842	41,150,578	42,820,493	44,551,556
Value per Room		385,087	454,991	444,798	430,102	456,103	474,830	494,248	514,382	535,256	556,894
Equity	30.14%	11,000,000									
Debt Amount	69.86%	25,500,000									
Interest Rate	5.25%										
Amortization	25										
Annual Debt Service Payments		1,250,000	1,250,000	1,250,000	1,833,698	1,833,698	1,833,698	1,833,698	1,833,698	1,833,698	1,833,698
Cash Flow Avail for Distribution		952,099	1,369,152	1,413,449	854,995	1,018,324	1,135,343	1,256,666	1,382,438	1,512,807	1,647,924
ROI		8.24%	11.85%	12.24%	7.40%	8.82%	9.83%	10.88%	11.97%	13.10%	14.98%
MAID MIN PER ROOM		31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00
WAGE RATE		10.25	10.46	10.66	10.88	11.09	11.32	11.54	11.77	12.01	12.25
SUBTOTAL FOR MAIDS		98,968.53	104,102.53	106,475.49	109,949.30	113,822.14	116,098.59	118,420.56	120,788.97	123,204.75	125,668.84
HOUSEPERSON 8 LAUNDRY HOURS/DAY		16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
WAGE RATE		10.00	10.20	10.40	10.61	10.82	11.04	11.26	11.49	11.72	11.95
SUBTOTAL FOR HOUSEPERSONS		58,400.00	59,568.00	60,759.36	61,974.55	63,214.04	64,478.32	65,767.89	67,083.24	68,424.91	69,793.41
HSKG MGMT ANNUAL		40,000.00	41,000.00	41,768.75	42,551.91	43,349.76	44,162.57	44,990.62	45,834.19	46,693.58	47,569.09
HOUSEKEEPING SUBTOTAL(5%+)		207,236.96	214,904.05	219,453.78	225,199.55	231,405.24	235,976.45	240,638.02	245,391.73	250,239.40	255,182.91
CONT BREAK/BELLMAN HOURS/DAY		20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
CONT BREAK/BELLMAN WAGE RATE		8.00	8.16	8.32	8.49	8.66	8.83	9.01	9.19	9.37	9.56
SUBTOTAL FOR BELLSTAFF		58,400.00	59,568.00	60,759.36	61,974.55	63,214.04	64,478.32	65,767.89	67,083.24	68,424.91	69,793.41
DESK HOURS/DAY		25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
DESK WAGE RATE		12.00	12.24	12.48	12.73	12.99	13.25	13.51	13.78	14.06	14.34
N AUDIT HOURS/DAY		8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
N AUDIT WAGE RATE		13.00	13.26	13.53	13.80	14.07	14.35	14.64	14.93	15.23	15.54
DESK MGMT		30,000.00	30,600.00	31,212.00	31,836.24	32,472.96	33,122.42	33,784.87	34,460.57	35,149.78	35,852.78
SUBTOTAL FOR DESK(5%+)		186,333.00	190,059.66	193,860.85	197,738.07	201,692.83	205,726.69	209,841.22	214,038.05	218,318.81	222,685.18
BENEFIT %		25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
TOTAL ROOMS PAYROLL		564,962.45	580,664.64	592,592.50	606,140.21	620,390.14	632,726.82	645,308.90	658,141.27	671,228.90	684,576.87

PRO FORMA

GENERAL MANAGER	120,000.00	122,400.00	124,848.00	127,344.96	129,891.86	132,489.70	135,139.49	137,842.28	140,599.13	143,411.11
ASST GM	55,000.00	56,100.00	57,222.00	58,366.44	59,533.77	60,724.44	61,938.93	63,177.71	64,441.27	65,730.09
ACCOUNTING	45,000.00	45,900.00	46,818.00	47,754.36	48,709.45	49,683.64	50,677.31	51,690.86	52,724.67	53,779.17
ADMIN/HR	40,000.00	40,800.00	41,616.00	42,448.32	43,297.29	44,163.23	45,046.50	45,947.43	46,866.38	47,803.70
SECURITY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUBTOTAL A&G PAYROLL	260,000	265,200	270,504	275,914	281,432	287,061	292,802	298,658	304,631	310,724
TOTAL W/ BEN	325,000	331,500	338,130	344,893	351,790	358,826	366,003	373,323	380,789	388,405
DOS	80,000.00	81,600.00	83,232.00	84,896.64	86,594.57	88,326.46	90,092.99	91,894.85	93,732.75	95,607.41
SALES MANAGERS	100,000.00	102,000.00	104,040.00	106,120.80	108,243.22	110,408.08	112,616.24	114,868.57	117,165.94	119,509.26
SECRETARIAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUBTOTAL SALES PAYROLL	180,000	183,600	187,272	191,017	194,838	198,735	202,709	206,763	210,899	215,117
TOTAL W/ BEN	225,000	229,500	234,090	238,772	243,547	248,418	253,387	258,454	263,623	268,896
CHIEF ENGINEER	50,000.00	51,000.00	52,020.00	53,060.40	54,121.61	55,204.04	56,308.12	57,434.28	58,582.97	59,754.63
MAINT HRS PER DAY	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
MAINT WAGE RATE	14.00	14.28	14.57	14.86	15.15	15.46	15.77	16.08	16.40	16.73
SUBTOTAL MAINT PAYROLL (5%+)	159,810.00	163,006.20	166,266.32	169,591.65	172,983.48	176,443.15	179,972.02	183,571.46	187,242.89	190,987.74
TOTAL W/ BEN	199,762.50	203,757.75	207,832.91	211,989.56	216,229.35	220,553.94	224,965.02	229,464.32	234,053.61	238,734.68
Annual Payroll Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	12.50%
Rooms Dept Exp %	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Rooms Dept Exp \$/Occ Rm	\$6.00	\$6.12	\$6.24	\$6.37	\$6.51	\$6.65	\$6.80	\$6.95	\$7.11	\$7.46
Rooms Dept Exp Fixed	\$20,000	\$20,000	\$20,408	\$20,833	\$21,276	\$21,737	\$22,219	\$22,723	\$23,249	\$23,801
Utility Costs (fixed)	40,000	40,000.00	40,816.00	41,665.63	42,551.01	43,474.40	44,438.32	45,445.45	46,498.74	47,601.43
Utility Costs (variable)	4.25	4.25	4.34	4.43	4.52	4.62	4.72	4.83	4.94	5.18
Inflation Factor	2.00%	2.00%	2.04%	2.08%	2.12%	2.17%	2.22%	2.27%	2.32%	2.43%

THERE CAN BE NO ASSURANCE (I) THAT THE VALUE ESTABLISHED BY THE COMPANY COULD OR WILL ACTUALLY BE REALIZED BY THE COMPANY OR AN INVESTOR UPON LIQUIDATION (IN PART BECAUSE APPRAISAL OR ESTIMATED VALUES DO NOT NECES- SARILY INDICATE THE PRICE AT WHICH ASSETS COULD BE SOLD AND BECAUSE NO ATTEMPT WILL BE MADE TO ESTIMATE THE EXPENSES OF SELLING ANY ASSETS OF THE COMPANY), (II) THAT INVESTORS COULD REALIZE SUCH VALUE IF THEY WERE TO TRY TO SELL THEIR CLASS B UNITS, OR (III) THAT SUCH VALUATION COMPLIES WITH THE REQUIRE- MENTS OF ERISA OR THE CODE.

DEBT - QUIRK CHARLOTTESVILLE, VA

Rate/Month	0.438%	80,000.00	(\$152,808.17)	
Amort per	300		(1,833,698.04)	
Principal	25,500,000			
Months				
1	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
2	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
3	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
4	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
5	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
6	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
7	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
8	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
9	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
10	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
11	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
12	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
13	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
14	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
15	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
16	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
17	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
18	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
19	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
20	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
21	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
22	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
23	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
24	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
25	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
26	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
27	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
28	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
29	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
30	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48

31	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
32	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
33	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
34	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
35	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
36	25,500,000.48	111,562.50	(111,562.50)	25,500,000.48
37	25,500,000.48	111,562.50	(152,808.17)	25,458,754.81
38	25,458,754.81	111,382.05	(152,808.17)	25,417,328.69
39	25,417,328.69	111,200.81	(152,808.17)	25,375,721.33
40	25,375,721.33	111,018.78	(152,808.17)	25,333,931.94
41	25,333,931.94	110,835.95	(152,808.17)	25,291,959.72
42	25,291,959.72	110,652.32	(152,808.17)	25,249,803.88
43	25,249,803.88	110,467.89	(152,808.17)	25,207,463.60
44	25,207,463.60	110,282.65	(152,808.17)	25,164,938.08
45	25,164,938.08	110,096.60	(152,808.17)	25,122,226.52
46	25,122,226.52	109,909.74	(152,808.17)	25,079,328.09
47	25,079,328.09	109,722.06	(152,808.17)	25,036,241.98
48	25,036,241.98	109,533.56	(152,808.17)	24,992,967.37
49	24,992,967.37	109,344.23	(152,808.17)	24,949,503.43
50	24,949,503.43	109,154.08	(152,808.17)	24,905,849.34
51	24,905,849.34	108,963.09	(152,808.17)	24,862,004.26
52	24,862,004.26	108,771.27	(152,808.17)	24,817,967.35
53	24,817,967.35	108,578.61	(152,808.17)	24,773,737.79
54	24,773,737.79	108,385.10	(152,808.17)	24,729,314.72
55	24,729,314.72	108,190.75	(152,808.17)	24,684,697.31
56	24,684,697.31	107,995.55	(152,808.17)	24,639,884.69
57	24,639,884.69	107,799.50	(152,808.17)	24,594,876.01
58	24,594,876.01	107,602.58	(152,808.17)	24,549,670.42
59	24,549,670.42	107,404.81	(152,808.17)	24,504,267.06
60	24,504,267.06	107,206.17	(152,808.17)	24,458,665.06
61	24,458,665.06	107,006.66	(152,808.17)	24,412,863.55
62	24,412,863.55	106,806.28	(152,808.17)	24,366,861.66
63	24,366,861.66	106,605.02	(152,808.17)	24,320,658.51
64	24,320,658.51	106,402.88	(152,808.17)	24,274,253.22
65	24,274,253.22	106,199.86	(152,808.17)	24,227,644.90

DEBT - QUIRK CHARLOTTESVILLE, VA

66	24,227,644.90	105,995.95	(152,808.17)	24,180,832.68
67	24,180,832.68	105,791.14	(152,808.17)	24,133,815.65
68	24,133,815.65	105,585.44	(152,808.17)	24,086,592.93
69	24,086,592.93	105,378.84	(152,808.17)	24,039,163.60
70	24,039,163.60	105,171.34	(152,808.17)	23,991,526.77
71	23,991,526.77	104,962.93	(152,808.17)	23,943,681.53
72	23,943,681.53	104,753.61	(152,808.17)	23,895,626.97
73	23,895,626.97	104,543.37	(152,808.17)	23,847,362.17
74	23,847,362.17	104,332.21	(152,808.17)	23,798,886.20
75	23,798,886.20	104,120.13	(152,808.17)	23,750,198.16
76	23,750,198.16	103,907.12	(152,808.17)	23,701,297.11
77	23,701,297.11	103,693.17	(152,808.17)	23,652,182.11
78	23,652,182.11	103,478.30	(152,808.17)	23,602,852.24
79	23,602,852.24	103,262.48	(152,808.17)	23,553,306.55
80	23,553,306.55	103,045.72	(152,808.17)	23,503,544.09
81	23,503,544.09	102,828.01	(152,808.17)	23,453,563.93
82	23,453,563.93	102,609.34	(152,808.17)	23,403,365.10
83	23,403,365.10	102,389.72	(152,808.17)	23,352,946.65
84	23,352,946.65	102,169.14	(152,808.17)	23,302,307.62
85	23,302,307.62	101,947.60	(152,808.17)	23,251,447.05
86	23,251,447.05	101,725.08	(152,808.17)	23,200,363.96
87	23,200,363.96	101,501.59	(152,808.17)	23,149,057.38
88	23,149,057.38	101,277.13	(152,808.17)	23,097,526.34
89	23,097,526.34	101,051.68	(152,808.17)	23,045,769.85
90	23,045,769.85	100,825.24	(152,808.17)	22,993,786.92
91	22,993,786.92	100,597.82	(152,808.17)	22,941,576.57
92	22,941,576.57	100,369.40	(152,808.17)	22,889,137.79
93	22,889,137.79	100,139.98	(152,808.17)	22,836,469.60
94	22,836,469.60	99,909.55	(152,808.17)	22,783,570.99
95	22,783,570.99	99,678.12	(152,808.17)	22,730,440.94
96	22,730,440.94	99,445.68	(152,808.17)	22,677,078.45
97	22,677,078.45	99,212.22	(152,808.17)	22,623,482.50
98	22,623,482.50	98,977.74	(152,808.17)	22,569,652.06
99	22,569,652.06	98,742.23	(152,808.17)	22,515,586.12
100	22,515,586.12	98,505.69	(152,808.17)	22,461,283.64

101	22,461,283.64	98,268.12	(152,808.17)	22,406,743.58
102	22,406,743.58	98,029.50	(152,808.17)	22,351,964.92
103	22,351,964.92	97,789.85	(152,808.17)	22,296,946.59
104	22,296,946.59	97,549.14	(152,808.17)	22,241,687.56
105	22,241,687.56	97,307.38	(152,808.17)	22,186,186.78
106	22,186,186.78	97,064.57	(152,808.17)	22,130,443.17
107	22,130,443.17	96,820.69	(152,808.17)	22,074,455.69
108	22,074,455.69	96,575.74	(152,808.17)	22,018,223.27
109	22,018,223.27	96,329.73	(152,808.17)	21,961,744.82
110	21,961,744.82	96,082.63	(152,808.17)	21,905,019.29
111	21,905,019.29	95,834.46	(152,808.17)	21,848,045.57
112	21,848,045.57	95,585.20	(152,808.17)	21,790,822.60
113	21,790,822.60	95,334.85	(152,808.17)	21,733,349.28
114	21,733,349.28	95,083.40	(152,808.17)	21,675,624.52
115	21,675,624.52	94,830.86	(152,808.17)	21,617,647.20
116	21,617,647.20	94,577.21	(152,808.17)	21,559,416.24
117	21,559,416.24	94,322.45	(152,808.17)	21,500,930.51
118	21,500,930.51	94,066.57	(152,808.17)	21,442,188.92
119	21,442,188.92	93,809.58	(152,808.17)	21,383,190.32
120	21,383,190.32	93,551.46	(152,808.17)	21,323,933.61

INVESTMENT RETURN AND VALUES WITH GIVEN ASSUMPTIONS

Year	0	1	2	3	4	5	6	7	8	9	10
Cash Flow Bef Debt	(11,000,000)	2,202,099	2,619,152	2,663,449	2,688,693	2,852,022	2,969,041	3,090,364	3,216,136	3,346,505	3,481,622
Cash Flow Avail for Distribution		952,099	1,369,152	1,413,449	854,995	1,018,324	1,135,343	1,256,666	1,382,438	1,512,807	1,647,924
8% Preferred Return											
8%		880,000	874,232	834,638	788,334	783,001	764,175	734,481	692,707	637,528	567,506
Cash Flow To Pay Down Initial Equity		72,099	494,920	578,811	66,661	235,323	371,168	522,185	689,732	875,279	1,080,418
Unreturned Capital Contributions		10,927,901	10,432,980	9,854,170	9,787,508	9,552,185	9,181,017	8,658,832	7,969,100	7,093,821	6,013,403
Sale											51,770,529
Remaining Debt											(21,323,934)
Cost of Sale 3%											(1,553,116)
Net Sale Proceeds											28,893,479
Remaining Equity Balance Paid to Investors											(6,013,403)
Profit from Sale											22,880,076
Promote to Class C Investor (30%)											(6,864,023)
Sale Proceeds to Investor 70:30											16,016,053
Cash Flow to Investor	\$(11,000,000)	\$952,099	\$1,369,152	\$1,413,449	\$854,995	\$1,018,324	\$1,135,343	\$1,256,666	\$1,382,438	\$1,512,807	\$23,677,380
Cash on Cash Return		8.7%	12.4%	12.8%	7.8%	9.3%	10.3%	11.4%	12.6%	13.8%	215.2%
Average COC Pre-Sale	11.01%										
Average Cash On Cash Post Sale	31.43%										
Year	0	1	2	3	4	5	6	7	8	9	10
EBIDA IRR - 8% Cap at Sale	\$(36,500,000.00)	\$2,412,064	\$2,853,383	\$3,029,962	\$3,200,387	\$3,388,336	\$3,527,987	\$3,672,950	\$3,823,415	\$3,979,578	\$55,912,171
8%		\$30,150,796	\$35,667,286	\$37,874,528	\$40,004,840	\$42,354,196	\$44,099,838	\$45,911,872	\$47,792,682	\$49,744,724	\$51,770,529
Sale Value											
EBIDA IRR	11.36%										

The 8% Preferred Return is not a cumulative return. There can be no assurance that the targeted Preferred Return will be achieved in any given fiscal year. In the event the Company does not make distributions in a given fiscal year sufficient to provide the entire Preferred Return to Class B Members for such fiscal year, Class B Members will receive only the portion of the Preferred Return that the Company distributes and shall not have a right to any future payments for the balance of the Preferred Return for such fiscal year. For any fiscal year in which the Company makes no distributions (e.g., during construction of Quirk Charlottesville), Class B Members will receive no Preferred Return for such fiscal year.

The hotel is positioned to be a luxurious yet trendy alternative to the iconic Boars Head Inn and will market to a wide variety of travelers that are looking for something beyond the Marriott and Omni franchise brands. The hotel is expected to draw room nights through the multiple sales platforms and appeal to Leisure and Business travelers alike. The hotel is expected to stabilize in year 3 with an occupancy of 66% and ADR of \$245.14 for a RevPar of \$161.79. The smaller size of Quirk combined with the market positioning is anticipated to allow management to adjust pricing more effectively to produce RevPar in line with projections.

After Food and Beverage (including the Rooftop Bar) and other income total revenues are projected at \$10.7 million and after reserve NCF is projected at 20% of revenue. At a conservative cap rate of 8%, the loan request represents a 70% LTC.





INVESTMENT RATIONALE

Historically, investing was much simpler because as long as an investment portfolio had a reasonable allocation of both stocks and bonds, it would generally perform well. However, investing has become much more complicated in recent years, with the advent of computerized trading and the speed at which information is available. In addition, with a progressively global economy, most companies now face both global competition and currency risk. As a result, the stock market has a higher risk profile and has become increasingly reactive and volatile.

During the last cycle and recession, investment portfolios composed solely of stocks and bonds were vulnerable to loss and significant volatility. The Dow Jones Industrial Average peaked at 14,165 on October 9, 2007, bottomed out 17 months later on March 9, 2009 with a 54% loss in value at 6,547, and after nearly 5 ½ years recovered its loss by breaking even and closing at 14,254 on March 5, 2013.

Recently, the Dow Jones Industrial Average has closed at record highs above 20,000 (Source: Dow Jones) and the Shiller Cyclically Adjusted Price to Earnings Ratio ("CAPE"), a stock market valuation measure created by Nobel Prize winning economist Robert Shiller, has surpassed 28. A CAPE valuation of greater than 27 has only occurred on three previous occasions, prior to the 1929 stock market crash, the 2000 technology stock bubble and the 2007 housing and stock bubble. In addition, another long-term valuation indicator, which Warren Buffett has described as probably the best single measure of where valuations stand at any given time is the total stock market capitalization as a percentage of the U.S. Gross Domestic Product ("GDP"). A total stock market valuation of greater than 100% of the total goods and services in the U.S. economy would indicate stocks may be overvalued. Recent total stock market valuations have exceeded 120% of GDP. Are we at or near another peak in the stock market? Is there more risk than reward in the stock market at the current prices and earnings multiples? The cyclical nature, volatility and risk profile of the stock market demonstrates why it is imperative that an investment portfolio is fully diversified.

WHAT IS DIVERSIFICATION?

Modern portfolio theory defines investment diversification as combining different types of assets that move independently of each other to reduce the overall risk of an investment portfolio. There are two forms of risk: systematic risk and unsystematic risk. Systematic risk is the risk associated with stock market returns as a whole and unsystematic risk is risk related to a specific company or industry. To achieve full diversification requires the portfolio to be invested in multiple asset classes, such as cash, publicly traded stocks, bonds and private real estate investments, which have geographic diversification, varying investment horizons and that respond differently to various market conditions and economic events.

