PRIVATE OFFERING MEMORANDUM

VALLEY FORGE HOTEL AND CONFERENCE CENTER, LP
a Virginia limited partnership

PRIVATE LOAN/EQUITY FINANCING FOR THE ACQUISITION OF THE INN AT VALLEY FORGE

$10,200,000 AGGREGATE OFFERING PRICE

Comprised of 37 Loan Units Priced at $100,000 per Unit and 65 Units of Class A Limited Partner Interest Priced at $100,000 per Unit (Minimum Subscription of 1 Unit at $100,000)

THE SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH OR REVIEWED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY AND ARE BEING OFFERED AND SOLD PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION: HOWEVER NEITHER THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES AGENCY HAS PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING NOR DOES IT PASSED UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OFFERED SELLING LITERATURE.

THIS INVESTMENT INVOLVES RISKS. READ THIS MEMORANDUM CAREFULLY BEFORE MAKING ANY DECISION, ESPECIALLY THE SECTION ENTITLED RISK FACTORS.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD UNLESS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS. THE COMPANY’S LIMITED PARTNERSHIP AGREEMENT OR LOAN DOCUMENTS, AS APPLICABLE, CONTAIN ADDITIONAL RESTRICTIONS ON TRANSFER.
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I. INTRODUCTION

THE UNITS OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. VALLEY FORGE HOTEL AND CONFERENCE CENTER, LP (THE “PARTNERSHIP”) IS A NEW BUSINESS ENTITY WITHOUT ANY HISTORY OF REVENUES, EARNINGS OR SIGNIFICANT OPERATIONS AND, ACCORDINGLY, IT IS SUBJECT TO ALL OF THE RISKS INHERENT IN A NEW BUSINESS ENTERPRISE. NO INVESTMENT IN ANY UNITS SHOULD BE MADE BY ANY PERSON WHO IS NOT IN A POSITION TO LOSE THE ENTIRE AMOUNT OF SUCH INVESTMENT. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. SEE “SUITABILITY STANDARDS AND TERMS OF OFFERING” AND “RISK FACTORS.”

The following summary of the Offering is intended only for convenient reference and is qualified in its entirety by the full text of this Private Offering Memorandum (hereinafter referred to as the “Memorandum” which term includes all exhibits attached hereto). The Memorandum describes in detail the proposed transactions that are material to prospective purchasers of one or more Units (“Prospective Investors”), including those summarized below. Therefore, this Memorandum and the accompanying Exhibits should be read in their entirety by Prospective Investors AND their professional advisors (if any) before making any investment decision.

IN THIS MEMORANDUM, THE PARTNERSHIP MAKES CERTAIN FORWARD-LOOKING STATEMENTS. THE MATTERS DISCUSSED THROUGHOUT THIS MEMORANDUM THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING AND, ACCORDINGLY, INVOLVE ESTIMATES, PROJECTIONS, GOALS, FORECASTS, ASSUMPTIONS, RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS OR OUTCOMES TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS. ANY FORWARD-LOOKING STATEMENT IS BASED ON INFORMATION CURRENT AS OF THE DATE OF THIS MEMORANDUM AND SPEAKS ONLY AS OF THE DATE ON WHICH SUCH STATEMENT IS MADE; THE PARTNERSHIP UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT OR STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE. EXAMPLES OF FORWARD-LOOKING STATEMENTS DISCUSSED IN THIS MEMORANDUM INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS MADE IN SECTION V – THE HOTEL, AND SECTION IX – FINANCIAL FORECAST.

Unless otherwise specifically provided in this Memorandum, terms used herein with the initial letter(s) capitalized shall have the meanings provided in the Limited Partnership Agreement of the Valley Forge Hotel and Conference Center, LP (sometimes herein called “Agreement” or “Partnership Agreement”) which is attached to this Memorandum as Exhibit E, or in the Noteholders Loan Agreement which is attached to this Memorandum as Exhibit F, whichever is applicable.