A well-diversified investment portfolio should include both publicly traded and private, non-traded investments. An investment in publicly traded real estate companies, such as most REITs, provides exposure to the real estate industry, but because REITs trade in part based on their dividend yields, REIT stock prices are negatively impacted by increases in interest rates. Although real estate has traditionally been valued for its income-producing and inflation-hedging benefits, the primary role of real estate in a portfolio is one of diversification. Investing in real estate also provides direct ownership of a tangible, hard asset in a selected location that can produce cash distributions for investors and is not dependent on the performance of the stock market. As a result, investing directly in real estate is an effective diversification strategy because it is countercyclical and real estate investment returns have typically demonstrated a low correlation with the investment returns of publicly traded stocks and fixed income investments.

RETIREMENT AND ESTATE PLANNING

Another benefit of a private partnership investment in real estate is that it can assist investors with retirement and estate planning. The real estate asset can provide cash distributions to supplement an investor’s other sources of income in retirement. In addition, upon an investor’s death, the tax basis of the partnership interest receives an increase or “step-up” to its fair market value. The investor’s heirs receive the partnership interest with a tax basis equal to its fair market value and will only be taxed on the future appreciation of the investment. This type of investment can be an integral part of an investor’s estate plan to transfer wealth to the investor’s heirs.

WHY SHOULD YOU INVEST IN NEW HOTELS?

New debt financing is declining but that is providing opportunity for many opportunistic hotel investors. New hotels will continue to be more challenging to finance based on increasing cost of capital and the larger capital requirements to enter this business. This will result in less competitive product entering a market naturally inflating the barriers to entry. This helps mitigate the risk of new hotels potentially cannibalizing the market share of many hotels. Especially when there is also a limited or a lack of existing buildings in a market that could otherwise qualify to be converted from another use into a hotel.

New hotels can be designed and constructed utilizing more energy efficient materials and this translates directly into improved operating margins over the ownership period resulting in higher valuations. They also require less unforeseen capital investments during the early stages of operation as major mechanical, electrical and plumbing systems are less likely to fail. These building systems will be new and operationally superior based on improvements in current technology. Based on site selection, newly constructed hotels also are often located in the most optimal areas of town closest to existing demand generators, premium amenities and within potential high growth corridors. Additionally, without the restrictions of a defined building envelope, the new hotel can be more easily scaled to the market and programmed with a focus on maximizing more revenue per square foot.

EXIT STRATEGY

The market of potential hotel investors and purchasers remains strong. In 2016, the U.S. saw a record proportion of offshore capital and foreign investors became a major force in the U.S. hotel investment market. Weak economic growth prospects in many international markets and relaxing regulations on China concerning overseas investments have resulted in a large amount of foreign capital pursuing U.S. hotel assets.

RevPAR growth is anticipated to remain strong for the next several years barring any unforeseen demand shocks. The national pipeline implies a continuation of below-average supply growth while moderate economic growth is expected to continue to buoy lodging demand. As long as this dynamic prevails, operating fundamentals for the U.S. lodging sector will remain strong. While high asset valuations are slowing transactions, especially in gateway markets, private equity investors and REITS in search of yield have remained active buyers in the secondary and tertiary markets.

Lodging trends are influenced substantially by changing U.S. demographics and a changing U.S. customer. The largest hotel brands in the industry have all launched new lifestyle, boutique products in the last five (5) years aimed at capturing the millennial traveler. Today’s travelers are looking for authentic experiences and there is less focus on accumulating loyalty points. Thus, hotel brands are on a quest to quickly bolster their pipeline with these types of assets via acquisition. With limits to new supply growth, the hotel industry in total continues to see an uptick in mergers and acquisitions activity and the independent, lifestyle/ boutique hotels in secondary and tertiary markets remain highly sought after by a variety of different purchasers.

BENEFITS OF INVESTING IN REAL ESTATE

Real estate is one of the only asset classes that allows you to borrow the majority of the capital to purchase an asset, which then produces cash flow from rents that is used to pay down the debt over time and also provides cash distributions to investors. An investment in real estate may provide investors with the following additional benefits:

- Asset diversification of their investment portfolio;
- Current income through cash distributions from the operating profits of the real estate asset;
- Capital appreciation from the sale of the real estate asset;
- Inflation protection; and
- Potential tax benefits from limited tax-deferral and capital gains from the sale of the real estate asset.

WHY INVEST IN HOTELS VERSUS OTHER TYPES OF REAL ESTATE?

Hotel investments capitalize on the following factors:

- The lodging cycle generally moves closely to the overall economy. Strengthening domestic economic fundamentals greatly contributed to hotel occupancy achieving a new record in 2016. An increasing job market has boosted family income and higher disposable incomes directly translates into a higher frequency of travel. The US Travel industry has seen five (5) straight years of 5% growth in travel and 2017 is predicted to see 6% growth.
- At the same time, hotel investments will continue to remain attractive as new hotel supply continues to face downward pressure. Growth in the number of hotel rooms entering the market are predominantly held in check due to limited access to hospitality financing and stricter lending requirements relative to other commercial real estate classes. Specifically, full recourse loans with personal guarantees and more reliance on balance sheet lending is the norm. Additionally, hotel financing for non-branded, independent hotel projects result in higher loan-to-cost ratio requirements compared to hotels with a franchise affiliation.
- While rising construction costs can be an obstacle to project financing, the hotel industry in general is seeing profitability increase. These incremental costs can be viewed as “off-set” as hotels are seeing a reduction in its ongoing costs. Specifically, operating costs are decreasing as the result of leveraging improved mobile and digital technology to market the hotel, increase automation in order to decrease the number of employees, as well as the use of technology to engage the guest and capture more overall room, food and beverage and ancillary revenue at a lower cost. Additionally, hotels continue to maintain access to an under-skilled, less educated workforce that commands lower average wages.
- Valuation. The average price per key has increased significantly given the strengthening operating fundamentals, enhanced market liquidity and falling cap rates for the hotel sector.
- The potential for inflation should benefit hospitality assets relative to other commercial real estate classes as ADR (currently 3.1%) and RevPAR growth (currently 3.4%) tend to out-pace inflation.



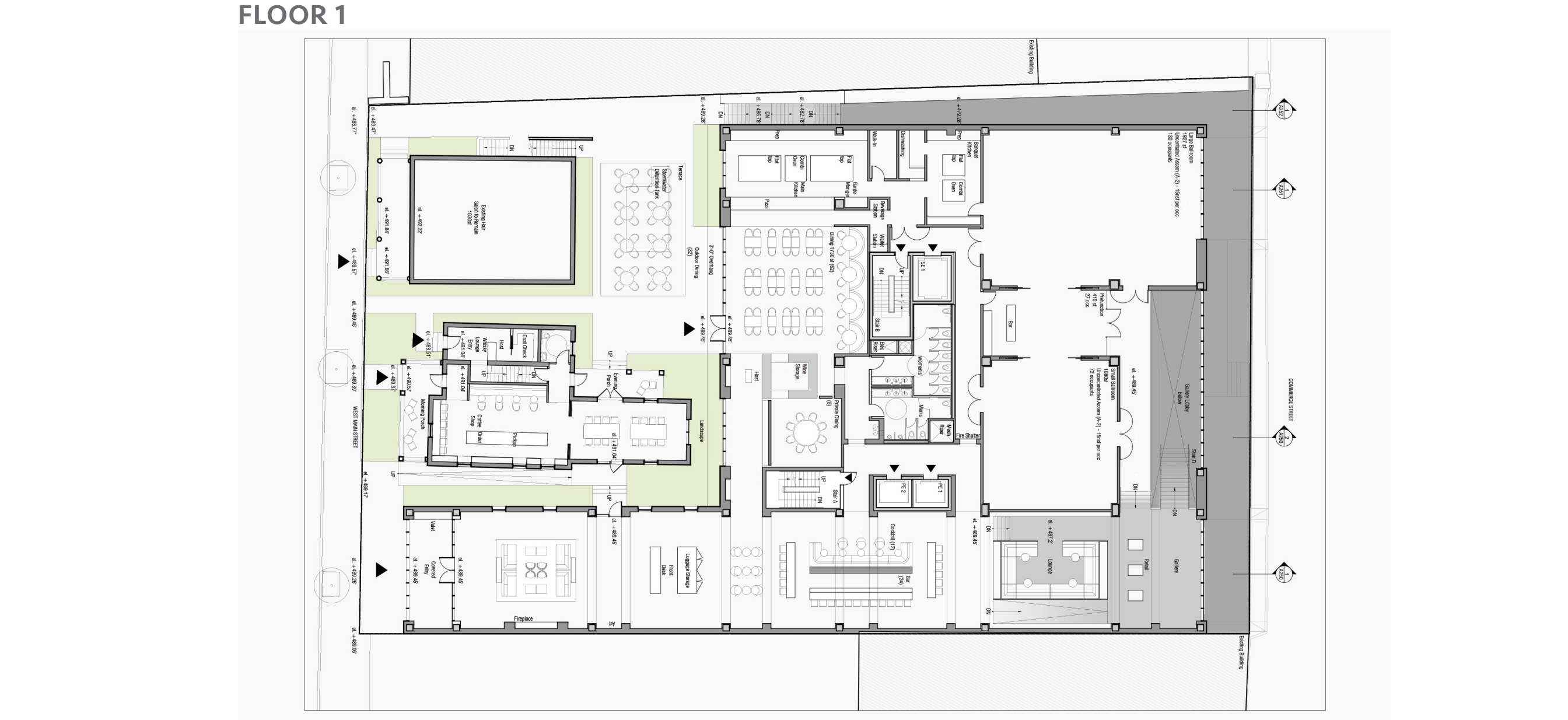
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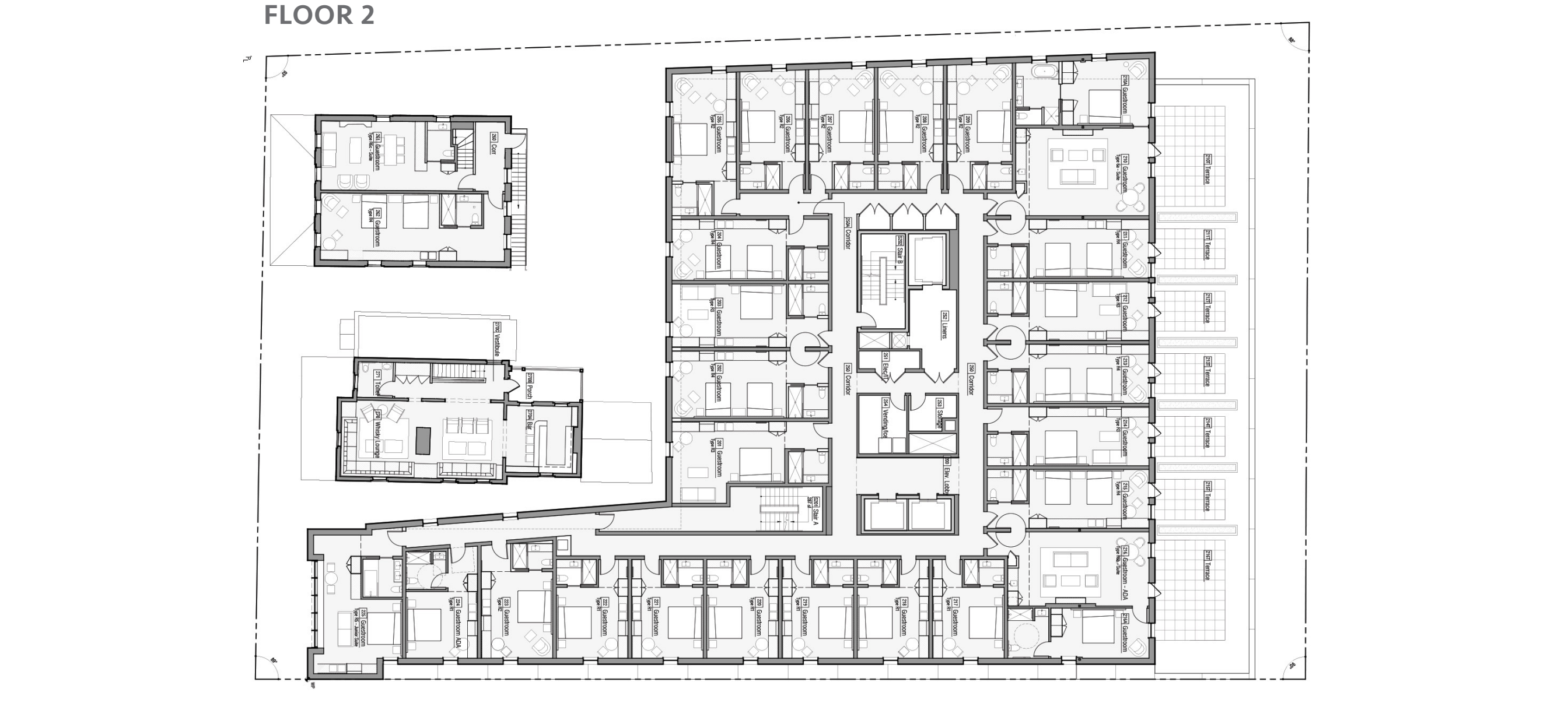
PROGRAMMING & PRELIMINARY DESIGN



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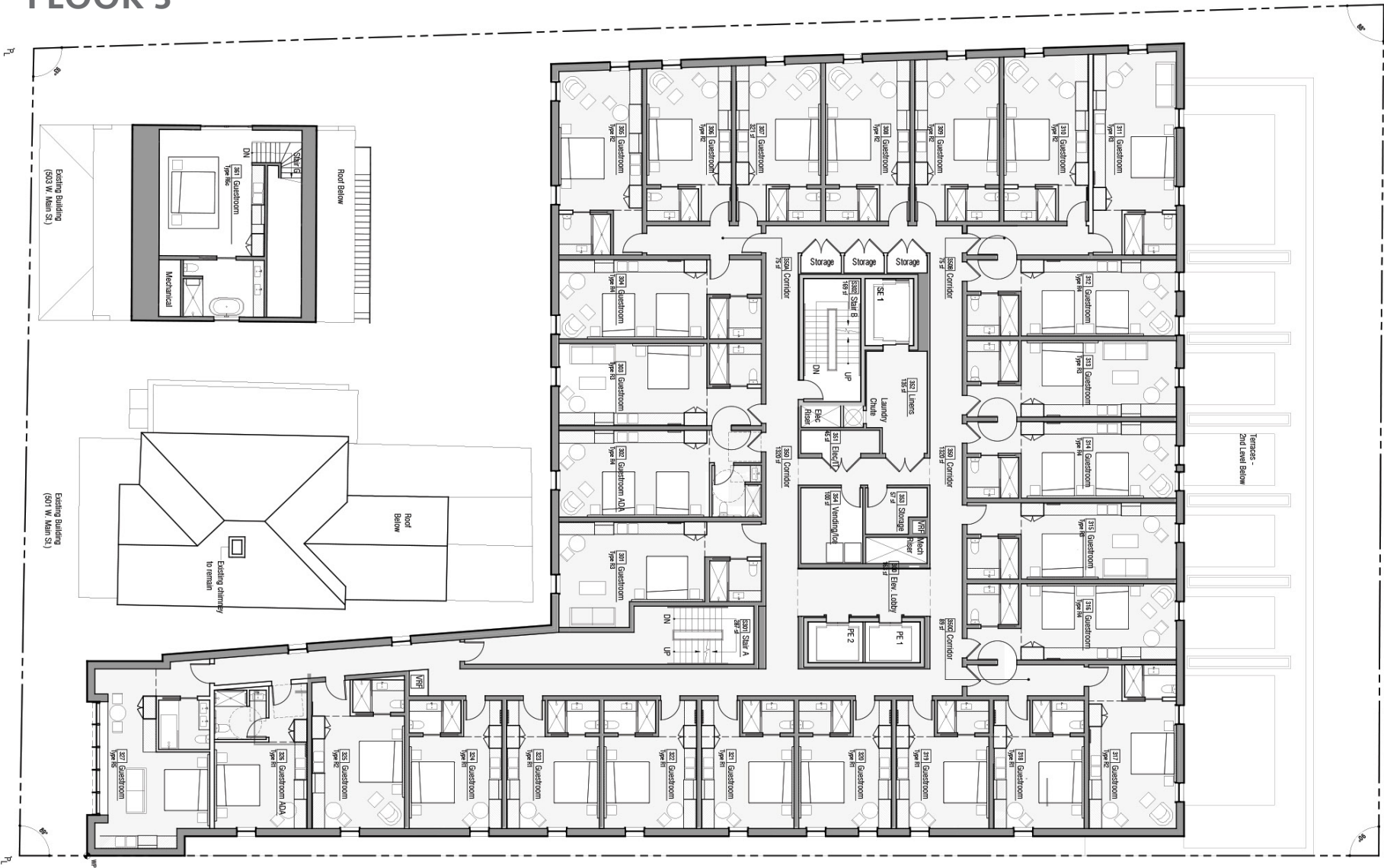






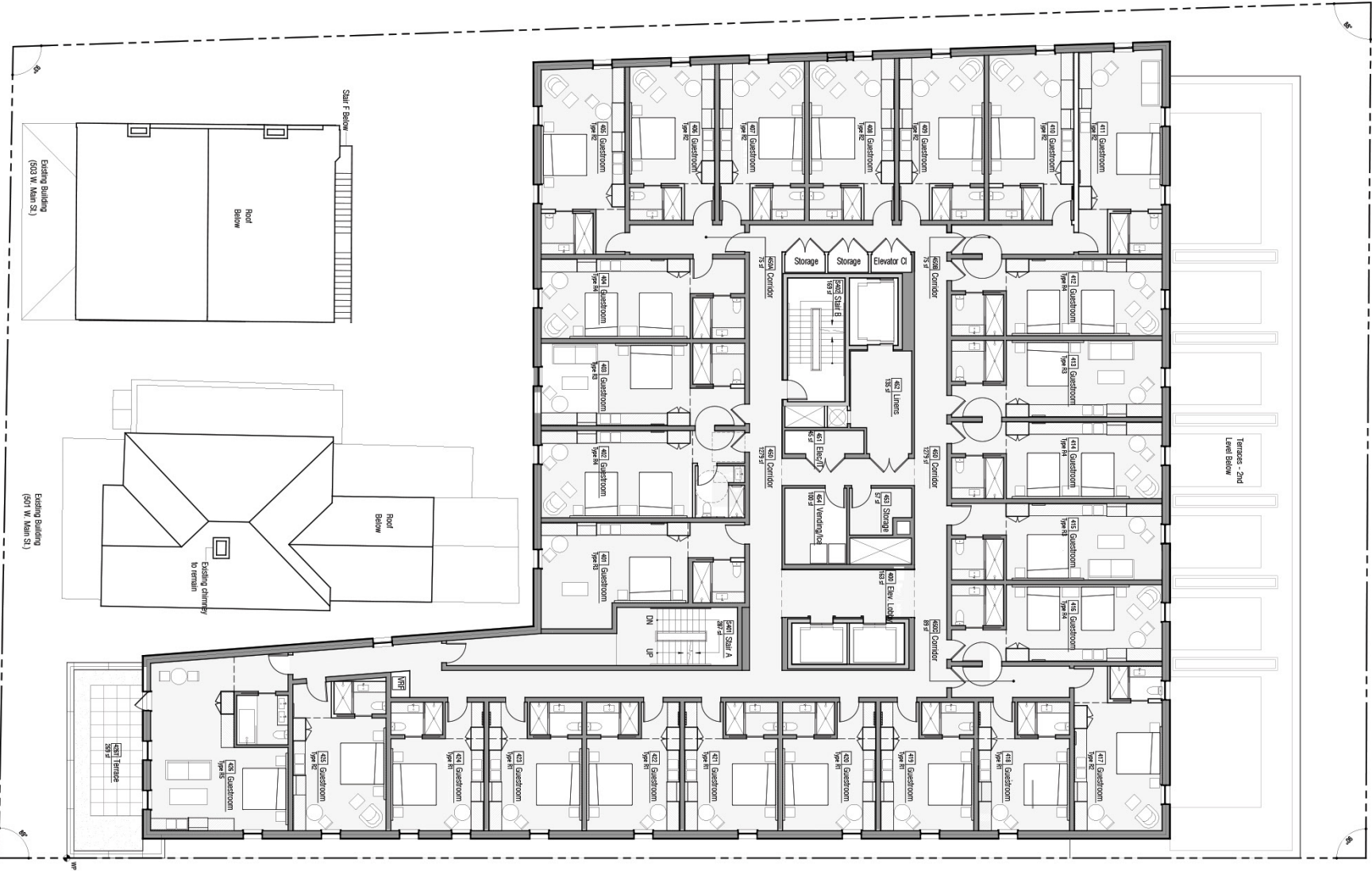
QUIRK CHARLOTTESVILLE PROPOSED PROGRAMMING

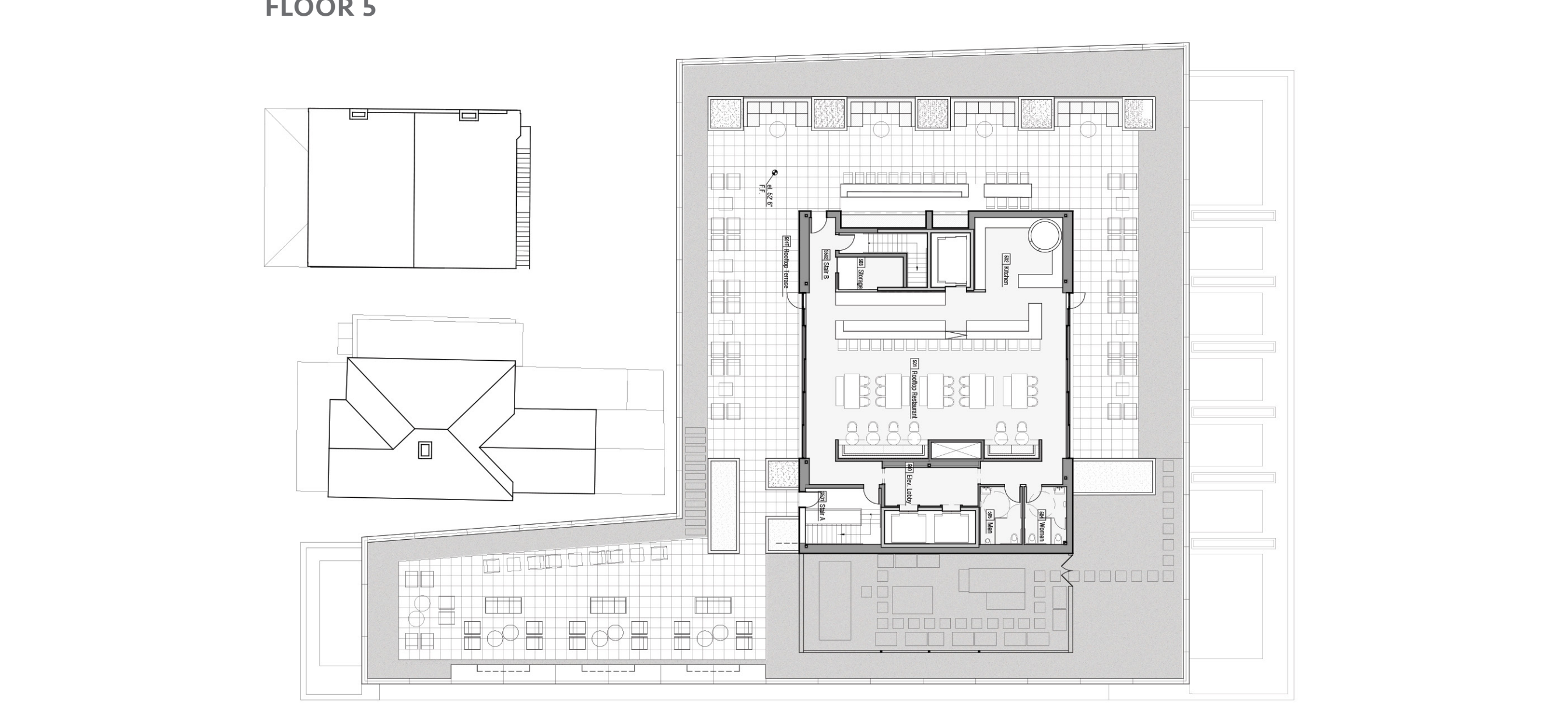
FLOOR 3



QUIRK CHARLOTTESVILLE PROPOSED PROGRAMMING

FLOOR 4





QUIRK CHARLOTTESVILLE PROPOSED PROGRAMMING

2 North-South 2 (At Existing Bldg 1)
1/8" = 1'-0"

- el. 67'-8"
T.O. Appurtenance
- el. 65'-4 1/2"
Upper Roof Level
- el. 52'-4 1/2"
Roof Level F.F.
- el. 52'-0 1/2"
Roof Level (Membrane)
- el. 51'-4 1/2"
Roof Level T.O.SL.

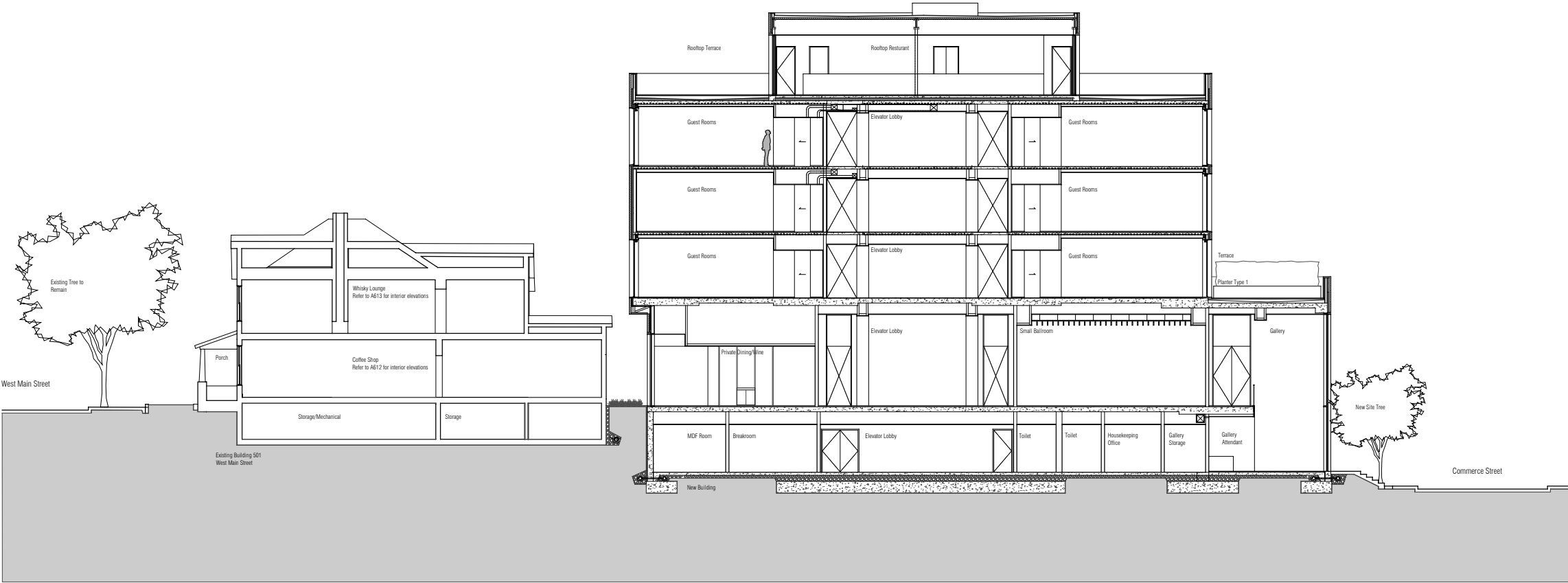
- el. 40'-4"
4th Level T.O.SL.

- el. 29'-3 1/2"
3rd Level T.O.SL.

- el. 18'-3"
2nd Level T.O.SL.

- el. 0'-0" (489.51' T.O.SL.)
1st Level (489.68' F.F.)

- el. -11'-0" (478.51' T.O.SL.)
Cellar Level (478.68' F.F.)



el. -11'-0" (478.51' T.O.SL.)
Cellar Level (478.68' F.F.)



THE QUIRK BRAND

QUIRK HOTEL, RICHMOND VIRGINIA



QUIRK:

A charming and individual characteristic that makes one special and unique. An unexpected and singular twist that sets one apart from the crowd.

Hotel Quirk is a celebration of Charlottesville's vibrant artistic and educational spirit. A unique experience thoughtfully crafted for the creative and curious that brings art, design, cuisine and creativity together in provocative and unexpected ways. From the thoughtful comforts and exquisite details that infuse the design to the savvy and skill our staff display as they warmly fulfill each need, it's an ideal departure from the conventional that always leaves one feeling enriched and inspired.



COMPUTER GENERATED IMAGE

IT'S A PLACE THAT'S ALWAYS ENGAGING YOU IN UNEXPECTED WAYS.

YOUR ARRIVAL FEELS MORE LIKE A DEPARTURE...

A departure from the old and ordinary; the bland and boring; from pretense and posing; from conventional ideas about art, design, style, service and cuisine. A departure from everything you thought you knew about Charlottesville. It's a place that enriches your life with new experiences, impressions and perspectives. That gives you new things to think about in new ways. Right away you love its vibrant energy, the sense of anticipation and activity that's immediate and enchanting. It's more than a hotel - it's your point of departure and discovery.

ENDURING

Our service is the single most important quality that separates our experience from others. Service at Quirk feels different, better and somehow completely fresh. It's all about real personalities and individual expressions of a shared commitment to making experiences as effortless and rewarding as possible. It's about expert execution, confidence and pride. It's about always being poised to provide those little extras, those special efforts or thoughtful special moments that become the most indelible memories.

UNEXPECTED

Quirk delights from the moment you step through the door, defying your expectations and constantly engaging your imagination in surprising, fresh and unexpected ways. It's a perfect blend of contrasting harmonies. Approachable sophistication and bohemian originality. Charismatic, compelling characters and flawless, anticipatory service. It's provocative in the most understated ways, refined with a touch of eccentric flair. Its delights are layered in the rich details that reveal themselves over time.

ENRICHMENT

Quirk activates the intelligence and challenges the guest to make new discoveries, explore different perspectives and expand their horizons. Almost every aspect of the experience has been thoughtfully conceived to enrich, engage and inspire. Even our people, their personalities, the way they act, their willingness to share their expertise are a source of inspiration. Guests arrive expecting something different, but depart inspired to be different people.

ELOQUENT

Quirk defies easy definition. It's neither trendy nor traditional, but instead weaves its own path bringing together brilliant elements from different worlds to speak in a fresh and compelling voice. Everything feels thoughtfully conceived and purposeful; designed to articulate important ideas and inspire further conversations. It's where the best of Charlottesville's past and present come together to form a vivid expression of its future.

UNIQUE, AUTHENTIC AND INSPIRED BY ITS OWN VIBRANT ARTISTIC DNA, QUIRK PROVIDES THE GUEST WITH AN EXPERIENCE THAT IS UNIQUELY REWARDING AND FULFILLING.





QUIRK HOTEL, RICHMOND VIRGINIA



QUIRK HOTEL, RICHMOND VIRGINIA



QUIRK HOTEL, RICHMOND VIRGINIA



QUIRK HOTEL, RICHMOND VIRGINIA



The Lawn at UVA

Project Site

CHARLOTTESVILLE

Downtown Mall Amphitheater

Monticello

Carters Mountain

THE CHARLOTTESVILLE MARKET

The greater Charlottesville, Virginia area, with a population of approximately 200,000, has been a vibrant cultural, political and academic area of the southeastern United States for more than 350 years. Because of its unique culture, Charlottesville has received recognition and awards of every kind, including the following accolades: #1 City to Live In in the Country, Yahoo Real Estate/Sperling's Best Places; 2011 Healthiest Place to Live, Men's Journal Magazine; 2010 America's Smartest City, Luminosity.com; 2013 Top 5 New American Foodie Cities, Wine Enthusiast Magazine; 2014 Best Town for Food Lovers, Wine Magazine; America's Favorite Mountain Towns (ranked #9), Travel + Leisure Magazine; and 2014 Top 5 Destinations Every American Should Visit, Orbitz Worldwide. Charlottesville's rich cultural life has attracted more young creative people to exit their more urban lives, or to bypass the "big city dream". The Charlottesville area expects to continue its 13.7% population increase and increase its percentage of Millennials, who currently make up the area's largest demographic block.

Despite the vibrancy and creativity of the community and its people, Charlottesville underserves in certain areas, such as hospitality. Social and recreational attractions in Charlottesville and the surrounding area create lodging demand on weekends, holidays and during the summer months, which as discussed below, is currently outgrowing the supply available lodging. An analysis of the Smith Travel Research data for 2014, 2015, and the ten months ending 2016 within the Charlottesville market indicate that occupancies have risen from 2014 at 68.2% to the ten months ending October 2016 to 75.2% up from the same period in 2015 of 71.2%. Further, average rates from 2014 were \$117.51 and have now risen for the ten months ending 2016 to \$127.11. The 2016 ten month's figures indicate an occupancy increase of 5.6%, followed by an average daily rate increase of 2.5%. Supply is increased by 4.8%, but demand increased by 10.6% for that same period. See the Real Estate Appraisal Report of the Initial Property, dated December 17, 2016.

Population of ~200,000. - 47% of population is between the ages of 20 - 40 years old
Average household income: ~\$70,000
50% of the population has a bachelor degree or higher
Income and education levels significantly exceeded national and regional averages

HOSPITALITY MARKET

Please see STR report on page 50 and 51. Overall, the STR report validates/supports the pro forma. (The STR trend report is 3+ years). The comp set numbers show approximately a 74% occupancy at a \$200 Average Daily Rate (“ADR”). Very strong. The Courtyard by Marriott pushed the market a few occupancy points higher. The pro forma is still very conservative with a year 1 projected occupancy of 64% so there should be additional upside even with new supply coming online.

ADR at the competitor Courtyard brings this overall comp set rate down slightly. We have considered both the resort luxury market in Charlottesville and two downtown properties that reflect the upper upscale (Omni) and the upscale (Courtyard).

For comparison purposes, the Quirk Richmond comp set is running at a 65% occupancy and a \$156 ADR. Quirk Richmond is \$40+ higher. For Charlottesville, the set is still at \$200 with the Courtyard included. Therefore, a \$30 - \$40 ADR increase above the comp set is reasonable. Projections show a \$230 ADR in year 1.

THE GREATER CHARLOTTESVILLE, VIRGINIA AREA, WITH A POPULATION OF ABOUT 200,000, HAS BEEN A VIBRANT CULTURAL, POLITICAL AND ACADEMIC AREA OF THE SOUTHEASTERN UNITED STATES FOR MORE THAN 350 YEARS.

RETAIL AND SHOPPING

Guests at Quirk Charlottesville will have a wide array of shopping options during their stay, including the following:

- The Downtown Mall. The Downtown Mall is located in a vibrant historic district of downtown Charlottesville and is full of live theater, music and cinema. Guests at Quirk Charlottesville can enjoy extensive dining choices and shops, all located along seven blocks of brick- and tree-lined streets once strolled by Jefferson, Madison and Monroe. *See <http://www.downtowncharlottesville.net/>.*
- The Shops at Stonefield. The Shops at Stonefield is a 1 million square-foot mixed-use property that features an mix of Main Street retail shopping and dining, including Bluemercury,

Brooks Brothers, Capital Teas, Country Club Prep, Kendra Scott, L’Occitane en Provence, Lululemon, Orvis, Pier 1 Imports, Pottery Barn, Vineyard Vines and Williams-Sonoma. The Shops at Stonefield is also home to a 65,000 square foot Regal IMAX Theater with 14 screens. Designed as a gathering place for the local community, The Shops at Stonefield features outdoor dining, pocket parks and a central plaza. *See <http://shopsatstonefield.com/retail/> and <https://www.visitcharlottesville.org/listing/the-shops-at-stonefield/2618/>.*

ARTS

Charlottesville is home to a historic and established arts scene. After all, it was Georgia O’Keeffe who had quit painting at age 21 before she had moved to Charlottesville. A few University of

Virginia art classes later, and she was on her way to becoming one of America’s most revered artists. Currently, Charlottesville is home to dozens of art galleries and museums that highlight the works of internationally and locally renowned artists.

Year round, Charlottesville hosts an assortment of festivals and events that are enjoyable for all types and ages. Morgan Freeman, Sandra Bullock, Anthony Hopkins and thousands of movie buffs have all attended the annual Virginia Film Festival. The Virginia Festival of the Book brings together writers and readers every year in March to celebrate literature. Additionally, the Jefferson School offers African American Art shows on a rotating basis.



THE UNIVERSITY OF VIRGINIA

Charlottesville, Virginia is home to the University of Virginia and is a major driver of local tourism in the area with education, sports and medical visitors. Founded in 1819 by Thomas Jefferson, it is consistently ranked as one of the top public universities in the United States. The University of Virginia has approximately 16,000 undergraduate students, 6,500 graduate students, 2,800 full-time faculty, and 10,500 full-time staff.

The University of Virginia has the top-ranked hospital in the Commonwealth of Virginia, with nationally ranked or high performing specialties in several key fields such as cancer, cardiology and heart surgery, diabetes and endocrinology, nephrology, neurology and neurosurgery, orthope-

dics, pulmonology, and urology. It is also home to several nationally distinguished graduate programs. Most notable among these graduate programs are the University of Virginia School of Law and the Darden School of Business.

Athletics are another strong draw to Charlottesville. The University of Virginia’s Cavaliers include teams across 25 intercollegiate sports, including 12 men’s and 13 women’s programs. These teams include the men’s football team, which plays its home games in the 61,500 seat Scott Stadium, men’s basketball team, which plays its home games in the 14,593 seat John Paul Jones Arena, and men’s baseball team, which plays its home games in the 2,000 seat UVA Baseball Stadium.

The nationally ranked medical and academic institutions at the University of Virginia, together with the home athletic games throughout the year, draw a large number of visitors to Charlottesville and its surrounding areas each year. We believe that the unique qualities of Quirk Charlottesville will be especially suited to the needs of many of these visitors. *See <http://www.virginia.edu/facts>*

CHARLOTTESVILLE IS AS RICH IN NATURAL BEAUTY AS IT IS IN HISTORY AND CULTURE. CHARLOTTESVILLE AND THE SURROUNDING AREAS PROVIDE A NUMBER OF OUTDOOR RECREATIONAL ACTIVITIES FOR VISITORS TO THE AREA.

LOCAL CULTURAL ACTIVITIES

Beyond the draw of the historical landmarks surrounding the area, Charlottesville has a rich, unique culture that draws many visitors to Charlottesville each year.

FOOD AND WINE

Charlottesville (together with the surrounding area) is home to many well-awarded restaurants, breweries and wineries, boasting both a James Beard nominee for best new American restaurant (The Alley Light – 2015) and a winner of the Great American Beer Awards’ mid-size brewery of the year (Devils Backbone Brewing Co. – 2014). Guests at Quirk Charlottesville will have a wide selection of restaurant and nightlife options within one mile of the hotel. From the student-friendly restaurants on The Corner to the upscale restaurants and breweries on the Downtown Mall, there is something to fit every guest’s taste nearby. In the surrounding areas, guests will be able to enjoy award-winning wines, beers, and ciders from renowned local winemakers and brewers such as Barboursville Vineyards, Devils Backbone Brewing Company, and Bold Rock Cider. Many wineries and breweries

also offer food service, often allowing their customers to enjoy a beautiful mountain scene with their meal.

MUSIC

With over 10 venues around the city that range from stadium to back room, music is celebrated daily, continuing the tradition that inspired Dave Matthews, Pavement, The Hackensaw Boys and Yo La Tengo, who all at one time called Charlottesville home.

The John Paul Jones Arena, home to the University of Virginia Cavaliers basketball team, hosts large, arena style concerts, performances and other events. Since opening in 2006, it has hosted Dave Matthews Band, The Police, Eric Clapton, The Eagles, Lady Gaga, Kenny Chesney, Jimmy Buffett, Justin Timberlake, Jay-Z, Elton John, Bruce Springsteen, Keith Urban, George Strait, The Dead, Phish, Jason Aldean and The Red Hot Chili Peppers. See <http://www.johnpauljonesarena.com/about.asp>.

The Sprint Pavilion, an amphitheater at the east end of Charlottesville’s pedestrian Downtown Mall, is another popular large music venue. From April through early September, the Sprint Pavilion is home to Fridays After Five, a free live concert series that has been a tradition in Charlottesville for 30

years. In addition, the Sprint Pavilion has hosted Alabama Shakes, The Avrett Brothers, B.B. King, The Beach Boys, Beck, Chris Stapleton, Dave Matthews and Tim Reynolds, Flume, Fun, The Lumineers, Nickel Creek, Snoop Dogg, Vampire Weekend, and Willie Nelson. See <http://www.sprint-pavilion.com/>.