II. SUMMARY OF OFFERING

The Partnership, Valley Forge Hotel and Conference Center, LP (the “Partnership”) was formed on May 23, 2007 as a Virginia limited partnership to acquire and own the sole limited partner interest in CHG Valley Forge, LP, a Virginia limited partnership (“CHG Valley Forge”). CHG Valley Forge was formed on May 24, 2007 to acquire, own and operate the Inn at Valley Forge located at 251 West DeKalb Pike, King of Prussia, Pennsylvania 19406 (the “Hotel”). The Partnership will own 99.999 percent of CHG Valley Forge as the sole limited partner while CHG Partners, LLC will own 0.001 percent of CHG Valley Forge as the sole general partner. The Partnership and CHG Valley Forge are and will be two separate entities for purposes of satisfying the first mortgage lender’s “Single Purpose Entity” requirements.
The Partnership, through its ownership of the sole limited partner interest in CHG Valley Forge, will indirectly own 99,999 percent of the Hotel. The Hotel was built in 1971 and consists of a 9-story hotel and conference facility located in King of Prussia, Pennsylvania. The Hotel currently has a total of 348 guest rooms, approximately 20,000 square feet of ballroom and meeting space, a pub lounge with seating for 85, a gift shop, fitness center, large indoor pool with Jacuzzi and whirlpool and business center. The Partnership Plans to renovate the Hotel following acquisition. The exterior will be given a façade “facelift” within 3-6 months following closing. The guest rooms on the second floor of the Hotel will be converted to meeting space. Thus, the total number of guest rooms in the Hotel will be decreased to 327 rooms while the total conference and meeting space will be increased to approximately 30,000 square feet.

Management. The Partnership will be managed by its sole general partner Capital Hospitality Group, LLC, a Virginia limited liability company (“CHG” or the “General Partner”). Creighton R. Schneck (“Mr. Schneck”) and Michael J. Moriarty (“Mr. Moriarty”), the sole owners/members of CHG, are also the sole owners/members of CHG Partners, LLC, a Virginia limited liability company (“CHG Partners”) formed on May 23, 2007 that is the general partner of CHG Valley Forge. CHG has undertaken certain preliminary due diligence and other pre-acquisition tasks with respect to the Hotel on the Partnership’s behalf as more fully described in this Memorandum. CHG has entered into a Purchase and Sale Agreement to acquire the Hotel for a purchase price of $28,000,000 with closing expected to occur on or about July 2, 2007.

The Offering. The Partnership intends to raise aggregate proceeds of $10,200,000 from Prospective Investors on an all or nothing basis on the terms and subject to the conditions more fully described in this Memorandum (the “Offering”). The Offering consists of thirty-seven (37) Loan Units in unsecured loan financing (sometimes called the “Noteholder Units”), with a purchase price of $100,000 for each full Noteholder Unit, and sixty-five (65) Units of Class A limited partner interest in the Partnership (the “Class A Units”), with a purchase price of $100,000 for each full Class A Unit (the Noteholder Units and the Class A Units may be collectively referred to hereinafter as the “Units”). Subscriptions made in the Offering are irrevocable, unless otherwise agreed in writing by the General Partner. The General Partner, in its sole discretion, may reject subscriptions in whole or in part. In addition, in appropriate instances in the sole discretion of the General Partner, a Unit may be divided into fractional Units, but not less than one-half of a Unit with a purchase price of $50,000 for each half-Unit. Associates of CHG have preliminarily indicated that they will purchase 13 of the 65 Class A Units offered for a purchase price of $1,300,000. Avanti and Rose Mountain have agreed to assist with the sale of the remaining 52 Class A Units and the 37 Noteholder Units.

Noteholders Loan: Terms of the Notes. Persons acquiring Noteholder Units (the “Noteholders”) collectively will make a $3,700,000 unsecured loan (the “Noteholders Loan”) to the Partnership. The promissory notes to be issued to the Noteholders provide that during the first five years, interest will accrue on the principal balance of the Noteholders Loan at the cumulative and compounded annual rate of 12% per annum. No payments of interest will be made during the first 12 months after the Noteholders Loan is made at which time accrued interest will either be paid or added to the principal balance of the Noteholder Loan. Beginning with the fifth (5th) quarter after the Noteholders Loan is made, interest will be paid on a quarterly basis at 12% per annum (the “Noteholder Current Payments”). In addition, the Noteholders will also be paid an amount equal to 5% of the proceeds from Cash from Sales and Cash from Financings (as defined in the Partnership Agreement) remaining after distribution to the holders of the Class A Units and the Class B Units of their Capital Contributions (actual and deemed) and their Priority Returns.