FESTIVALS AND OTHER EVENTS

Charlottesville also hosts several annual festivals and events to celebrate innovation, beer, the harvest, film, photography and literature that will draw guests to Quirk Charlottesville, including:

- Virginia Festival of the Book (March)
- Virginia Film Festival (October)
- Foxfield Races (April and September)
- Dogwood Festival (April)
- Crozet Arts & Crafts Festival (May)
- Christmas Tradition (December).

See *Real Estate Appraisal Report of the Initial Property*, dated December 17, 2016.

LOCAL RECREATIONAL ACTIVITIES

SHENANDOAH NATIONAL PARK AND SKYLINE DRIVE

A short 30-mile drive from Quirk Charlottesville will bring guests to the Shenandoah National Park and Skyline Drive. Shenandoah National Park lies astride a beautiful section of the Blue Ridge Mountains. The Shenandoah River flows through the valley to the west, with Massanutten Mountain, 40 miles long, standing between the river’s north and south forks. The rolling Piedmont country lies to the east of the park, which holds more than 500 miles of trails, including 101 miles of the Appalachian Trail. Popular hikes in the Shenandoah National Park include Crabtree Falls, approximately a 4-mile round-trip hike along the highest vertical-drop cascading waterfall east of the Mississippi River, and Old Rag Mountain, an approximately 9-mile circuit hike with spectacular panoramic views and one of the most challenging rock scrambles in the park.

Skyline Drive is a 105-mile road that winds along the crest of the mountains through the length of the park. Driving along Skyline Drive provides vistas of the spectacular landscape to east and west, with numerous overlooks so that drivers can park and enjoy the stunning views. See <https://www.visitcharlottesville.org/listing/shenandoah-national-park/303/>

GOLF

Golf players at any level can enjoy golfing in Charlottesville and Albemarle County, with traditional and innovative greens amid natural beauty and a climate that invites year-round play. With four courses in the immediate area of the Property, opportunities to play include championship courses with 4 ½-star rankings from Golf Digest, links designed by Pete Dye and Associates and an Arnold Palmer Signature Course, as well as the world’s first Green Golf Trail, Monticello Golf Trail. Additional courses include:

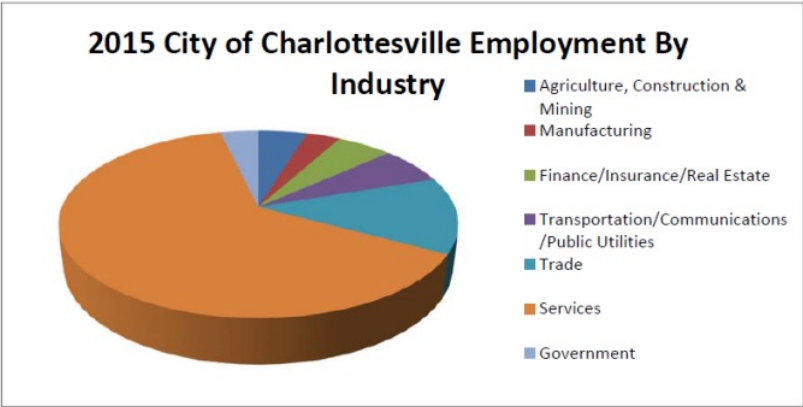
- Birdwood Golf Course at Boar’s Head. Birdwood is a public golf course that is a proud member of the Audubon Cooperative Sanctuary Program. It is a par-72 championship golf course with spectacular views of the Blue Ridge Mountains that has been rated 4 ½ stars by Golf Digest.
- Full Cry at Keswick Hall and Golf Club. This new 18-hole course traverses the scenic rolling terrain at Keswick Hall, a nearby resort located in Keswick, Virginia.
- Meadow Creek Golf Course. Located in the heart of Charlottesville and near the Blue Ridge Mountains, Meadow Creek was named one of the “Best Places to Play” by Golf Digest magazine.
- Spring Creek Golf Club. Spring Creek Golf Club is a nationally recognized golf course located less than twenty miles from the Property.

See <https://www.visitcharlottesville.org/visitors/things-to-do/golf/>.



BUSINESS

Charlottesville has a wide array of local businesses, although the many of the top employers in the area are related to the University of Virginia or local governments. According to the City of Charlottesville’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, the top employers in the area are: University of Virginia Medical Center, City of Charlottesville, UVA Health Services Foundation, Charlottesville City School Board, Lakeland Tours, Servicelink Management Com Inc., RMC Events, Aramark Campus LLC, SNL Security LP, and Atlantic Coast Athletic Club. The Company believes that, despite the area’s lack of a conference center, business conferences and corporate travel are drivers in the area’s hospitality industry and that the unique qualities of Quirk Charlottesville are especially suited to meet the needs of today’s business traveler.



LOCATION

The Property is located in Charlottesville’s Starr Hill neighborhood, ideally situated between the campus of the University of Virginia and the downtown commercial core of the City of Charlottesville. The Starr Hill neighborhood represents an integral part of Charlottesville’s history, and is convenient to area transportation linkages, employment centers and the University of Virginia. Due to the maturity of the neighborhood, most of the development opportunities are for redevelopment such as for Quirk Charlottesville, which will be a part of, and benefit from, the numerous recent and planned redevelopment projects along this corridor of West Main Street.

From this central location, guests will be able to enjoy many of the aspects that have made Charlottesville such an attractive destination. At one end of the neighborhood is the picturesque campus of the University of Virginia and The Corner, the University’s well-known gathering place, which offers restaurants, retail establishments and nightlife which cater to the University’s students, faculty and townspeople. At the other end of the

neighborhood is the Downtown Mall, an open-air pedestrian mall complete with restaurants, breweries, retail establishments, an ice skating rink, an amphitheater for concerts, and nightlife which also cater to the University’s students, faculty and townspeople. Whether a hotel guest prefers to walk through the lush green grass of the University’s famed Lawn to view Thomas Jefferson’s Rotunda or take in a live concert at the Downtown Mall’s amphitheater followed by dinner at a James Beard nominated restaurant, the best that Charlottesville has to offer is no more than a mile away from Quirk Charlottesville.

LOCAL HISTORICAL SITES

The Charlottesville area was home to 3 U.S. presidents, including Thomas Jefferson, who, in addition to his political life, was an inventor, an architect, a farmer, and the originator of modern American wine production. The area’s historical attractions, several of which are highlighted below, draw hundreds of thousands of visitors to the greater Charlottesville area each year.

MONTICELLO

Located less than five miles from the Property, Monticello is one of America’s most famous historic homes. Thomas Jefferson worked on Monticello for more than 40 years, altering and enlarging it as his taste developed, reflecting the pleasure he found in “putting up and pulling down.” Ultimately, Jefferson called Monticello his “essay in architecture.” Reflecting the genius and versatility of its creator, Monticello is a monument to a scrupulous interest in architecture, landscaping, agriculture, and domestic comforts. In addition to touring the main home, visitors can also explore historic gardens, which have been described as “a botanic showpiece, a source of food, and an experimental laboratory of ornamental and useful plants from around the world.” See <https://www.nps.gov/nr/travel/journey/mcl.htm>; <https://www.monticello.org/site/house-gardens>.

[org/site/house-gardens](https://www.monticello.org/site/house-gardens).

JAMES MONROE HIGHLAND

Located less than ten miles from the Property, James Monroe’s Highland was the home of America’s fifth president and his family from 1799 to 1823. A visit to Highland will allow visitors to tour the rich collection of objects original to James and Elizabeth Monroe on display within the house, as well as the grounds and gardens of the historic plantation estate. Visitors to Highland get to see American history through the prism of one of its earliest leaders—the most popular U.S. president of his era, a four-term Virginia governor, Secretary of State and Secretary of War (under James Madison), an international diplomat, and a devoted public servant for 50 years. See <http://highland.org/who-we-are/>.

MICHIE TAVERN

Michie Tavern, located less than 5 miles from the Property (and just half a mile below Thomas Jefferson’s Monticello), accommodated travelers with food, drink and lodging more than 200 years ago. Today, visitors experience the Tavern’s past through an historical journey which recreates 18th century tavern life. Visitors can get a taste of the 18th century, as Michie Tavern features a traditional southern menu with servers in period attire. After dining, visitors can discover Michie Tavern’s past through a self-guided tour of the oldest section of the historic landmark, including period-specific interpretations on drinking, gambling, dining, lodging, and entertainment. See <http://www.michietavern.com/michie-tavern-ca-1784/>.

AERIAL VIEW OF PROPOSED QUIRK HOTEL CHARLOTTESVILLE, VIRGINIA



STR REPORT

Charlottesville, VA Area Selected Properties
Job Number: 829933_SADIM Staff: SS Created: November 15, 2016

OCCUPANCY (%)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					72.9	81.6	78.9	77.5	74.0	78.9	65.4	44.7		
2014	45.0	55.3	67.1	75.3	77.1	80.6	81.9	80.4	78.9	88.5	73.5	54.0	71.5	71.4
2015	61.4	65.9	73.2	82.3	76.6	84.0	86.8	74.7	80.9	84.8	70.7	59.0	75.1	76.2
2016	55.8	62.6	74.3	82.6	77.5	81.9	78.4	72.7	79.4					74.0
Avg	54.1	61.3	71.5	80.1	76.0	82.0	81.5	76.3	78.3	84.0	69.8	52.6	73.3	73.9

ADR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					221.05	194.41	174.31	178.79	202.51	200.82	187.77	156.84		
2014	152.94	165.62	176.50	211.34	234.22	199.43	192.77	202.23	201.82	216.26	195.88	157.76	195.96	196.40
2015	156.18	167.22	169.69	206.42	240.57	211.95	197.00	198.31	221.66	224.98	196.07	156.63	198.10	198.57
2016	153.69	166.58	181.01	214.48	241.35	213.73	201.03	196.02	227.53					202.26
Avg	154.43	166.52	175.74	210.73	234.48	204.96	191.42	193.84	213.62	214.36	193.41	157.07	197.06	199.10

RevPAR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					161.15	158.61	137.49	138.51	149.78	158.41	122.72	70.16		
2014	68.81	91.65	118.44	159.11	180.66	160.66	157.96	162.53	159.31	191.36	143.90	85.26	140.20	140.22
2015	95.95	110.21	124.17	169.96	184.24	177.94	171.02	148.10	179.43	190.71	138.63	92.47	148.69	151.40
2016	85.74	104.27	134.45	177.08	187.07	175.10	157.70	142.60	180.56					149.58
Avg	83.50	102.04	125.69	168.72	178.28	168.08	156.05	147.93	167.27	180.16	135.08	82.63	144.44	147.07

STR REPORT

SUPPLY														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					17,670	17,100	17,670	17,670	17,100	17,670	17,100	17,670		
2014	17,670	15,960	17,670	17,100	17,670	17,100	17,670	17,670	17,100	17,670	17,100	17,670	208,050	155,610
2015	17,670	15,960	17,670	17,100	17,670	17,100	17,670	17,670	17,100	17,670	17,100	17,670	208,050	155,610
2016	17,670	15,960	17,670	17,100	17,670	17,100	17,670	17,670	17,100					155,610
Avg	17,670	15,960	17,670	17,100	17,670	17,100	17,670	17,670	17,100	17,670	17,100	17,670	208,050	155,610

DEMAND														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					12,882	13,951	13,938	13,689	12,648	13,938	11,176	7,904		
2014	7,950	8,832	11,858	12,874	13,629	13,776	14,479	14,201	13,498	15,636	12,562	9,550	148,845	111,097
2015	10,856	10,519	12,930	14,080	13,532	14,356	15,340	13,196	13,842	14,979	12,090	10,432	156,152	118,651
2016	9,858	9,990	13,125	14,118	13,696	14,009	13,862	12,854	13,570					115,082
Avg	9,555	9,780	12,638	13,691	13,435	14,023	14,405	13,485	13,390	14,851	11,943	9,295	152,499	114,943

REVENUE (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Sep. YTD
2013					2,847,565	2,712,190	2,429,530	2,447,411	2,561,304	2,799,061	2,098,482	1,239,655		
2014	1,215,892	1,462,743	2,092,917	2,720,743	3,192,205	2,747,280	2,791,168	2,871,865	2,724,180	3,381,369	2,460,634	1,506,579	29,167,575	21,818,993
2015	1,695,522	1,758,941	2,194,031	2,906,371	3,255,436	3,042,706	3,021,983	2,616,916	3,068,173	3,369,931	2,370,517	1,633,913	30,934,440	23,560,079
2016	1,515,033	1,664,126	2,375,702	3,028,020	3,305,471	2,994,176	2,786,617	2,519,681	3,087,562					23,276,388
Avg	1,475,482	1,628,603	2,220,883	2,885,045	3,150,169	2,874,088	2,757,325	2,613,968	2,860,305	3,183,454	2,309,878	1,460,049	30,051,008	22,885,153

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CHARLOTTESVILLE VIRGINIA CLAIMS TO FAME:

7/27/2016 Charlottesville Named No. 4 in the U.S. for Entrepreneurship

11/18/2016 10 Most Enchanting, Magical Christmas Towns In Virginia

7/17/2016 The 12 Cutest Small Towns In America

11/27/2016 History Meets Modern Appeal in Charlottesville, VA

8/29/2016 Charlottesville Highlighted as a Foodie Destination

10/4/2016 Charlottesville & Albemarle County Names a Top Place to See Fall Foliage Outside of New England

2/25/2016 Why Charlottesville, Virginia Is A Hidden Travel Gem

10/31/2016 Charlottesville Ranked No. 23 on List of America's Favorite Towns

12/15/2016 11 Pet-Friendly Holiday Towns and Cities

2/8/2017 Charlottesville is a Great Getaway for Skiers, History Buffs and Epicureans

2/1/2017 Virginia's Top Ten Meeting Destinations

1/18/2017 The Best Weekend Trips Within Driving Distance of DC

1/4/2017 17 Places You Must Visit in 2017

12/7/2016 Insider Tips to Sightseeing and More in Charlottesville, Virginia

9/5/2016 Top 7 Things You Can't Miss in Charlottesville, Virginia

6/17/2016 Area Wineries Highlight Charlottesville as an Up-and-Coming Culinary Spot Worth Traveling For

1/10/2017 26 Under-the-Radar Southern Towns for Girlfriend Getaways

9/28/2016 History Buffs Will Savor a Trip to the Charlottesville, Virginia Area

9/24/2016 Tourism Revenues in Charlottesville Area Reach Nearly \$1B

8/29/2016 Charlottesville Named a Best College Town in America

3/1/2016 Charlottesville Named the No. 10 Hippest Mid-Sized City in America

RISK FACTORS

An investment in the Company involves a significant degree of risk. The Company has a very limited operating history and prospective investors have limited information upon which to base an investment decision. There can be no assurance that the Company's objectives will be realized or that the Company will generate profits to be distributed to investors or that investors will receive the return of their original investment. Before making any investment decision with respect to the Company and Quirk Charlottesville, prospective investors should consult their professional advisors and carefully review and consider such an investment decision in light of the risk factors discussed below. The following is a brief description of certain factors, which should be considered along with the other matters discussed elsewhere in this Memorandum. The following, however, does not purport to be a comprehensive summary of all the risks associated with an investment in the Company.

RISKS RELATED TO THE HOTEL INDUSTRY

RISKS COMMON TO THE HOTEL INDUSTRY. The success of the Company will largely depend on its ability to adapt to dominant trends in the hotel industry, particularly in the Charlottesville and central Virginia market, as well as greater competitive pressures, dependence on consumer spending patterns, changing demographics, the introduction of new concepts and products, availability of labor, price levels and general economic conditions. Quirk Charlottesville will be subject to various risks common to the hotel industry, many of which are beyond the Company's control. These risks could adversely affect hotel occupancy and the rates that can be charged for rooms as well as operating expenses. These risks include, but are not limited to, the following: an increase in supply of hotel rooms that exceeds increases in demand; competition from other hotels and lodging alternatives in the market in which the Company operates; dependence on business and leisure travel; increases in energy costs and other travel expenses, which may affect travel patterns and reduce business and leisure travel; reduced travel due to adverse national, regional or local economic and market conditions; seasonality of the hotel industry causing quarterly fluctuations in operating results; increases in operating costs, including increases in the cost of property insurance, utilities and real estate and personal property taxes, due to inflation and other factors that may not be offset by increased room rates; labor shortages and increases in the cost of labor due to low unemployment rates or to government regulations surrounding wage rates, health care coverage and other benefits; and adverse effects of a general downturn in the hospitality industry. Any of these factors may reduce operating results and the value of Quirk Charlottesville, thereby directly affecting returns to investors.

Risk of Adverse Economic Conditions on the Hotel Industry. The performance of the lodging industry has historically been closely linked to the performance of the general economy both nationally and within local markets in the United States. The lodging industry is also sensitive to government, business and personal discretionary spending levels. Declines in government and corporate budgets and consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenue and profitability of Quirk Charlottesville and therefore its net operating profit. A slowing of the current economic growth or new economic weakness could have an adverse effect on the Company's revenue and negatively affect its profitability. Furthermore, even if the economy in the United States in general continues to improve, the Company cannot provide any assurances that demand for hotels will increase from current levels. In addition, many of the expenses associated with Quirk Charlottesville, including personnel costs, interest expense, property taxes, insurance and utilities, are relatively fixed. During a period of overall economic weakness, if the Company is unable to meaningfully decrease these costs as demand for Quirk Charlottesville decreases, the Company's business operations and financial performance may be adversely affected.



QUIRK HOTEL, RICHMOND VIRGINIA



QUIRK HOTEL, RICHMOND VIRGINIA

The Hotel Industry is Highly Competitive. The hotel industry is highly competitive. Quirk Charlottesville will compete for guests primarily with other hotels in its immediate vicinity and secondarily with other hotels in its geographic market. Quirk Charlottesville will also compete with alternative lodging companies, such as HomeAway and Airbnb, which operate websites that market available furnished, privately-owned residential properties, including homes and condominiums, that can be rented on a nightly, weekly or monthly basis. An increase in the number of competitive hotels and alternative lodging arrangements in a particular area could have a material adverse effect on the occupancy, average daily rate and revenue per available room of Quirk Charlottesville.

REAL ESTATE RISKS

Pending Acquisition of the Additional Property. On October 25, 2017, the Developer entered into a contract to purchase the Additional Property by special warranty deed, which contract the Developer intends to assign to the Company. The Company is currently conducting a customary due diligence review of, and has obtained a title commitment for, the Additional Property. It has ordered a survey of, and environmental assessment for, the Additional Property. Although the Company is not presently aware of any issues related to the condition or title to the Property, its due diligence review may identify survey, zoning, environmental or other issues regarding the Additional Property, the resolution of which could delay the closing of, or which could cause the termination of the contract for, the acquisition of the Additional Property. Any delay in the closing of, or the termination of the contract for, the acquisition of the Additional Property could delay the construction of Quirk Charlottesville, which would delay the receipt of operating income from Quirk Charlottesville and could affect the ability of the Company to make distributions to investors. A termination of the contract for the acquisition of the Additional Property could also require the Company to reconfigure the layout of the parking for Quirk Charlottesville, which could result in increased planning and development costs for the construction of Quirk Charlottesville.

General Risks of Real Estate Investment. The economic success of an investment in the Company will depend upon the results of operations of Quirk Charlottesville, which will be subject to those risks typically associated with the ownership of, and investment in, real estate, including, but not limited to, the following: adverse changes in general economic conditions, fluctuations in rental rates, vacancy rates, operating expenses and tax rates, changes in federal, state or local regulations and controls, adverse changes in local population trends, real estate market conditions, local economic and social conditions, supply and demand for hotel accommodations such as those provided by Quirk Charlottesville and competition from similar properties, as well as delays from casualties or condemnation, civil unrest, acts of war, acts of nature and other risks and factors which are beyond the control of the Company.

Lack of Diversified Investment and Liquidity. An investment in the Class B Units represents

an investment in a single property. Therefore, an investment in the Class B Units is not a diversified investment. Accordingly, should Quirk Charlottesville perform poorly, it would adversely affect the overall returns to investors. The resulting return may be lower than if the Company owned an interest in many properties or various types of assets. Also, because real estate investments are relatively illiquid, the Company's ability to promptly sell Quirk Charlottesville in response to changing economic, financial and investment conditions is limited.

Financing and Construction Delays. The Company intends to complete the Offering by June 30, 2018, which date may be extended until June 30, 2019 in the sole discretion of the Company, and develop and construct Quirk Charlottesville in the ensuing twenty (20) months, and open Quirk Charlottesville to guests thereafter. The Company made its initial submission of the site plan to the City of Charlottesville, Virginia on June 13, 2017 and anticipates receiving final approval of the site plan in December 2017. Delays in final approval of the site plan, the closing of this Offering or the closing of the Construction Loan, or any construction delays could postpone the start of the operations of Quirk Charlottesville. This occurrence would delay the receipt of operating income from Quirk Charlottesville and could affect the ability of the Company to make distributions to investors.