It is anticipated that the Noteholders Loan will be repaid within 5 years. The Partnership may prepay the Noteholders Loan at any time by paying the entire balance of principal and unpaid accrued interest including, if the prepayment occurs during the first three years, the first three years of interest. If the Noteholders Loan is not repaid by the end of the fifth year, then the interest rate will increase to 14% with 12% paid currently and 2% (the “2% Deferred Interest”) accruing and compounding. During years 5 through 10 of the Noteholders Loan, the Noteholders will be entitled to be paid 25% of the Partnership’s net distributable cashflow with such payments being applied first to accrued and unpaid interest and then to principal. For this purpose, “net distributable cashflow” means cashflow after debt service on the Capmark Loan and interest payments on the Noteholders Loan, but before any Priority Return to the holders of the Class A and Class B Units. At the end of 10 years, all unpaid principal plus accrued and unpaid interest on the Noteholders Loan will be payable. If such principal and interest is not paid at that time, the interest rate will increase to 16% and any unpaid Deferred 2% Interest from years 5-10 will be capitalized. Thereafter, the Noteholders will be
entitled to be paid 50% of the Partnership’s net distributable cashflow in years 10-15 with 12% paid currently and 4% accruing (the “4% Deferred Interest”). Such payments will be applied first to unpaid accrued interest and then to principal. If the Noteholders Loan is not repaid after 15 years, then the Noteholders will be entitled to be paid 100% of the Partnership’s net distributable cashflow until the Noteholders Loan is paid in full. In addition, the interest rate on the Noteholders Loan will be increased to and will be payable currently at 16% per annum. If there are insufficient funds to pay in full amounts due under to the Noteholder Loan, the holders of the Noteholder Units will be paid pro rata in proportion to the number of Noteholder Units held by each such holder.

Class A Units. The Class A Limited Partners collectively will contribute $6,500,000 to the capital of the Partnership in exchange for 65 Class A Units which equals 44.82669% of the Partners’ Percentages in the Partnership. Each $100,000 contribution made in exchange for a Class A Unit will have a 0.68964138% Partner’s Percentage in the Partnership. The holders of the Class A Units will be entitled to a cumulative ten percent (10%) per annum priority return on their Net Capital Contributions (the “Class A Priority Return”). The Class A Priority Return will accrue and compound annually during the first two years of operations; thereafter, the Class A Priority Return will be paid in accordance with the terms and provisions of the Partnership Agreement. “Net Capital Contributions” is defined in the Partnership Agreement as a Class A Unit holder’s total capital contributions less distributions to the Class A Unit holder as a return of the Class A Unit holder’s capital contributions. If the Partnership’s Cash from Operations is insufficient to pay in full the Class A Priority Return in any given year, any such insufficiency will accrue and compound for payment out of future years’ Cash from Operations. Cash from Financings and Cash from Sales before payments are made to the holders of the Class B Units or Class C Units. See Part VI, Summary of Proposed Transaction and Financing, of this Memorandum for a more complete description of the rights and obligations of the holders of Class A Units.

III. BUSINESS

Formation of Partnership. The Partnership was formed as a Virginia limited partnership on May 23, 2007 by the filing of a Certificate of Limited Partnership with the Virginia State Corporation Commission. The sole general partner of the Partnership is CHG.

Description of Partnership’s Business. The Partnership’s sole business and purpose is to acquire, invest in and hold a 99.999 percent interest as a limited partner interest in CHG Valley Forge. CHG Valley Forge is a single or limited purpose entity the sole business or purpose of which is to acquire, invest in, hold, renovate, operate, manage, lease, finance, refinance, sell, exchange, transfer and otherwise deal with the Hotel as the same is now or hereafter renovated and improved. The Partnership will have the power to do all other things necessary or convenient to accomplish this purpose and operate its business and activities as described herein subject to limitations imposed by the Lender (as defined herein) applicable to single or limited purpose borrowing entities. The Partnership will exist until December 31, 2027, or otherwise terminated in accordance with the Partnership Agreement.

The Partnership, through its ownership in CHG Valley Forge, will indirectly own 99.999 percent of the Hotel. The remaining 0.001% of CHG Valley Forge will be owned by its general partner, CHG Partners, LLC. Thus, all profits, losses and cash distributions from operation of the Hotel through CHG Valley Forge will be allocated and distributed 99.999% to the Partnership and 0.001% to CHG Partners, LLC.

The Partnership’s executive offices are located at 467 Herndon Parkway, Herndon, Virginia 20170.

IV. MANAGEMENT

Background of the General Partner. The Partnership will be managed by CHG as its sole general partner. CHG is 100% owned and operated by Mr. Moriarty and Mr. Schneck. Mr. Schneck and Mr. Moriarty are also the sole owners/members of CHG Partners, the general partner of CHG Valley Forge (the owner of the Hotel). CHG, Mr. Moriarty and Mr. Schneck have extensive experience in the ownership and operating of hotels. For example, in 1999 CHG and affiliates purchased a 185 room hotel in Alexandria, Virginia which was completely renovated and
re-flagged as a Hawthorn Suites Hotel Alexandria. In 2006 the Alexandria hotel was sold at a substantial profit to its investors. In 2003, CHG and its affiliates purchased the 104 room Hawthorn Suites Hotel located in Herndon, Virginia. CHG and affiliates have managed the Herndon Hotel so that it has substantially exceeded its projections.

**Background of Mr. Moriarty and Mr. Schneck.** Mr. Moriarty and Mr. Schneck have over 50 years of combined experience in the acquisition, development, financing and management of hotel assets. They previously were President and Senior Vice President-Development respectively for Studio Plus Hotels where they helped launch the Studio Plus Hotel chain by implementing an aggressive nationwide growth plan that added 48 hotels to the chain in less than 14 months. Prior to working at Studio Plus Hotels, Mr. Moriarty spent 15 years with Marriott International during which he served as Vice President of Operations for Residence Inn and Vice President and Brand Manager for Marriott’s Fairfield Inn and Suites. Mr. Schneck has 30 years experience in commercial real estate and prior to Studio Plus Hotels headed the Washington office of Tishman Speyer Properties and for ten years was Senior Vice President of Western Development Corporation.

**Operation of the Hotel by Dolce International.** CHG Valley Forge will enter into a long-term management contract with Dolce International (“Dolce”) pursuant to which Dolce will become the operator of the Hotel and the Hotel will be branded under the Dolce name as “Dolce Valley Forge Hotel and Conference Center”. Branding the Hotel under the Dolce name is expected to add creditability and acceptance in the marketplace to the corporate, group and meetings market.

Dolce is a global hospitality company specializing in the meetings experience for its customers. Dolce has 25 hotel/conference centers in the United States, Canada and Europe and employs approximately 3,000 people. Dolce’s portfolio includes a diverse variety of meeting product types allowing Dolce to offer different properties for different meetings and price points.

Dolce was formed in 1981 by Andy Dolce, who currently serves as Chairman and Managing Partner, and is presently owned by Soros Real Estate Investments.

Dolce currently has an equity ownership interest in 5 of the 24 properties it manages. Dolce operates under the trademarked positioning line *Hotel, Resort & Conference Destination*. All properties in its portfolio are integrated into the brand and participate in Dolce’s sales and marketing initiatives. Such initiatives include:

- Marketing support from in-house marketing resources inclusive of advertising, media planning, collateral, direct marketing campaigns, website, electronic marketing
- Global distribution system for reservations
- Central reservations office and meetings desk
- Sales development and training
- Strategic and tactical sales support from Dolce corporate headquarters in Montvale, New Jersey and the North East
- Sales generation through global sales efforts
- Sales generation through property-to-property cross-selling activities

**Unitholder Participation in Management.** The holders of the Units will have no participation in the management or operation of the Partnership’s business or the Hotel unless otherwise provided by the Partnership Agreement or the Virginia Revised Uniform Limited Partnership Act (the “Act”). However, the consent of the holders of the Class A Units is required for certain major actions as described in the Partnership Agreement. In addition, the Consent of the Lender may be required before the Partnership can undertake certain actions and the consent of the Limited Partners will be required for certain decisions regarding the sale or refinancing of the Hotel and/or the Partnership’s business. See “Partnership Agreement.”