Limited Representations and Warranties. The Initial Property, and additional property, was acquired with very limited representations and warranties regarding its condition, the presence of hazardous substances, the status of governmental approvals and entitlements, and other significant matters affecting the use and/or ownership of the Property. Additionally, the two historical buildings located on the Property are each over a century old and may contain friable asbestos and lead paint, have unanticipated structural issues now or in the future and require significantly more maintenance than the new building housing the main hotel structure. As a result, if defects in the Property, higher than anticipated maintenance costs or other matters adversely affecting Quirk Charlottesville are discovered or occur, the Company may not be able to pursue a claim for damages. The extent of damages that the Company may incur as a result of such matters cannot be predicted, but could result in a significant adverse effect on the value of Quirk Charlottesville and, as a result, an investment in the Company. See *"Acquisition of the Property and Construction Loan – Acquisition of the Property."*

Strict Liability for Toxic and Hazardous Materials; No Environmental Indemnity. Federal, state and local laws impose liability on a landowner for releases or the otherwise improper presence of hazardous substances on property. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought onto a property before it acquired title and for hazardous materials that are not discovered until after it sells the property. Similar liability may occur under applicable state law. If any hazardous materials are found within the Property in violation of law at any time, the Company may be liable for all cleanup costs, fines, penalties and other costs. This potential liability will continue after the Company sells Quirk Charlottesville and may apply to hazardous materials

REAL ESTATE RISKS CONTINUED

present on the Property before the Company acquired the Property. If losses arise from hazardous substance contamination that cannot be recovered from a responsible party, including the seller, the financial viability of Quirk Charlottesville may be substantially affected. In extreme cases, Quirk Charlottesville may be rendered worthless, or worse, the Company may be obligated to pay cleanup costs exceeding the value of Quirk Charlottesville. Hazardous substance contamination of Quirk Charlottesville could adversely affect the cash flows from Quirk Charlottesville. The Company has obtained a Phase I environmental site assessment (the “ESA”) from a qualified environmental engineering firm for the Initial Property and will obtain a similar ESA for the Additional Property. However, an environmental site assessment generally does not involve any invasive testing, but instead is limited to a physical walk through or inspection of the property and a review of governmental records. Accordingly, no assurance can be given that actual environmental problems will be discovered by an environmental site assessment. The ESA indicates that there is the possibility of friable asbestos and lead paint in the existing structures located on the Property due to their age.

Compliance with the Americans with Disabilities Act. Under the Americans with Disabilities Act of 1990 (the “ADA”), public accommodations must meet certain federal requirements related to access and use by disabled persons. Additional costs may be incurred in connection with the development and construction of Quirk Charlottesville to ensure compliance with the ADA. Non-compliance could result in the imposition of fines or an award of damages to private litigants. State and federal laws in this area are constantly evolving, and could place a greater cost or operational burden in the future on the Company as the owner of Quirk Charlottesville.

Uninsured or Uninsurable Losses. The Company intends to obtain property, casualty, flood and other insurance with loss limits and coverage deemed reasonable for Quirk Charlottesville and in compliance with lender requirements in connection with the financing of Quirk Charlottesville. Certain types of losses may not be insurable or may not be economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors might cause insurance proceeds to be insufficient to fully replace or renovate Quirk Charlottesville after it has been damaged or destroyed. There is no assurance that (1) the insurance coverage that the Company intends to obtain will fully protect the Company against insurable losses; (2) the Company will not incur large deductibles that will adversely affect the Company’s cash flows; (3) the Company will not incur losses from risks that are not insurable or that are not economically insurable; or (4) coverage will continue to be available to the Company at reasonable rates. Any of the foregoing could have a material adverse effect on the Company.

Additionally, the lender to Quirk Charlottesville will likely require the Company to maintain certain insurance coverage. If the Company does not comply, the lender could obtain additional coverage and seek payment from the Company or declare the Company in default under

the loan documents. In the former case, the Company could spend more for insurance than it otherwise deems reasonable or necessary, or, in the latter case, the Company could be subject to a foreclosure on Quirk Charlottesville. Pursuant to the terms of the loan documents for the financing of the construction and development of Quirk Charlottesville, the lender may have complete discretion in whether or to what extent insurance proceeds resulting from a casualty are disbursed to the Company for repairs or replacements. The refusal of the lender to disburse funds to the Company necessary to perform the requisite repairs or make the necessary replacements could also affect the proper operation and occupancy rate of Quirk Charlottesville thereby affecting the profitability of the Company and the ability of investors to realize their investment objectives in purchasing Class B Units.



QUIRK HOTEL, RICHMOND VIRGINIA

RISKS RELATING TO THE FORMATION AND INTERNAL OPERATION OF THE COMPANY

RIDER C: Risks Relating to Financing

Leverage. The development and construction of Quirk Charlottesville will require the Company to obtain the Construction Loan. Thus, Quirk Charlottesville will be leveraged. The Company anticipates that the aggregate loan-to-cost ratio for Quirk Charlottesville upon its completion will be approximately 70% based on the total acquisition and construction cost of Quirk Charlottesville; provided, however, that the Company may obtain financing that is less than or exceeds such loan-to-cost ratio in the Company’s sole discretion. See “Acquisition of the Property and Construction Loan – Construction Loan.” No assurance can be given that future cash flows from Quirk Charlottesville will be sufficient to make the debt service payments on any loans and to cover all operating expenses. If Quirk Charlottesville’s revenues are insufficient to pay the debt service and operating costs, the lender may foreclose on Quirk Charlottesville and investors could lose their investment. In addition, the degree to which the Company is leveraged could have an adverse impact on the Company, including (1) increased vulnerability to adverse general economic and market conditions, (2) impaired ability to respond to increased competition, (3) impaired ability to obtain additional financing for future working capital, capital expenditures or general Company or other purposes, and (4) the requirement that a significant portion of cash provided by operating activities be used for the payment of debt obligations, thereby reducing funds available for the payment of operating expenses, capital expenditures and distributions to investors.

Availability of Financing and Market Conditions. Fluctuations in the real estate market or general economic conditions may affect the availability and cost of loans needed for the development, construction and operation of Quirk Charlottesville. There is no assurance that the Company will be able to obtain the required financing to develop, construct and operate Quirk Charlottesville. Additionally, the acquisition

loan currently encumbering the Property matures on February 13, 2018. The current lender of the acquisition loan could foreclose in the event that loan is not refinanced or paid in full on or before its maturity date. If the Company is not able to develop, construct and operate Quirk Charlottesville for any reason, investors may experience a loss of their investment. A limited availability of real estate financing or high interest rates may also adversely affect the ability of the Company to sell Quirk Charlottesville.

Refinancing Risk. The Company may have to refinance the indebtedness encumbering Quirk Charlottesville. Based on the current historically low interest rates, it is likely that the interest rate that may be obtained upon refinancing will be higher than that of the then-existing indebtedness. Prevailing market conditions at the time the Company seeks to refinance any indebtedness encumbering Quirk Charlottesville may make such loans difficult or costly to obtain. Such conditions may also adversely affect the cash flow and/or profitability of the Company.

Events of Default. It is anticipated that certain actions by the Company will cause an event of default under the loan documents with the lender. An event of default could result in foreclosure by the lender and the loss of all or a substantial portion of the investment made by the Company and, as a result, the investment of the investors in the Class B Units.

New Venture. The Company was formed on November 2, 2016, has a limited history of operations and has limited assets. The Company is subject to the risks involved with any speculative new venture. No assurance can be given that the Company will be profitable.

Reliance on Management. Subject to the limited approval rights of certain members of the Company including the investors, decisions regarding the management of the Company’s affairs and the management of Quirk Charlottesville will be made exclusively by the Manager and not by the investors. Accordingly, prospective investors should not

purchase Class B Units unless they are willing to entrust all aspects of management to the Manager or its successors. Prospective investors must carefully evaluate the experience and business performance of the principals of the Manager. The Company may retain independent contractors to provide services to the Company relating to Quirk Charlottesville. Such contractors have no fiduciary duty to the investors, and may not perform as expected. Additionally, the Company’s ability to replace the principals of the Manager, or its manager or members or other key individuals, is limited and the Company may have difficulty finding appropriate replacements for such individuals. There is no assurance that the Company would be able to hire, train or retain replacement individuals. In addition, the Manager, its manager or members and the principals, officers and employees thereof are not required to devote their respective full time and efforts to the Company and each of them will devote energies to other parties, subject to the powers, authorities and limitations set forth herein.

Limited Resources of the Manager. The Manager has limited net worth and limited financial resources to satisfy its obligations as the Manager. Additionally, the Manager has no obligation to advance, invest or loan money to the Company.

No Guaranteed Cash Distributions. There can be no assurance that cash distributions will in fact be made or, if made, whether those distributions will be made when or in the amount anticipated. Distributions may be insufficient to pay the tax obligations of investors arising from their investment, and the Company cannot assure investors that the Company will have sufficient cash to make any such distributions. In such an event, investors would be required to pay the tax on their proportionate share of income from other sources.

Loss of Uninsured Bank Deposits. The Company’s cash, including Subscription Payments held in the Escrow Account, will be held in bank depository accounts. While the Federal Deposit Insurance Corporation (“FDIC”), in most cases,

insures deposits up to \$250,000 per depositor per insured institution, the Company may have deposits at financial institutions exceeding applicable FDIC limits. The failure of any financial institution in which the Company has funds on deposit exceeding the applicable FDIC limits may result in the Company’s loss of such excess amounts, which could adversely impact the Company’s performance.

Reliance on the Developer, the General Contractor and the Property Manager. Quirk Charlottesville will be designed and developed, constructed and managed by the Developer, the General Contractor and the Property Manager, respectively. There can be no assurance that the Developer, the General Contractor and the Property Manager, respectively, will be able to successfully design and develop, construct and manage Quirk Charlottesville.

Receipt of Compensation Regardless of Profitability. The Manager and its affiliates are entitled to receive certain significant fees and other compensation, payments and reimbursements regardless of whether the Company operates at a profit or a loss. See “Compensation to the Manager and Its Affiliates.”

Loss on Dissolution and Termination. In the event of a dissolution or termination of the Company, the proceeds realized from the liquidation of the assets of the Company will be distributed among the investors, but only after payment of all loans and other obligations of the Company. See *the Operating Agreement*. The ability of an investor to recover all or any portion of their investment under such circumstances will, accordingly, depend on the amount of net proceeds realized from such liquidation and the amount of claims to be satisfied therefrom. There can be no assurance that the Company will recognize a gain on such liquidation.

Limitation of Liability/Indemnification of the Manager. Pursuant to certain indemnification provisions in the Operating Agreement, the Manager and its agents and employees may be entitled to indemnification from the Company for

RISKS RELATING TO THE FORMATION AND INTERNAL OPERATION OF THE COMPANY

claims, damages and costs to the Manager and its agents and employees arising out of the performance of their duties to the Company, except those constituting fraud, gross negligence or willful misconduct or willful breach of the Operating Agreement. A successful claim for indemnification would reduce the Company’s assets by the amount paid.

Limitation of Liability/Indemnification of the Asset Manager. Pursuant to certain indemnification provisions in the Asset Management Agreement to be entered into by the Company and the Asset Manager, the Asset Manager may be entitled to indemnification from the Company for claims, damages and costs to the Asset Manager arising out of the performance of its duties to the Company, except those constituting a material breach, default or failure of the Asset Manager to perform its responsibilities under the Asset Management Agreement, actions by the Asset Manager outside the scope of its authority under the Asset Management Agreement, fraud, gross negligence or wrongful misconduct in the performance by the Asset Manager of its duties under the Asset Management Agreement, theft or fraudulent activity by the Asset Manager’s personnel employed in the management of Quirk Charlottesville, or any failure by the Asset Manager to comply with laws applicable to it in the performance of its duties pursuant to the Asset Management Agreement. A successful claim for indemnification would reduce the Company’s assets by the amount paid.

Limitation of Liability/Indemnification of the Property Manager. Pursuant to certain indemnification provisions in the Property Management Agreement to be entered into by the Company and the Property Manager, the Property Manager may be entitled to indemnification from the Company for claims, damages and costs to the Property Manager arising out of the performance of its duties to the Company, except those constituting a material breach, default or failure of the Property Manager to perform its responsibilities under the Property Management Agreement, actions by the Property Manager outside the scope of its authority under the Proper-

ty Management Agreement, fraud, gross negligence or wrongful misconduct in the performance by the Property Manager of its duties under the Property Management Agreement, theft or fraudulent activity by the Property Manager’s personnel employed in the management of Quirk Charlottesville, or any failure by the Property Manager to comply with laws applicable to it in the performance of its duties pursuant to the Property Management Agreement. A successful claim for indemnification would reduce the Company’s assets by the amount paid.

Litigation. In the ordinary course of its business, the Company may be subject to litigation from time to time. The outcome of such proceedings may materially and adversely affect the value of the Company and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Manager’s time and attention and the Company’s financial resources, and that time and the devotion of such resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.





COFFEE SHOP RENDERING

RISKS RELATING TO THE OFFERING

Limited Transferability of Class B Units. Each investor that purchases Class B Units will be required to represent that such investor is acquiring the Class B Units for investment and not with a view to distribution or resale, that such investor understands the Class B Units are not freely transferable and, in any event, that such investor must bear the economic risk of investment in the Company for an indefinite period of time because the Class B Units have not been registered under the Securities Act or applicable state securities laws, and that the Class B Units cannot be sold unless they are subsequently registered or an exemption from such registration is available and unless such investor complies with the applicable provisions of the Operating Agreement. There will be no market for the Class B Units and an investor cannot expect to be able to liquidate the investor’s investment in the case of an emergency. Class B Units are transferable only upon the satisfaction of certain requirements, including the Manager’s prior written consent, which consent is in the sole discretion of the Manager, and the requirement to offer to the Company, and if the Company does not elect to accept such offer, to the Class A Members, the opportunity to purchase such Class B Units. Further, the sale of Class B Units may have adverse federal income tax consequences. No transfer will be allowed unless the Manager determines that the transfer will not cause the Company to be “publicly traded.” There are no specified circumstances relating to the granting or withholding of the required prior written consent of the Manager, although the Manager will observe the standards of a fiduciary to the investors as a group in determining whether to grant or withhold its consent as to any particular request for a transfer. *See “Restrictions on Transferability” and the Operating Agreement.*

Investment Involving Significant Risk. The Company’s business objectives must be considered to involve significant risk, and there is no assurance that the Company will satisfy those objectives. No assurance can be given that the investors will realize a substantial return, if any, on their purchase of Class B Units or that the investors will not lose

their entire investment in the Company, including any undistributed profits. For this reason, prospective investors should read this Memorandum and any exhibits to this Memorandum carefully and should consult with their attorneys and business or financial advisors.

Non-Cumulative Preferred Return. The Preferred Return to be paid to Class B Members is not a cumulative return, and therefore, the Class B Members may not realize an 8% Preferred Return over the life of their investment. There can be no assurance that the targeted Preferred Return will be achieved in any given fiscal year. In the event the Company does not make distributions in a fiscal year sufficient to provide the entire Preferred Return to Class B Members for such fiscal year, Class B Members will receive only the portion of the Preferred Return that the Company distributes and shall not have a right to any future payments for the balance of the Preferred Return for such fiscal year. For any fiscal year in which the Company makes no distributions (e.g., during construction of Quirk Charlottesville), Class B Members will receive no Preferred Return for such fiscal year. The impact of any fiscal year (or years) in which a limited Preferred Return is paid or no Preferred Return is paid to investors could significantly impact the overall return a Class B Member may realize on an investment in the Company.

Determination of Class B Unit Price. The purchase price of the Class B Units has been determined primarily by the capital needs of the Company and bears no relationship to any established criteria of value such as book value or earnings per Membership Interest, or any combination thereof. Further, the price of the Class B Units is not based on past earnings of the Company, nor does the price necessarily reflect current (or anticipated future) market value for Quirk Charlottesville. No valuation or appraisal of the Company’s potential business has been prepared.

Offering Not Registered With the SEC or State Securities Authorities. The Offering will not be registered with the SEC under the Securities Act or the securities agency of any state, and is being offered in reliance upon an exemption from the registration provisions of the Securities Act and state securities

laws applicable only to offers and sales to Accredited Investors.

Lack of Agency Review. Because this Offering is a private offering and, as such, is not registered under federal or state securities laws, investors will not have the benefit of a review of the Offering or this Memorandum by the SEC or any state securities commission. The terms and conditions of the Offering may not comply with the guidelines and regulations established for real estate programs that are required to be registered and qualified with the SEC or any state securities commission.

Private Offering Exemption – Compliance with Requirements. The Class B Units are being offered to, and will be sold to, investors in reliance upon a private offering exemption from registration provided in the Securities Act. If the Company should fail to comply with the requirements of such exemption, investors would have the right to rescind the purchase of their Class B Units if they so desired. It is possible that one or more investors seeking rescission would succeed. This might also occur under applicable state securities or “blue sky” laws and regulations in states where the Class B Units will be offered without registration or qualification pursuant to a private offering or other exemption. If a substantial number of investors were successful in seeking rescission, the Company and the Manager could face severe financial demands that would adversely affect the Company as a whole and, thus, the investment in the Class B Units by the remaining investors.

Private Offering Exemption – Limited Information. Because the Offering of the Class B Units is a private offering and the Class B Units are only to be sold to Accredited Investors, certain information that would be required if the Offering were public or not limited to Accredited Investors has not been included in this Memorandum, including, but not limited to, financial statements and prior performance tables. Thus, prospective investors will not have this information available to review when deciding whether to invest in Class B Units.

Ownership of Class A Units and/or Purchase of Class B Units by Ted Ukrop, the Developer, the Manager and Affiliates of the Company. Ted Ukrop, the sole member and manager of the Manager, owns Class A Units of the Company, and he (personally or through the Manager) and other affiliates of the

Company, and their managers, members, officers, directors and employees, may purchase Class B Units in their sole discretion. The Developer, the members of which are Ted Ukrop, Edward W. Brown and J. Christian Kiniry, who is the tax matters member of the Company, also owns Class A Units of the Company and may purchase Class B Units in its sole discretion as may its members. The foregoing parties will not acquire any Class B Units with a view to resell or distribute such Class B Units. Any purchase of Class B Units by such parties will be on the same terms and conditions as are available to all investors. The ownership of Class A Units and/or purchase of Class B Units by such parties could create certain risks, including, but not limited to, the following: (i) such parties have or would obtain voting power as members, (ii) such parties may have an interest in disposing of Company assets at an earlier date than the other members so as to recover their investment in the Class A Units and/or Class B Units, and (iii) substantial purchases of Class A Units and/or Class B Units may limit the ability of such parties to fulfill certain financial obligations that such parties may have to or on behalf of the Company. *See “Conflicts of Interest – Ownership of Class A Units and/or Class B Units.”*

Estimates, Opinions and Assumptions. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate. Any such estimates, opinions or assumptions should be considered speculative and are qualified in their entirety by the information and risks disclosed in this Memorandum. The assumptions and facts upon which any estimates or opinions herein are based are subject to variations that may arise as future events actually occur. There is no assurance that actual events will correspond with the assumptions. Prospective investors are advised to consult with their tax and financial and business advisers concerning the validity and reasonableness of the factual, accounting and tax assumptions. Neither the Manager, its affiliates nor any other person or entity makes any representation or warranty as to the future profitability of the Company.

Investment by Tax-Exempt Purchasers. In considering an

investment in Class B Units of a portion of the assets of a trust or a pension or profit-sharing plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended from time to time (and any corresponding provisions of succeeding law) (the “Code”), and exempt from tax under Code Section 501(a), a fiduciary should consider (i) that the plan, although generally exempt from federal income taxation, would be subject to income taxation were its income from an investment in the Company and other unrelated business taxable income (“UBTI”) to exceed \$1,000 in any taxable year (to the extent that the Company generates income, such income will be UBTI), (ii) whether an investment in the Company is advisable given the definition of plan assets under the Employee Retirement Income Security Act of 1974 (“ERISA”) and the status of Department of Labor regulations regarding the definition of plan assets, (iii) whether the investment is in accordance with plan documents and satisfies the diversification requirements of Section 404(a) of ERISA, (iv) whether the investment is prudent under Section 404(a) of ERISA considering the nature of an investment in, and the compensation structure of, the Company and the potential lack of liquidity of the Class B Units, (v) that the Company has no history of operations, and (vi) whether the Company or any affiliate is a fiduciary or party in interest to the plan. *See “Investment by Qualified Plans and IRAs.”*

Exemption from Investment Company Act of 1940. The Investment Company Act of 1940 (the “Investment Company Act”) requires that any issuer that is beneficially owned by 100 or more persons and that owns certain securities be registered as required under the Investment Company Act. The Manager believes that, because the Company will own Quirk Charlottesville directly, the ownership of Quirk Charlottesville will not be deemed to be securities for purposes of the Investment Company Act. As a result, the Company will not register under the Investment Company Act. In the event the Company is, for any reason, required to register under the Investment Company Act, the returns to investors will likely be significantly reduced.