**V. THE HOTEL**

The Hotel was built in 1971 and consists of a 9-story hotel and conference facility located in King of Prussia, Pennsylvania. Specifically, the site is located on US Route 202 (West DeKalb Pike) approximately one-half
mile east of the King of Prussia Mall. Attached as Exhibit C is a map illustrating the location of the Hotel as well as photographs of the Hotel. Access to the Hotel is provided via an entrance on US Route 202 that is serviced by a stop-light. There is excellent visibility from US 202 as the 9-story Hotel building is one of only a few mid-rise buildings in the area.

The original Hotel building has three wings. The A wing is parallel to US Route 202 (West DeKalb Pike). The B and C wings run perpendicular to the A wing. An addition to the Hotel was completed in 1985 thereby increasing the three wings to a total of 348 guest rooms. The Hotel also has approximately 20,000 square feet of ballroom and meeting space, a pub lounge with seating for 85, a gift shop, fitness center, large indoor pool with Jacuzzi and whirlpool and business center.

Guest rooms at the Hotel are larger in size than typical rooms in the industry. Guest rooms are currently furnished either with one king bed or two double beds with a headboard, a chair, coffee table, work-desk and chair and a television. There are 54 junior king suites that also contain an additional sitting area complete with sofa, refrigerator, microwave and an additional television.

The Hotel has ample parking. It provides a two-story parking deck with 120 parking spaces and surface parking with 330 parking spaces. Parking is complimentary for all guests.

Renovation Plan. The Hotel will undergo a substantial exterior and interior renovation. The exterior will be given a façade “facelift” within 3-6 months following closing. The guest rooms on the second floor of the Hotel will be converted to meeting space. Thus, the total number of guest rooms in the Hotel will be decreased to 327 rooms while the total conference and meeting space will be increased to approximately 30,000 square feet. Additional planned renovation items include the following:

- Enhance landscaping.
- Repair and reseal parking areas.
- Improve perimeter lighting.
- Replace all existing windows with high efficiency double pane windows with operable sash.
- Install new exterior EFIS System.
- Upgrade all meeting space with new carpet, ceiling tiles, and finishes.
- Add additional public restrooms in the meeting areas.
- Upgrade and expand Alexander’s Restaurant to increase seating.
- Upgrade Maxwell’s pub and restaurant.
- Upgrade lobby and add fire rated stairway to the second floor keeping.
- Redo gift shop and add luggage storage area.
- Rebuild pool building and add new desert air HVAC system.
- Expand and refurbish the fitness center and locker rooms.
- Refurbish all guestroom corridors with new paint, carpet and wall covering.
- Demo all guest baths and replace with new glass shower units in 90% of rooms.
- Install new bath fixtures, vanities and lighting in baths.
- Paint all walls, replace carpet and pad, and exterior doors in guestrooms.
- Replace all furniture in guestrooms to Dolce Standards.
- Install new flat panel TVs in all guestrooms.

The projection assumes that the renovation will be completed within one year and that the Hotel will be fully operational and generating revenues during the pendency of the renovation.

VI. THE MARKET, MARKET POSITIONING AND BUSINESS STRATEGY

The Market

King of Prussia is located in Montgomery County, Pennsylvania approximately 20 miles west of downtown Philadelphia and about 70 miles southeast of New York City. The population of Montgomery County increased by an annual average rate of 1.2% during the period from 1990-2005 and currently has over 775,800 residents.
Montgomery County has enjoyed a higher growth rate during this period than both the MSA and the Commonwealth of Pennsylvania and this trend is expected to continue.

Montgomery County employment growth expanded at an annual rate of 2.3% for the period from 1990 through 2000. This was a higher growth rate than the MSA, the Commonwealth of Pennsylvania and the United States as a whole. Personal income in Montgomery County grew at an annual rate of approximately 3% from 1990 through 2005 compared to approximately 2.6% for the Commonwealth of Pennsylvania and approximately 3.7% for the whole United States. Montgomery County additionally has a “Wealth Index” of 153%. This is an index prepared by Woods & Poole Economics of Washington DC which reflects the adjustable disposable income of a specified area as compared to that of the United States (with 100% being the median).

King of Prussia is a major retail and employment center in the Philadelphia suburbs. It is the largest office submarket outside of downtown Philadelphia with a total of 12,500,000 square feet of office space. Major employers in the area include Merck & Company Inc., Wyeth Pharmaceutical, Aetna Inc, Lockheed Martin, Quest Diagnostic, ABM Services and Unisys Corporation.

King of Prussia Mall, which is the second largest mall in America, is located a half-mile west of the Hotel. Major tenants at the Mall include Nordstroms, Neiman Marcus, Bloomingdales, Macy’s, Lord & Taylor Sears, J.C. Penney’s and Saks. The Mall has over 360 specialty stores and 40 restaurants.

Access to the Hotel is provided by US 202 (West De Kalb Pike) which is a major highway running through King of Prussia. The Hotel is also in close proximity to route I-76 which provides direct access to downtown Philadelphia as well as Harrisburg and Pittsburg to the west. Route I-276 (the Pennsylvania Turnpike) gives King of Prussia a direct highway link to New Jersey and route I-95 to the east. Route I-476, which is also in close proximity, provides access to Wilmington to the South.

**Market Positioning.** The Hotel will be competing with 15 other branded hotels with meeting space in the immediate 2–3 mile radius. The Hotel currently boasts 348 rooms with over 20,000 square feet of flexible meeting space and has the largest ballroom in the Valley Forge/King of Prussia area. The Hotel can provide 12-15 breakouts simultaneously. In addition, Dolce plans to convert 21 rooms to expand the meeting space by 10,000 square feet. This will position the facility as a full-service conference center with specialized meeting space, thus distinguishing it from the other 15 local hotel properties

**Group Business.** The Hotel will pursue a strategy of securing a number of anchor (or volume) clients as a base. Individual meetings will be booked into available space at established pricing. Based on Dolce Global Account relationships, it is anticipated that many companies will have the potential to generate substantial volume of business for the Hotel including American Express, Wyeth, and UPS. Group Business will be aggressively pursued by offering flexible pricing for meeting packages sought by customers. These include Complete Meeting Package (“CMP”), European Plan (“EP”), Day Meeting Package (“DMP”) and Modified Meeting Package (“MMP”). This flexibility will allow the Hotel to penetrate group meetings business that is currently being booked at the other local hotels.

**University and Business Segment.** The Hotel is situated reasonably close to Villanova University, Bryn Mawr College, Haverford College, Arcadia University, Rosemont College and the Valley Forge Military Academy. The area also hosts an impressive list of corporate clients including many Fortune 500 companies and 12.5 million square feet of office tenants. The list of potential corporate clients includes:

- Merck & Company, Inc
- Prudential
- Jefferson Health System
- Abington Memorial Hospital
- Aetna/U.S. Healthcare, Inc.
- Lockheed Martin Mgmt. & Data
- Genuardi Supermarkets, Inc.
- Quest Diagnostics
- Holy Redeemer Hospital
- McNeil Consumer & Specialty
- PharmUnisys Corporation
- UPS
- Genesis Health Ventures Inc.
- ACTS Retirement Life
- Wyeth Pharmaceuticals & Research

Individual business transient demand will be targeted and pursued through negotiated corporate accounts including the companies listed above. Volume agencies and consortiums will be targeted as well. Electronic reservations via the Dolce website, Central Reservations Office (“CRO”) and Global Distribution Systems (“GDS”) should also be key sources of room nights.

Tour and Leisure Segment. With the second largest mall in the United States (ranked by square footage of retail space), King of Prussia and Montgomery County continue to experience rapid development and continue to attract many visitors. In addition to shopping, the general Philadelphia area boasts the following attractions: Valley Forge Historical Park, King of Prussia Mall, Main Line shopping, Lincoln Financial Center, and the Wachovia Center. Other sites within a reasonable distance include: the Philadelphia Arena, Art Museum, Liberty Bell Center, Brandywine Museum, Longwood Gardens, Franklin Museum, Herr’s Food Factory, Crayola Factory, Walnut Street Theatre, and Society Hill Playhouse.