Lack of Firm Commitment Underwriting. The Company must sell the Minimum Offering Amount. Class B Units will be sold by the Company directly to investors. The fact that this is

not a firm commitment offering may increase the time necessary to sell the Minimum Offering Amount or may result in the Minimum Offering Amount not being sold.

TAX RISKS

An investment in Class B Units entails substantial federal and state income tax risks, some of which are described below. A general description of the federal income tax consequences associated with an investment in Class B Units is described in “Federal Income Tax Consequences.”

Tax Classification. The Company plans to be taxed as a partnership principally in order to be taxed on its income only once. If such plan is not realized, the Company would be considered a corporation for income tax purposes. Under such a circumstance, the Company’s profit would be taxed once when earned and a second time, when such profits were distributed to investors. Such a result would reduce investors’ yield from an investment in Class B Units. *See “Federal Income Tax Consequences – Status as Partnership for Tax Purposes.”*

Investors’ Tax Liability. As a partnership for tax purposes, the Company will not be subject to income tax on its taxable income and gain. Instead, the Company’s taxable income and gain will be allocated among the investors who must report their shares of such income and gain on their own tax returns and pay any tax attributable thereto. The tax liability associated with an investor’s share of the Company’s taxable income in any year could exceed the amount of the distributions that an investor receives from the Company in such year. Although the Company will use reasonable efforts to make quarterly distributions of net cash from operations to investors, no assurance can be given that such cash will be available for distribution or will be distributed, or that if distributed will be sufficient to satisfy the investors’ tax liabilities. Members of the Company may have to rely upon resources independent of their investment in the Company to pay their tax obligations to federal, state, and local tax authorities. An investor will recognize taxable gain from the sale or other disposition of Class B Units to the extent that the amount received in such a disposition exceeds the investor’s tax basis in such Class B Units. Because an investor’s proportionate share of the

Company’s liabilities is included in the amount that an investor is considered to receive from a sale or disposition of Class B Units, it is possible for an investor’s taxable gain and the tax attributable thereto to exceed the actual cash received from a sale or other disposition of its Class B Units. *See “Federal Income Tax Consequences – Disposition of Class B Units” and “– Disposition of Company Property.”*

Inability to Use Tax Losses. Tax losses (if any) that the Company may realize from its operations will be allocated to the investors. However, because of various limits imposed by tax laws on an investor’s ability to use the investor’s share of partnership losses, an investor should not expect to be able to use such losses to shelter income from other sources. In particular, an investment in Class B Units will be considered a passive activity for purposes of the passive activity loss rules. Under these rules, individuals, trusts, estates and certain corporations are prohibited from using their shares of a partnership’s losses to shelter income from other sources, except income from other investments that are considered passive activities. Therefore, an investor’s ability to use such investor’s share of Company tax losses (if any) will be severely restricted. *See “Federal Income Tax Consequences – Losses” and “– Passive Activity Limitation.”*

Allocation of Taxable Income and Loss Among Investors. Although a partnership is permitted to determine the manner of allocating its taxable income and loss among its partners, the Internal Revenue Service (“IRS”) could challenge the method used on the grounds that it lacks substantial economic effect. The Company does not expect such a challenge from the IRS, but in such event, and if such challenge is successful, it could result in amended tax returns, reallocation in a less favorable manner to certain investors, interest and possible penalties. *See “Federal Income Tax Consequences – Allocation of Taxable Income, Gain and Loss among Investors.”*

Disallowance of Deductions. The availability and timing of deductions claimed by the Company in computing its taxable income depend on general legal and tax principles as well as factual matters. The IRS could challenge deductions claimed

by the Company. The IRS could claim, for example, that items of expense deducted currently instead must be capitalized and claimed as deductions over time and that costs allocated to assets with a short life instead must be depreciated over a longer period of time or are not depreciable at all. If such claims were successful, the investors’ share of the Company’s taxable income and the associated tax, if any, would be increased. *See “Federal Income Tax Consequences – Various Fees and Expenses.”*

Change in the Tax Laws. The description of tax consequences from an investment in Class B Units that is set forth in this section and in the “Federal Income Tax Consequences” section of this Memorandum is based on the law and on administrative and judicial interpretations of such law, all as in effect on the date of this Memorandum. Future administrative pronouncements and court decisions as well as new laws enacted by the U.S. Congress could change the law applicable to the taxation of partnerships engaged in the operation of real estate properties. Any such change could apply to the Company and its investors and could have an adverse impact on the tax consequences of an investment in the Class B Units.

Audit and Penalties. The IRS or the Commonwealth of Virginia could audit the Company’s income tax returns. Such an audit could result in disallowance of deductions and the reallocation of income as described above. Such action could result in interest charges and could cause the imposition of penalties. The Code imposes a penalty of 20% on an underpayment of tax that is attributable to negligence, a substantial understatement of income tax or a substantial valuation misstatement. Adjustment to or audits of an investor’s federal income tax return may lead to adjustment to or audits by state tax officials of an investor’s state tax return. *See “Federal Income Tax Consequences – Penalties and Interest.”*

Unrelated Business Taxable Income. An organization that generally is exempt from income taxation (and also an Individual Retirement Account (“IRA”)) nevertheless is subject to income tax on its UBTI. It is expected that an exempt organi-

zation (or IRA) will have UBTI from an investment in the Class B Units and should consult its own tax advisor regarding the effect of UBTI on an investment in the Class B Units. See *“Federal Income Tax Consequences – Tax-Exempt Investors.”*

Variation Among Investors. The tax consequences of an investment in Class B Units could vary widely among investors due to differences in their particular individual circumstances. This Memorandum describes only general consequences and does not address the effect of such consequences on every situation. Therefore, a prospective investor must consult the prospective investor’s own tax advisor to determine how the consequences of an investment in the Class B Units will affect such prospective investor’s particular individual tax situation.

CONFLICTS OF INTEREST

Affiliates and principals of the Manager have in the past and will in the future form, and act as the manager, sponsor, advisor or principal of, other limited liability companies or other business entities. Affiliates and principals of the Manager have existing responsibilities and, in the future, may have additional responsibilities to provide management and services to a number of other entities in addition to the Company. As a result, conflicts of interest between the Company and the other activities of affiliates and principals of the Manager may occur from time to time. The principal areas in which conflicts may be anticipated to occur are described below.

Obligations to Other Entities.

Conflicts of interest may occur with respect to the obligations of affiliates of the Manager and similar obligations to other entities. Moreover, the Company will not have independent management, as it will rely on the Manager for all its management decisions. Affiliates and principals of the Manager are actively involved in other real estate businesses, including management of real estate-related businesses with operations similar to and competitive with those of the Company, and they intend to continue to pursue these activities in the future. Other investment projects in which affiliates and principals of the Manager participate may compete with the Company for the time and resources of the Manager and its affiliates. They may, therefore, have conflicts of interest in allocating time, services and functions between the Company, their various existing enterprises, as well as other business ventures in which they may become involved.

Specific Conflicts of Interest

Certain specific conflicts of interest may arise due to the following:

Affiliates of the Manager have a financial interest in and manage Quirk Hotel, a 74-room hotel located in Richmond, Virginia that is under the same brand as Quirk Charlottesville. Due to its same brand and proximate location, if the Quirk Hotel were to suffer problems in its management or profitability, such issues could materially affect Quirk Charlottesville and its operations. Although this is not anticipated

to happen, if there were such a material effect, this could directly affect the cash flow from operations for Quirk Charlottesville and its value upon sale, thereby directly affecting the investment of investors.

Ted Ukrop, who is the sole member and manager of the Manager, and Jim Ukrop previously caused the Company to acquire the Property and together they own a majority of the Class A Units of the Company, which class of Units control certain major decisions with regards to the Company and Quirk Charlottesville. Ted Ukrop is also a member of the Developer, which entity will own Class A Units of the Company, which class of Units will control certain major decisions with regards to the Company and Quirk Charlottesville.

Ted Ukrop, either personally or through the Manager, and other affiliates of the Company and the Manager, and their managers, members, officers, directors and employees, may purchase Class B Units in their sole discretion. The Developer, the members of which are Ted Ukrop, Edward W. Brown and J. Christian Kiniry, who is the tax matters member of the Company, also may purchase Class B Units in its sole discretion as may its members. The foregoing parties will not acquire any Class B Units with a view to resell or distribute such Class B Units. Any purchase of Class B Units by such parties will be on the same terms and conditions as are available to all investors. The ownership of Class A Units and/or purchase of Class B Units by

such parties could create certain risks, including, but not limited to, the following: (i) such parties have or would obtain voting power as members, (ii) such parties may have an interest in disposing of Company assets at an earlier date than the other members so as to recover their investment in the Class A Units and/or Class B Units, and (iii) substantial purchases of Class A Units and/or Class B Units may limit the ability of such parties to fulfill certain financial obligations that such parties may have to or on behalf of the Company. See *“Risk Factors – Risks Relating to the Offering – Ownership of Class A Units and/or Purchase of Class B Units by Ted Ukrop, the Developer, the Manager and Affiliates of the Company.”*

Resolution of Conflicts of Interest

The Manager has not developed, and does not expect to develop, any formal process for resolving conflicts of interest. While the foregoing conflicts could materially and adversely affect investors, the Manager, in its sole and absolute discretion, will endeavor to mitigate such potential adversity by the exercise of its independent business judgment so as to attempt to fulfill its obligations. There can be no assurance that such attempts will prevent adverse consequences to the Company resulting from such conflicts of interest.



COMPENSATION TO THE MANAGER AND ITS AFFILIATES

The following is a description of compensation that may be received by the Manager and its affiliates from the Company or from the Offering Proceeds for the services that they provide to the Company. Much of this compensation will be paid regardless of the success or profitability of the Company. These compensation arrangements have been established by the Manager and are not the result of arm’s-length negotiations

OFFERING AND ORGANIZATION STAGE:.

Reimbursement Of Organization and Offering Expenses to the Manager:

The Manager will be reimbursed for organization and offering expenses incurred in connection with the Offering and the sale of the Class B Units (including legal, finance, accounting, printing and other miscellaneous costs and expenses), as well as costs and expenses relating to the organization of the Company (collectively, the “Organization and Offering Expenses”). The Manager anticipates that the Organization and Offering Expenses will be approximately \$100,000.00). See “Estimated Use of Proceeds.”

CONSTRUCTION AND OPERATING STAGE:

Reimbursement of Expenses to the Manager and its Affiliates:

The Manager and its affiliates will be reimbursed for reasonable and necessary expenses paid or incurred by the Manager in connection with the operation of the Company, including any legal and accounting costs and any costs incurred in connection with the development and construction of Quirk Charlottesville, including appraisals, surveys, environmental site assessments and other studies. Amounts are impracticable to determine at this time.

Payment of Development Fee to the Developer

The Developer, which is a Class A Member of the Company, and a member of which, Ted Ukrop, is the sole member and manager of the Manager, will design and develop Quirk Charlottesville for a development fee equal to six percent (6%) of the total amount of the hard costs and soft costs incurred for the design and development of Quirk Charlottesville, excluding

furniture, fixtures, operating supplies and equipment, as consideration for the Developer’s services in connection with the design and development of Quirk Charlottesville, which fee shall be paid to the Developer in monthly progress payment installments in accordance with the terms of a Development Agreement to be entered into by and between the Company and the Developer, as such Development Agreement may be amended from time to time. The Developer is being compensated for its services during the design and development period and for its expertise in creating and designing Quirk Charlottesville. Amount is anticipated to be approximately \$1,599,149.

Distributions to the Manager of Cash from the Operations of Quirk Charlottesville:

The sole member and manager of the Manager, Ted Ukrop, as a Class A Member and a Class C Member of the Company, will be entitled to certain distributions of cash from the operations of the Company. He will be entitled to receive his pro rata share of distributions from (i) the Preferred Return paid to the Class A Members, (ii) the return of capital paid to the Class A Members, and (iii) a portion of the remaining net cash from operations thereafter paid to the Class A Members and Class C Members. Amounts are impracticable to determine at this time.

LIQUIDATION STAGE:

Distributions to the Manager of Cash from the Sale of Quirk Charlottesville:

The sole member and manager of the Manager, Ted Ukrop, as a Class A Member and a Class C Member of the Company, will be entitled to certain distributions of net proceeds from the sale of Quirk Charlottesville. He will be entitled to receive his pro rata share of distributions from (i) the Preferred Return paid to the Class A Members, (ii) the return of capital paid to the Class A Members, and (iii) a portion of the remaining net proceeds thereafter paid to the Class A Members and Class C Members. Amounts are impracticable to determine at this time.

To the extent the Manager or one of its affiliates provides a good or service to the Company not contemplated above, the Company will compensate the Manager or its affiliate in an amount and on such terms that are as favorable as the Company could reasonably obtain from third parties offering such goods and services of similar quality.



FEDERAL INCOME TAX CONSEQUENCES

The following section of the Memorandum contains a summary of the federal income tax principles applicable to an investment in the Class B Units and is based on law in effect as of the date of this Memorandum. An investor's actual tax consequences from an investment in Class B Units will depend on the facts about the operation of Quirk Charlottesville and on the investor's individual circumstances. Such consequences also may be affected by a change in the law or the IRS' disallowance of one or more tax positions taken by the Company. This summary addresses only principles that are generally applicable to an investment in Class B Units. Factors that may apply and be of material significance to a particular investor may not be addressed herein. Therefore, this summary is not intended as a substitute for careful tax planning by an investor. Each prospective investor must consult the prospective investor's own tax advisor about the income tax consequences of an investment in the Class B Units regarding such investor's particular circumstances before making such an investment.

FEDERAL INCOME TAX CONSEQUENCES

Status as Partnership for Tax Purposes. An investor will enjoy a substantial economic advantage if the Company is classified as a partnership rather than a corporation for federal income tax purposes. According to the Income Tax Regulations and Temporary Regulations promulgated under the Code (the “Treasury Regulations”), an entity organized as a limited liability company and having more than one investor (and which is not a PTP (as described below)) will be certain to be classified as a partnership for tax purposes unless it makes an affirmative election to be a corporation. The Company plans to be taxed as a partnership for tax purposes and, thus, does not plan to make any election that would result in a different classification.

Even in the absence of an election to be taxed as a corporation, an entity that is a partnership or limited liability company for state law purposes will be taxed as a corporation (involuntarily) if it has the traits of a publicly traded partnership (“PTP”) and lacks sufficient qualifying income. A PTP is an entity whose interests are traded on an established securities market or are readily transferable on a secondary market or the equivalent thereof. However, the Treasury Regulations provide that a partnership’s interests will not be considered publicly traded unless the partnership itself participates in creating a market for trading or recognizes transfers made on the market. Because the Manager does not plan to register the Class B Units or participate in creating a secondary market or recognize transfers that might be made on such a market or have the Company engage in a pattern of redeeming Class B Units, the Company should not be considered a PTP. Based on the foregoing, the Company should be classified as a partnership for federal income tax purposes.

If the Company were taxed as a corporation

rather than a partnership, Company losses would not be passed through to investors and Company profits would be taxed twice – once when they were earned and a second time when they were distributed to investors. This would reduce an investor’s yield from an investment in the Company. The remainder of the discussion in this section assumes that the Company will be classified as a partnership for federal income tax purposes and its investors will be treated as partners in a partnership.

Partnership Taxation. A partnership must file an income tax return but does not pay federal income tax. Instead, its taxable income or loss is allocated among the partners and the partners report their proportionate shares of such income or loss on their own income tax returns and pay any tax attributable thereto. Such tax must be paid regardless of whether a partner has received any cash distribution from the partnership during the year. Thus, an investor’s share of the Company’s taxable income (and the tax due thereon) may exceed the amount of cash distributions that an investor receives from the Company. In addition, some states require withholding tax to be paid at the partnership level on behalf of the partners.

Allocation of Taxable Income, Gain and Loss among Investors. Generally, the Code permits partners to determine among themselves their respective shares of a partnership’s taxable income, gain and loss and items to be separately stated thereof. However, if any such allocation lacks “substantial economic effect” the IRS (and other taxing authorities) may disregard the partners’ allocation and reallocate the partnership’s taxable income, gain and loss in accordance with the partners’ interests in the partnership, determined in light of all facts and circumstances. The allocation of taxable income, gain and loss among the

partners is set forth in the Operating Agreement.

According to the Treasury Regulations, a tax allocation has economic effect only if (i) the capital account of each partner is credited to reflect its contributions to the partnership and increased to reflect the partner’s share of partnership income and gain and decreased to reflect distributions to such partner and the partner’s share of partnership losses and deductions, (ii) liquidation proceeds of the partnership are to be distributed in accordance with the partners’ capital account balances, and (iii) a partner who has a negative capital account after the distribution of liquidation proceeds must contribute cash to the partnership in an amount sufficient to eliminate the deficit, or, if a partner has no such obligation, the partnership agreement contains a “qualified income offset” provision. A qualified income offset provision is one that (a) limits the allocation of losses to partners who have no or only a limited deficit restoration obligation to the amount that would not cause their negative capital account balances to exceed the amount of the deficit that such partners are obligated to restore, and (b) requires a special allocation of income to partners who unexpectedly receive distributions that cause their capital accounts to be impermissibly negative. The Operating Agreement should satisfy all the above described requirements.

Under the Treasury Regulations, allocations “attributable to nonrecourse debt” (e.g., cost recovery deductions to the extent that partnership nonrecourse debt exceeds the partnership’s basis in property securing such debt) cannot have substantial economic effect because only the lender bears the risk of economic depreciation in property securing such debt. Nevertheless, such allocations will be respected if they are reasonably

similar to partnership allocations that do have economic effect. If a partnership has nonrecourse debt, certain deductions that create a negative capital account may be allocated to a partner with no deficit restoration obligation to the extent that the negative balance created thereby would not exceed the partner’s share of the partnership’s minimum gain (which equals the excess, if any, of the partnership’s nonrecourse debt over its basis in partnership property securing such debt). Nonrecourse deductions that cause or increase a capital account deficit may be allocated to a partner with no deficit restoration obligation only if the partnership agreement requires such partner to be specially allocated gross income if a reduction in the Partnership’s minimum gain or a distribution to such partner causes the partner’s negative capital account to exceed such partner’s share of such minimum gain. The provisions of the Operating Agreement meet the requirements in the Treasury Regulations for allocations attributable to nonrecourse deductions.

The Treasury Regulations provide that allocations that have economic effect may nevertheless be disregarded if their economic effect is not substantial. According to the Treasury Regulations, the economic effect of an allocation is substantial if a reasonable possibility exists that the allocation will substantially affect the dollar amount to be received by the partners, independent of tax consequences. The Treasury Regulations further provide that even if the dollar amount to be received by partners may be affected by an allocation, such an allocation will be considered not substantial if (1) the after-tax economic consequences to one partner, in present value terms, may be enhanced compared to such consequences if the allocation were not contained

in the partnership agreement and (2) there is a strong likelihood that the after-tax economic consequences of no partner will, in present value terms, be substantially diminished compared to such consequences if the allocation were not contained in the partnership agreement.

Because factual issues are involved and there is little legal guidance about the meaning of the term “substantial” it is not certain that the economic effect of the allocations under the Operating Agreement would be considered substantial. However, if challenged and litigated, the allocation of taxable income, gain and loss to investors in the Operating Agreement more likely than not will be respected under the Code.

Basis of Partnership Interests. Each partner has a basis in such partner’s partnership interest. As described below, a partner’s basis affects the amount of distributions a partner may receive from the partnership without recognizing gain, the amount of the partner’s share of partnership losses that the partner may deduct, and the amount of gain or loss that a partner will recognize from a disposition of the partner’s partnership interest. A partner’s basis initially equals the amount of the partner’s contribution to the partnership’s capital. From time to time, that basis is increased by the share of partnership profits and is decreased by the share of partnership losses allocated to the partner’s capital account. Such basis is also decreased by cash distributions that the partner receives from the partnership. A partner’s basis is also increased by the partner’s share of partnership debt and is decreased by the partner’s share of partnership debt repaid by the partnership. Such shares of partnership debt incurred by and repaid by the partnership are considered to be contributions and distributions, respectively, of cash by or

to the partner. A partner is entitled to include in such partner’s basis a share of partnership nonrecourse debt, which is debt for which no person who is a partner or related to a partner has any obligation to repay. The Company’s permanent mortgage loan may qualify as nonrecourse debt of the Company and each investor should be entitled to include a portion thereof in the basis of such investor’s interest in the Company.

Distributions. Cash distributions (including distributions to satisfy tax withholding obligations) received (or deemed to be received) by a partner from a partnership reduce the partner’s tax basis in such partner’s partnership interest. Such distributions that do not exceed the partner’s basis are not taxable to the partner. After a partner’s basis is reduced to zero, such distributions constitute gain to the partner that is subject to tax at capital gain rates. As described above, when a partnership satisfies its debt either by cash payments or by foreclosure, a partner who included such debt in the basis of such partner’s partnership interest will be considered to have received a cash distribution from the partnership that will reduce the basis of the partner’s partnership interest. To the extent such a constructive distribution causes a partner’s basis in such partner’s partnership interest to be reduced below zero, the partner will recognize taxable gain even though the partner has received no actual cash.

Losses. Under partnership tax law, a partner may deduct from such partner’s own income the share of partnership loss allocated to the partner but only to the extent such share does not exceed the partner’s basis in such partner’s partnership interest. Loss deductions disallowed by this rule may be carried forward and deducted in future years as the partner’s basis allows. As described

below, the deduction of a partner’s share of partnership losses also is subject to disallowance by the at-risk rules and the passive loss rules.

Disposition of Class B Units. Upon the sale of a partnership interest, a partner will recognize gain equal to the excess of the amount received over the partner’s basis in such partner’s partnership interest. Capital gain may be taxed at reduced rates depending on the holding period for such interest. If the partnership owns real property on which it has claimed depreciation at the time that a partner sells such partner’s partnership interest, that portion of the amount realized from such a sale that is attributable to the partner’s share of such real property depreciation will give rise to capital gain that under current law is taxed at a higher rate than applies to other capital gain income, which higher rate is 25%. An investor desiring to sell Class B Units should consult such partner’s own tax adviser about the particular tax consequences of doing so. There may be other taxes due such as the 3.8% investment surtax, described in greater detail below.

At-Risk Rules. A partner may not deduct such partner’s share of partnership losses to the extent that such share exceeds the amount by which the partner is considered at-risk. Such disallowed losses may be carried forward and deducted in future years subject to the same limitation. A partner is at-risk to the extent of the amount of cash paid for such partner’s partnership interest. From time to time, the amount at-risk is increased by the share of partnership profits and is decreased by the share of partnership losses allocated to the partner’s capital account. Such amount also is decreased by cash distributions that the partner receives from the partnership. Generally, a partner is considered at-risk with respect to partnership debt only if the partnership’s debt was incurred

with regard to the holding of real property and to the extent that the debt is (i) secured by real property used in the activity, (ii) obtained from a person actively and regularly engaged in the business of lending money, and (iii) financing with respect to which no person is personally liable. If a loan obtained by a partnership constitutes qualified nonrecourse financing with respect to the partnership, such financing may increase the amount each partner is considered at-risk provided the financing is considered qualified nonrecourse financing to the partner as well. A partner’s share of partnership qualified nonrecourse financing is based on the partner’s profit-sharing ratio in the partnership.

Passive Activity Limitation. The passive loss rules further limit the amount of a partner’s share of partnership loss that may be deducted. The ownership of an interest in the Company will be considered a passive activity for each investor and each investor’s share of the Company’s taxable income and loss will be considered passive income and loss for purposes of the rules. Under the passive loss rules, a partner may not use such partner’s share of partnership losses to shelter wages, income from an activity in which the partner is an active participant, or portfolio income, which includes dividend and interest income, income from an annuity and certain capital gains. A partner may use passive losses only to offset income realized (in the same or future years) from the same or other passive activities. Unused passive losses from an activity (“Suspended Losses”) may be deducted in full without regard to the amount of passive income from the activity or other passive activities only when an entire interest in an activity is disposed of in a fully taxable transaction to an unrelated taxpayer. A partner’s right to deduct Suspended Losses attributable to a partnership also would be triggered if the

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partnership were to dispose of all its property in a fully-taxable transaction.

Disposition of Company Property. If a partnership recognizes taxable gain from a disposition of its property, whether by sale or foreclosure, each partner will be allocated a share of such gain. For purposes of determining the partnership's gain, the partnership will be considered to have received a payment (in addition to other payments received) equal to the amount of any debt paid from the sale proceeds or assumed by the buyer or, in the case of a foreclosure, the amount of the debt extinguished by such foreclosure. Thus, it is possible for a partner's share of partnership gain from a sale of property to exceed the cash received. Gain from the sale of Quirk Charlottesville will be considered gain or loss from the sale of "Section 1231 assets" which are assets used in the taxpayer's trade or business. An investor's share of such gain or loss must be combined with any other Section 1231 gain or loss incurred by the investor in that year. The net Section 1231 gain or loss incurred in any year would be taxed as capital gain or ordinary loss, as the case may be. However, Section 1231 gains will be recaptured as ordinary income to the extent that the investor has unrecaptured Section 1231 losses for any of the preceding five years.

Depreciation and Cost Recovery of Property. The Company will recover the cost of its assets through depreciation or cost recovery deductions where applicable. Such deductions must be claimed as prescribed by the Code. Under the Code, the cost of tangible personal property, depending on the type of property, is recovered over periods ranging from three years to 20 years, using a declining balance method and the cost of residential buildings is recovered over 27.5 years on a straight-line basis. A partnership must also capitalize and depreciate interest expense incurred

during the construction period to finance the construction of its property.

Various Fees and Expenses. Company expenditures may qualify for a full current tax deduction or may be recoverable only over an extended period (such as depreciation and loan costs) or may be not deductible at all (such as expenses incurred by the Company in offering the Class B Units). The IRS could challenge the Company's treatment of its expenditures and may claim that some expenditures which the Company intends to deduct currently are actually expenditures that must be amortized or capitalized, the consequence of which would be to increase Company taxable income for certain years and/or shift deductions to later years.

Organization, Start-Up and Syndication Expenses. "Syndication" expenditures, which are those incurred to offer and sell Class B Units, such as sales commissions and the cost of preparing a private placement memorandum, may not be deducted or amortized. Partnership "organizational" expenditures as well as "start-up" expenditures also may not be currently deducted, but, at a partnership's election may be amortized over 180 months except that up to \$5,000 of each may be deducted in the year that a partnership first begins operations (but the \$5,000 deduction of start-up expenditures is subject to disallowance if start up expenditures exceed \$50,000). Organizational expenditures are those incident to creating a partnership or limited liability company and include legal fees for preparing a partnership or operating agreement and accounting fees for setting up the books and records. Start-up expenditures are those ordinary expenses incurred to investigate a business before beginning to operate the business and include, for example, wages, travel and similar items incurred in determining whether to exploit a

potential site or opportunity. The allocation of expenditures among nondeductible syndication expenses and amortizable organizational and start-up costs is a question of fact. The IRS may contest such allocations upon audit.

Alternative Minimum Tax. The alternative minimum tax ("AMT") is imposed to the extent that such tax exceeds the taxpayer's "regular tax" liability for the year. For the 2017 tax year, the AMT rate for individuals is 26% of so much of the taxable excess as does not exceed \$187,800 (\$93,900 for married taxpayers filing separately), plus 28% of so much of the taxable excess as exceeds \$187,800 (\$93,900 for married taxpayers filing separately). For this purpose, "taxable excess" means the amount by which alternative minimum taxable income ("AMTI") exceeds an exemption amount, which equals \$84,500 for married taxpayers filing jointly, \$54,300 for single individuals and heads of household and \$42,250 for married individuals filing separately. (The foregoing exemption amounts are reduced for taxpayers with income exceeding certain specified levels.) AMTI is computed differently than taxable income for regular tax purposes in various respects, including the following: (i) certain tax-exempt interest excluded from income for regular tax purposes is included in AMTI; (ii) deductions for depreciation are computed in some cases using slower depreciation methods; and (iii) deductions for miscellaneous itemized deductions, for state and local real property, personal property and income taxes and for interest expense on certain borrowings related to residences are not permitted. Each investor is urged to consult such investor's tax advisor regarding the effect that an investment in Class B Units will have on the investor's AMT liability.

Partnership Audits. The Code contains partnership audit procedures which require any proceeding

relating to partnership tax items to be conducted at the entity level in a single partnership proceeding rather than in separate proceedings with each partner. Adjustments resulting from any such audit may result in an audit of a partner's own return. A partnership generally is treated as a separate entity for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The Code provides for one partner to be the Company's "tax matters partner" for these purposes. J. Christian Kiniry will serve as the Company's tax matters partner.

Penalties and Interest. The Code imposes a penalty equal to 20% of any income tax underpaid if the underpayment is attributable to various causes. Such causes include, among others, negligence, a substantial understatement of tax (an understatement is equal to the greater of \$5,000 or 10% of the amount required to be paid for the year) and a substantial valuation misstatement (a claim on a return that a property's value is 150% or more of the correct value). The penalty is imposed at the partner level. The interest rate on a deficiency in the payment of tax generally equals the sum of the short-term federal rate, plus 3% per annum. Any such interest paid by an individual taxpayer generally may not be deducted in computing the taxpayer's taxable income.

Section 754 Election. The basis of partnership property is not adjusted when a partnership interest is transferred or a partner dies. However, if a partnership makes an election, the basis of partnership property is adjusted with respect to the transferee partner or deceased partner. The amount of the adjustment is equal to the difference between the transferee's initial basis for the transferee's partnership interest and proportionate share of the adjusted basis of the partnership property. Such an election may result in an increase

in the depreciation deductions to a transferee or the estate of a deceased partner when partnership property is worth more than its adjusted basis. Unless revoked, such an election applies to every transfer of a partnership interest during or after the year for which the election is made. Under the Operating Agreement, the Manager may, but is not required to, make such an election on behalf of the Company, if an investor so requests. Because such an election may be revoked only with the consent of the IRS and because the election creates accounting difficulties, the Company may not make one. The absence of an election could decrease the marketability and reduce the potential value of a Class B Unit.

Interest Incurred to Carry Tax-Exempt Securities. Code Section 265(a)(2) disallows any deductions for interest paid by a taxpayer on indebtedness incurred in order to purchase or carry tax-exempt obligations. The IRS announced in Revenue Procedure 72-18, 1972-1 C.B. 740, that the prescribed purpose will be deemed to exist with respect to indebtedness incurred to finance a “portfolio investment.” If an investor owns tax-exempt obligations, the IRS might take the position that any interest incurred by the investor to purchase Class B Units in the Company should be viewed as incurred in part to enable the investor to continue to carry tax-exempt obligations and that such investor may not be allowed to deduct such investor’s full allocable share of such interest.

State and Local Taxes. In addition to the federal income tax described above, investors likely will be subject to state and local tax as a result of an investment in Class B Units. An investor’s distributive share of the taxable income or loss of the Company generally will be required to be included in determining the investor’s reportable income for state or local income tax purposes in the jurisdic-

tion in which the property is located. Additionally, distributions to investors may be subject to withholding in the jurisdiction in which the property is located. The Commonwealth of Virginia requires tax withholding from non-resident partners. Upon an investor’s death, estate or inheritance taxes might be payable in such jurisdictions based upon the investor’s interest in the Company. Depending upon the applicable state and local laws, tax benefits available to investors for federal income tax purposes may not be available to investors for state or local tax purposes. Investors are urged to consult their own tax advisors regarding the effect of state and local taxes upon an investment in the Company. A discussion of state and local tax law is beyond the scope of this Memorandum.

Tax-Exempt Investors. Certain organizations that normally are exempt from federal income tax, including qualified plans, IRAs and organizations described in Section 501(c) of the Code, nevertheless must pay income tax on their UBTI. UBTI is income derived from the conduct of a trade or business that is not related to the organization’s exempt function and is not specifically exempt from UBTI by the Code. An exempt organization that is a partner in a partnership must include its share of partnership income in UBTI if the source of partnership income would be UBTI if the exempt organization earned such income directly. Real property rent, which is expected to constitute substantially all the income that the Company will derive from operations, and gain from the disposition of property (other than property held principally for sale) are specifically exempt from UBTI. However, regardless of such exemptions, a portion of an exempt organization’s share of Company taxable income from operations and from a sale of a property will be considered UBTI if the property will be subject to acquisition debt (a mortgage that was incurred to

acquire the property). The portion of an exempt organization’s share of Company income that represents UBTI is based on a ratio of which the numerator is the average mortgage debt on Quirk Charlottesville for the year and the denominator is the tax basis of Quirk Charlottesville for such year. An exempt organization should consult a tax advisor regarding the effect that UBTI will have on its yield from an investment in Class B Units.

Medicare Tax. Prospective investors should note that Section 1411 of the Code, added by the Health-care and Education Reconciliation Act of 2010 expands “FICA” taxes to include a new 3.8% tax on certain investment income, effective for taxable years beginning after December 31, 2012. In general, in the case of an individual, this new tax will be 3.8% of the lesser of (i) the taxpayer’s “net investment income” or (ii) the excess of the taxpayer’s adjusted gross income over the applicable threshold amount (\$250,000 for taxpayers filing a joint return, \$125,000 for married individuals filing separate returns and \$200,000 for other taxpayers). Special rules apply with respect to the computation of a trust’s liability for the new 3.8% tax. Investors should note that for tax years beginning in 2013 and thereafter, an investor’s distributive share of the Company’s taxable income or gain will be included as investment income in the determination of “net investment income” under Code section 1411(c). From that point in time, an investor will be subject to the new 3.8% tax if such investor’s adjusted gross income is in excess of the investor’s applicable threshold amount. Further, in the case of an investor’s disposition of Class B Units, any taxable gain will be taken into account by the investor for the purpose of determining “net investment income” under Section 1411(c), as if the Company had sold all its property for fair market value immediately before such disposition.

United States Income Tax Considerations for Foreign Investors. The federal income tax consequences of a nonresident alien individual or a foreign corporation from investing in the Company will vary depending on the investor’s circumstances and exceptions provided by an income tax treaty. A foreign investor should consult such investor’s own tax advisor regarding such consequences. The federal income tax consequences from the Company’s operations mainly depend on whether the Company is deemed to be engaged in a United States trade or business. The Code does not define what constitutes a United States trade or business; rather, this determination is based upon the facts and circumstances of the Company’s activities and such determination must be made annually. It is anticipated that the Company will be considered to be engaged in a United States trade or business.

United States Withholding Tax on United States Source Income Not Derived in a United States Trade or Business. If the Company is not engaged in a trade or business during a tax year, a foreign investor will be subject to a 30% U.S. source income withholding tax on its share of Company gross income (that is income, not reduced by expenses) from rents, subject to reduction by any applicable income tax treaty. A foreign investor who is entitled to income tax treaty benefits may claim such benefits by filing with the Company an initial Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) in a timely manner. In such a circumstance, the Company will require a foreign investor to provide the Company a Form 2848 (Power of Attorney and Declaration of Representative), which will enable the Company to complete Form W-8BEN for future years on behalf of the foreign investor. If a foreign investor claims a reduction in the 30% U.S. source

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income withholding tax in reliance on an income tax treaty, the investor may be required to disclose the claimed reduction in its United States income tax return or, if no return is filed, on Form 8833 (Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)). Generally, a foreign investor’s capital gain that is not effectively connected to the conduct of a United States trade or business is not subject to United States tax. However, if the capital gain is attributable to a sale or disposition of United States real property, the gain will be treated as effectively connected with a United States trade or business. See “Withholding on Dispositions of United States Real Property Interests” below.

Tax Consequences to Foreign Investors if the Company is Engaged in a United States Trade or Business. If, as expected, the Company is deemed to be engaged in a United States trade or business, a foreign investor will be considered to be engaged in that same United States trade or business. The investor will be required to file a United States federal income tax return and will be subject to tax at graduated rates on its distributive share of the Company’s effectively connected net income (that is, income reduced by effectively connected expenses).

The Company must pay a federal withholding tax on its “effectively connected” income that is allocable to a foreign investor. The withholding tax is imposed at the highest rate of tax applicable to U.S. corporations in the case of an investor that is a foreign corporation and at the highest rate of tax applicable to U.S. individuals in the case of an investor that is a nonresident alien individual. The withholding tax must be paid regardless of whether or not the Company makes any distributions. The Company must pay such withholding tax in installments each year. A foreign investor’s share of any such withholding tax paid by the Company will be

treated as distributed to that investor on the earlier of the day on which the tax is paid by the Company or the last day of the Company’s tax year for which the tax is paid and will reduce the foreign investor’s adjusted basis in such foreign investor’s Class B Units. Amounts paid by the Company will be treated as loans by the Company to the foreign investor and will be subject to an interest charge equal to the prime rate. The amount of the loan and interest charge will be offset against the foreign investor’s share of distributions. The amount withheld attributable to a foreign investor is creditable against the foreign investor’s United States income tax liability subject to certain limitations. Withholding is not required with respect to a particular investor if that investor provides a valid Form W-9, “Request for Taxpayer Identification Number and Certification.”

If a foreign investor is subject to United States income tax on its share of Company effectively connected net income and is required to file United States income tax returns, such foreign investor’s share of Company income is not also subject to the 30% withholding tax discussed above on United States source income, provided the foreign investor completes and files in duplicate with the Company Form W-8ECI (Certificate of Foreign Person’s Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States). This form must be filed with the Company before the acceptance by the Manager of the subscription of such foreign investor and annually thereafter for each year in which the foreign investor is a member of the Company. If a foreign investor has filed a Form W-8ECI to claim exemption from the 30% U.S. source withholding, that investor is deemed to have “effectively connected” income subject to withholding.

For tax treaty purposes, a foreign investor may be

deemed to have a “permanent establishment” in the United States for any year in which the Company is engaged in a United States trade or business.

Withholding on Dispositions of United States Real Property Interests. Under the Foreign Investment in Real Property Tax Act, nonresident alien individuals and foreign corporations are subject to withholding on dispositions of United States real property interests. For this purpose, United States real property owned by the Company will be treated as held proportionately by its investors. Therefore, a foreign investor may be subject to withholding if such investor sells or exchanges such investor’s Class B Units to a United States person. If the Company disposes of its U.S. real property, the Company must withhold an amount equal to 35% of the gain from such disposition that is attributable to a foreign investor plus any applicable state withholding. If the gain also is effectively connected with a United States trade or business other than the holding of real property and the Company makes installment payments of withholding tax on such effectively connected income, the Company is not required to withhold a second tax.

Foreign investors also may be subject to federal and state estate, inheritance or gift taxes, state and local income taxes and to AMT.

Miscellaneous Considerations. Foreign corporate investors should also be aware that if the Company is deemed to be engaged in a United States trade or business, the United States Branch Profit Tax may apply to income from the Company to the extent the Company has income effectively connected with a United States trade or business.

In determining whether to acquire Class B Units, foreign investors should consult their own tax advisors concerning (i) whether they will be treated as being engaged in a United States trade or business or having a permanent establishment in

the United States, (ii) whether gain from the sale of Class B Units is effectively connected with their conduct of a United States trade or business or a permanent establishment in the United States, (iii) the income tax consequences relating to the ownership of Class B Units in their own particular circumstances, and (iv) the tax consequences of owning Class B Units under the internal tax laws of the foreign investor’s home country.



INVESTMENT BY QUALIFIED PLANS AND IRAS

In General

In considering an investment in the Company of the assets of an employee benefit plan (as defined in Section 3(3) of ERISA) or an IRA, a fiduciary or any other person responsible for investment of the plan or IRA investments, taking into account the facts and circumstances of such plan or IRA, should consider, among other things: (i) whether the investment is in accordance with the documents and instruments governing such plan or IRA, (ii) the definition of plan assets under ERISA, (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA (or other applicable law), (iv) whether, under Section 404(a)(1)(B) of ERISA (or other applicable law), the investment is prudent, considering the nature of an investment in and the compensation structure of the Company and the fact that there is not expected to be a market created in which the Class B Units can be sold or otherwise disposed of, (v) that the Company has had no history of operations, (vi) whether the Company or any affiliate is a fiduciary or a party in interest to the plan or IRA, (vii) the need to annually value the Class B Units, and (viii) whether an investment in the Company will cause the plan or IRA to recognize UBTI. See “Federal Income Tax Consequences – Tax-Exempt Investors.” The prudence of a particular investment must be determined by the responsible fiduciary or other person (usually the trustee, plan administrator or investment manager) with respect to each employee benefit plan or IRA, taking into account all of the facts and circumstances of the investment.

Potential employee benefit plan and IRA investors should also take into consideration the limited liquidity of an investment in the Company as it relates to applicable minimum distribution requirements of the Code. If the Class B Units are held in the IRA or employee benefit plan at the time mandatory distributions are required to commence

to the IRA beneficiary or plan participant, applicable law may require the in-kind distribution of Class B Units. Such distribution must be included in the participant's or beneficiary's taxable income for the year of receipt of the Class B Units (at the then current fair market value) without any cash distributions with which to pay the tax liability.

ERISA provides that Class B Units may not be purchased by an employee benefit plan if the Company or an affiliate of the Company is a fiduciary or party in interest (as defined in Sections 3(21) and 3(14) of ERISA) to the plan unless such purchase is exempt from the prohibited transaction provisions of Section 406 of ERISA. Under ERISA, it is the duty of the fiduciary responsible for purchasing the Class B Units not to engage in such transactions.

Section 4975 of the Code has similar restrictions applicable to transactions between disqualified persons and an employee benefit plan or IRA, which could result in the imposition of excise taxes on the Company or loss of tax-exempt status of the IRA.

Plan Asset Regulations

An investment in the Company by an employee benefit plan or IRA could also violate ERISA or the Code if, under applicable U.S. Department of Labor (“DOL”) regulations, the Company assets are considered to be assets of the plan or IRA. The DOL has promulgated final regulations (the “DOL Regulations”), 29 C.F.R. Section 2510.3-101, that define what constitutes “Plan Assets” in a situation in which an employee benefit plan or IRA invests in a partnership or other similar entity. If assets of the Company are classified as Plan Assets, the significant penalties discussed below could be imposed under certain circumstances.

Under the DOL Regulations, if an employee benefit plan or IRA invests in an equity interest of an entity that is neither a publicly offered security nor a security issued by an investment company

registered under the Investment Company Act, its assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that the entity is an “operating company,” or equity participation in the entity by benefit plan investors is not “significant.”

The Class B Units will not qualify as publicly offered securities nor will they be issued by an investment company registered under the Investment Company Act. Nonetheless, the Company believes it will qualify for treatment as an “operating company.” If the Company does not qualify for treatment as an “operating company,” the qualified plan or IRA may qualify for the exemption for “significant” participation described below.

An employee benefit plan or IRA investment in the Company will be treated as an investment in an equity interest in the Company, and not as an investment in an undivided interest in each of the underlying assets, only if equity participation in the Company by benefit plan investors (i.e., employee benefit plans and IRAs) is not “significant.” Under the DOL Regulations, equity participation in the Company by benefit plan investors would be “significant” on any date if, immediately after the most recent acquisition of any equity interest in the Company, 25% or more of the total value of the Class B Units is held by benefit plan investors. In determining whether the 25% threshold is met, the ownership of any person with discretionary authority with respect to Company assets is disregarded. The Operating Agreement prohibits benefit plan investors from acquiring 25% or more of the total value of the Class B Units. If the Company does not qualify for treatment as an “operating company” and complies with this prohibition, the Company should qualify for the exemption from the DOL Regulations offered to entities in which benefit plan participation is not “significant.” However, if, for any

reason, the 25% limitation is not met, then the issues described below will arise.

Impact of Company's Holding Plan Assets

If the Company is deemed to hold Plan Assets, additional issues relating to the Plan Assets and “prohibited transaction” concepts of ERISA and the Code arise. Anyone with discretionary authority with respect to Company assets could become a “fiduciary” of the employee benefit plans or IRAs within the meaning of ERISA. As a fiduciary, such person would be required to meet the terms of the employee benefit plan or IRA regarding asset investment and would be subject to prudent investment and diversification standards. Any such fiduciary could be a defendant in an ERISA lawsuit brought by the DOL, an employee benefit plan participant or another fiduciary to require that Company assets and the investment and stewardship thereof meet these and other ERISA standards.

In addition, if the Company is deemed to hold Plan Assets, investment in the Company might constitute an improper delegation of fiduciary responsibility to the Manager and expose the fiduciary of an employee benefit plan investor to co-fiduciary liability under ERISA for any breach by the Manager of its ERISA fiduciary duties.

Section 406 of ERISA and Section 4975(c) of the Code also prohibit employee benefit plans from engaging in certain transactions with specified parties involving Plan Assets. Code Section 4975(c) also prevents IRAs from engaging in such transactions.

One of the transactions prohibited is the furnishing of services between a plan and a “party in interest” or a “disqualified person.” Included in the definition of “party in interest” under Section 3(14) of ERISA and the definition of “disqualified person” in Section 4975(e)(2) of the Code are “persons providing services to the plan.” If the Manager or certain entities and individuals related to the

Manager have previously provided services to an employee benefit plan or IRA investor, then the Manager could be characterized as a “party in interest” under ERISA and/or a “disqualified person” under the Code with respect to such benefit plan investor.

If such a relationship exists, it could be argued that, because the Manager shares in certain Company distributions and tax allocations in a manner disproportionate to its original investments to the Company, the Manager is being compensated directly out of Plan Assets rather than Company assets for the provision of services, i.e., establishment of the Company and making it available as an investment to the employee benefit plan or IRA. If this were the case, absent a specific exemption applicable to the transaction, a prohibited transaction could be determined to have occurred between the employee benefit plan or IRA and the Manager.

If the Company’s assets are treated as Plan Assets, a prohibited transaction would also occur if a party with whom the Company enters into a transaction is a “party in interest” or “disqualified person” with respect to an employee benefit plan or IRA.

Another type of transaction prohibited by ERISA and the Code is one in which fiduciaries of an employee benefit plan or the person who establishes an IRA engage in self-dealing. Accordingly, affiliates of the Manager are not permitted to purchase Class B Units with assets of any benefit plan investor if they (i) have investment discretion with respect to such assets or (ii) regularly give individualized investment advice that serves as the primary basis for the investment decisions made with respect to such assets.

If the Company’s assets are treated as Plan Assets and if it is determined that the acquisition of a Unit by an employee benefit plan (or another

transaction of the Company) constitutes a prohibited transaction, then any party in interest, which may include a fiduciary or sponsor of an employee benefit plan, that has engaged in any such prohibited transaction could be required to: (i) restore to the employee benefit plan any profit realized on the transaction; (ii) make good to the employee benefit plan any losses suffered by the employee benefit plan as a result of such investment; (iii) pay an excise tax equal to 15% of the amount involved (i.e., the amount invested in the Company) for each year during which the investment is in place; and (iv) eliminate the prohibited transaction by reversing the transaction and making good to the Company any losses resulting from the prohibited transaction. Moreover, if any fiduciary or party in interest is ordered to correct the transaction by either the IRS or the DOL and such transaction is not corrected within a 90-day period, the party in interest involved could also be liable for an additional excise tax in an amount equal to 100% of the amount involved (i.e., the amount invested in the Company), for each taxable year commencing with the year in which the 90-day period expires and ending with the year in which the prohibited transaction is corrected. Also, the DOL could assert additional civil penalties against a fiduciary or any other person who knowingly participates in any such breach.

With respect to IRAs, the tax-exempt status of the IRA could be lost if the investment (or another transaction of the Company) constitutes a prohibited transaction under Section 408(e)(2) of the Code. If the IRA were to lose its tax-exempt status, the entire value of the IRA would be considered to be distributed and taxable to the IRA sponsor.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end

of the plan’s fiscal year and to file an Annual Return/Report on Form 5500 reflecting that value. When no fair market value of a particular asset is available, the fiduciary is required to make a good faith determination of that asset’s “fair market value” assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

To assist fiduciaries (and IRA trustees and custodians) in fulfilling their valuation and annual reporting responsibilities, the Company will provide reports of the Company’s annual determination of the current value of Class B Units in the Company to those fiduciaries (including IRA trustees and custodians) who identify themselves to the Company as such and request the reports. The Company valuation may be, but is not required to be, performed by independent appraisers. In the absence of an independent appraisal, the Company may elect to value such Class B Units at cost, and to report the net asset value at \$250,000 for each Class B Unit.

THERE CAN BE NO ASSURANCE (I) THAT THE VALUE ESTABLISHED BY THE COMPANY COULD OR WILL ACTUALLY BE REALIZED BY THE COMPANY OR AN INVESTOR UPON LIQUIDATION (IN PART BECAUSE APPRAISAL OR ESTIMATED VALUES DO NOT NECESSARILY INDICATE THE PRICE AT WHICH ASSETS COULD BE SOLD AND BECAUSE NO ATTEMPT WILL BE MADE TO ESTIMATE THE EXPENSES OF SELLING ANY ASSETS OF THE COMPANY), (II) THAT INVESTORS COULD REALIZE SUCH VALUE IF THEY WERE TO TRY TO SELL THEIR CLASS B UNITS, OR (III) THAT SUCH VALUATION COMPLIES WITH THE REQUIREMENTS OF ERISA OR THE CODE.



PLAN OF DISTRIBUTION

CAPITALIZATION OF THE COMPANY

The Offering is for a Minimum Offering Amount of twenty (20) Class B Units at \$250,000 per Class B Unit (\$6,000,000) and a Maximum Offering Amount of thirty four (34) Class B Units at \$250,000 per Class B Unit (\$8,500,000). A minimum purchase of one (1) Class B Unit is required. See “Estimated Use of Proceeds.”

QUALIFICATIONS OF INVESTORS

The Class B Units may only be purchased by Accredited Investors.

SALES OF CLASS B UNITS

All Subscription Payments will be promptly deposited in the Escrow Account, which will hold the funds until the Minimum Offering Amount has been sold or the Offering is terminated. Subscription Payments held in the Escrow Account will be released to the Company upon receipt by the Escrow Agent and acceptance by the Company of subscriptions for the Minimum Offering Amount or to subscribers upon the termination of the Offering. If the Minimum Offering Amount is not sold on or before February 28, 2018, which date may be extended until April 30, 2018 in the sole discretion of the Manager, the Offering will be terminated and all amounts held in the Escrow Account will be returned to the subscribers without interest, deduction or charges. The Escrow Agent is acting as escrow holder for the Offering Proceeds and has neither recommended nor provided any advice in connection with a purchase of the Class B Units.

MARKETING OF CLASS B UNITS

The Company anticipates that the aggregate Organization will be \$110,000.00. See “Estimated Use of Proceeds.” There will be a pre-development fee equal to one percent (1%) paid to developer.

SALES MATERIALS

Other than this Memorandum, any exhibits hereto, supplements and factual summaries and sales brochures of the Offering prepared by the Company and its affiliates, no other literature will be used in the Offering.

The Company may respond to specific questions from prospective investors. However, the Offering is made only by means of this Memorandum. Except as described herein, neither the Company nor the Manager has authorized the use of other sales materials in connection with the Offering.

DISTRIBUTIONS

Distributions made in the initial years of the Company may be a return of capital and not investment income. During its initial years, the Company may show a net loss from operations.

ADDITIONAL INFORMATION

The Manager will answer inquiries from prospective investors concerning the Company and other matters relating to the Offering, and will afford subscribers the opportunity to obtain any additional information to the extent the Company or the Manager possesses such information or can acquire such information without unreasonable effort or expense that is necessary to verify the information in this Memorandum.

Prospective investors are entitled to review copies of other material contracts relating to the Company and Quirk Charlottesville that are described in this Memorandum and copies of the Company’s organizational documents.

RESTRICTIONS ON TRANSFERABILITY

There are substantial restrictions on the transferability of the Class B Units in the Operating Agreement and imposed by state and federal securities laws. Before selling or transferring a Class B Unit, an investor must obtain the Manager’s prior written consent, and offer to the Company, and if the Company does not elect to accept such offer, to the Class A Members, the opportunity to purchase such Class B Units. Transfers for the foregoing purposes do not include a gift during life or transfer at death to a spouse or child of a member of the Company. The investor must also comply with the applicable requirements of federal and state securities laws and regulations, including the financial suitability requirements of such laws or regulations. It is highly unlikely that any market for Class B Units will ever develop and prospective investors should view an investment in Class B Units solely as a long-term investment.

In addition, the Operating Agreement provides that an assignee of Class B Units may not become a member of the Company without meeting certain conditions and without consent to such assignment by the Manager, which consent the Manager may withhold in its sole and absolute discretion. Until an assignee is admitted to the Company as a member, such assignee will only be entitled to distributions and allocations to which the transferring member would have been entitled and such assignee will have no right to vote on Company matters, will have no right to information relating to the Company’s business and will have only restricted access to other rights enjoyed by the members of the Company. Further, no transfer will be allowed if the Manager determines that the transfer will cause the Company to become a “publicly traded partnership” or require it to register under the Exchange Act or the Investment Company Act or to register the Class B Units under the Securities Act or any state securities laws.

The Class B Units offered by this Memorandum have not been registered under the Securities Act or by the securities regulatory authority of any state. The Class B Units may not be resold unless they are registered under the Securities Act and registered or qualified under applicable state securities laws or unless exemptions from such registration and qualification are available. See the Operating Agreement.

LEGAL COUNSEL

Counsel to the Company and the Manager in connection with this Offering is the same, and it is anticipated that such multiple representation will continue in the future. As a result, conflicts may arise in the future and if those conflicts cannot be resolved or the consent of the respective parties obtained to the continuation of the multiple representations after full disclosure of any such conflict, said counsel will withdraw from representing one or more of the conflicting interests with respect to the specific matter involved. Each investor consents to the Manager hiring counsel for the Company which is also counsel to the Manager. Each investor acknowledges and agrees that counsel representing the Company and the Manager does not represent and shall not be deemed under the applicable codes of professional responsibility to have represented or to be representing any or all of the investors in any respect.

Williams Mullen, a law firm founded in 1909 and with more than 230 attorneys in offices located within the mid-Atlantic and southeastern United States, is the Company’s securities counsel. Roth Jackson is the Real Estate counsel.

HOW TO SUBSCRIBE

If, after carefully reading this entire Memorandum, obtaining any other necessary information and being fully satisfied with the results of its independent pre-investment due diligence investigation, a prospective investor would like to purchase Class B Units, such prospective investor should complete and sign the Subscription Agreement. The full Subscription Payment must be paid by check or wire upon submission of the Subscription Agreement for the Class B Units. The minimum purchase amount is one (1) Class B Unit (\$250,000). The Manager has the right, to be exercised in its sole discretion, to accept or reject any subscription in whole or in part for a period of thirty (30) days after receipt of the Subscription Agreement. Any subscription not accepted within thirty (30) days of receipt of a prospective investor’s Subscription Agreement will be deemed rejected.

The executed Subscription Agreement should either be e-mailed in .PDF format or mailed or delivered to the Company as follows:

Quirk Charlottesville, LLC
c/o Bank Street Advisors, LLC
10120 West Broad Street, Suite J
Glen Allen, Virginia 23060
Attention: J. Christian Kiniry
E-Mail: ckiniry@bankstreetadvisors.com

All Subscription Payments are payable either by (i) check made payable to the Escrow Agent, as escrow agent for the Company, which check should be mailed or delivered to the address above, or (ii) wire transfer directly to the Escrow Agent per the following wire instructions:

ACCOUNT NAME	Safe Harbor Title Company LLC - Commercial Escrow Account
ACCOUNT NUMBER:	5842186883
ROUTING NUMBER:	121000248
BANK NAME:	Wells Fargo
BANK ADDRESS:	1021 E. Cary Street, Richmond, VA 23219
REFERENCE/SPECIAL INSTRUCTIONS:	Quirk Charlottesville, LLC – Investor name

Upon the receipt of an investor’s signed Subscription Agreement and the Subscription Payment, and the acceptance of such investor’s subscription, the Company will notify such investor and provide the investor with a copy of the fully executed Subscription Agreement. In the event the Company does not accept an investor’s subscription for Class B Units for any reason, the Company will promptly return the full amount of the Subscription Payment to such investor. A Subscription Agreement may not be revoked, canceled or terminated by a prospective investor for any reason. All Subscription Payments will be held in the Escrow Account until the Closing. The Company reserves the right to terminate the Offering at any time, in which case each subscriber for Class B Units will be refunded such subscriber’s entire Subscription Payment without interest, deduction or charge. See “Plan of Distribution – Sales of Class B Units.”

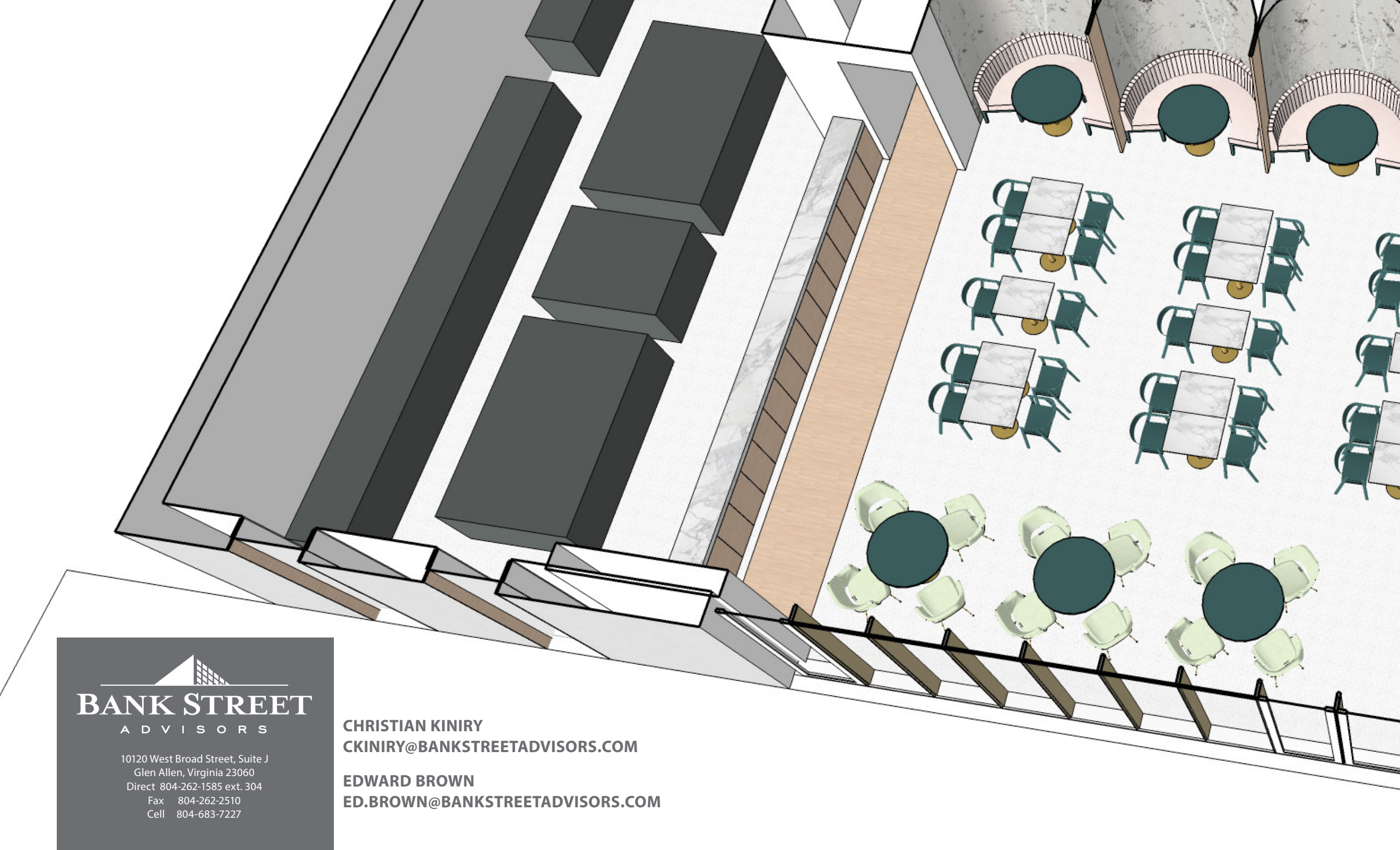
All Subscription Payments will be held in the Escrow Account until the Minimum Offering Amount has been raised. Once the Minimum Offering Amount has been raised, and pursuant to a Supplement to this Memorandum, the Company may redirect prospective investors to make their checks payable, or wire transfers sent, directly to the Company, and the Manager, in its sole discretion, may thereafter use alternative banks or financial institutions to hold funds tendered for the purchase of Class B Units. The Company reserves the right to terminate the Offering at any time, in which case each subscriber for Class B Units will be refunded such subscriber’s entire Subscription Payment without interest, deduction or charges. See “Plan of Distribution – Sales of Class B Units.”



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