Valley Forge National Park attracts 2.2 million visitors per year; Independence National Historical Park in Philadelphia attracts 4.9 million visitors; Longwood Gardens hosts 900,000 visitors annually. More than 18 million shoppers flock to The Plaza & the Court at King of Prussia, and Franklin Mills reports attracting more than 18 million visitors per year as well.

The tour and leisure segment will be targeted via electronic reservations channels including the Dolce website, CRO, GDS and partnering with onward distribution drivers such as Hotwire, Priceline, Travelocity and Expedia. The wholesale and tour operator market will be pursued with travel agency solicitation, promotion of leisure packages and negotiated rates with tour operators and wholesalers. Pricing will be controlled with the Dolce “Best Rate Guarantee” through all distribution channels.

Competitive Market Summary. Montgomery County has shown a growth in occupancy in the Hotel’s competitive set of properties over the period of 2002 through 2006 from 60.1% to 66.3%. The Average Daily Rate is also up by 10% for the years 2002 thru 2006. Local competitors in the market include:

- **Valley Forge Suites**: a 229 room Hotel with 3,745 square feet of space available for events, with rates ranging from $120 to $125.
- **Sheraton Hotel Park Ridge & Conference Center**: a 265 room hotel with 15,115 square feet of meeting space, with rates ranging from $130 to $135.
- **The Scanticon Hotel**: a 160 room Hotel with 16,200 square feet of meeting space, with rates ranging from $105 to $110
- **Radisson Hotel Valley Forge**: a 319 room Hotel with access to 110,000 square feet of convention meeting space, with rates starting at $105 to $110.
- **Crowne Plaza King of Prussia Valley Forge**: a 225 room Hotel with 17,280 square feet of meeting space, with rates ranging from $125 to $150.
- **Marriott Philadelphia West**: a 286 room Hotel with 9,000 square feet of meeting space, with rates ranging from $170 to $175.

The competitive market for conference centers and hotels is well defined in King of Prussia and in the surrounding area. Upon completion of the Hotel renovation and with the addition of Dolce’s management expertise, the Hotel will be positioned to be the premier hotel and conference center in the market.
VII. SUMMARY OF HOTEL ACQUISITION DEAL POINTS

Summary of Deal Points. The Hotel is being acquired for the purpose of increasing operating income, reducing operating expenses through effective management, and holding the Hotel for future capital appreciation. To maximize value and achieve its goals, the Hotel will undergo substantial renovation and repositioning to both attract large conference and meeting clients as well as transient hotel customers. It is believed that an investment in the Partnership contains many attractive and lucrative elements, some of which are set forth as follows:

**Purchase Price.** At $28 million, the Hotel will be acquired for an amount equal to approximately $85,000 per guestroom. It is believed this to be a very attractive and competitive price in the industry. After renovation, the cost of the Hotel will be about $155,000 per guestroom. It is believed that the costs associated with building a comparable hotel from the ground-up would exceed $225,000 per guestroom.

**Desirable Location.** The Hotel is located in a desirable location. King of Prussia is 20 miles from downtown Philadelphia and 70 miles southeast of New York City. It is a major retail and employment center with over 12,500,000 square feet of office space and the 2nd largest mall in America (King of Prussia Mall). The Hotel is located one half-mile east of the King of Prussia mall, which attracts over 18 million shoppers per year. The Hotel is also located within 10 minutes of the Valley Forge National Historical Park, a national landmark that attracts 2.2 million visitors per year.

**Access and Visibility.** The Hotel is accessed from US 202 (DeKalb Pike), a major state artery, through an entranceway with a stop light. The Hotel is also within 1 mile of the I-76 interchange, which provides direct access to downtown Philadelphia as well as Harrisburg and Pittsburgh to the west and Wilmington, Delaware to the southeast. With 9 stories situated atop elevated ground, the Hotel is highly visible from US 202 and all points surrounding the Hotel.

**Guest Rooms and Meeting Space.** With the guest rooms completely renovated and the increase in meeting space from 20,000 to 30,000 square feet, it is believed that the Hotel can be the premier hotel and conference center in King of Prussia.

**Strong Financial Potential.** Based on the renovation of the guest rooms, the increase in meeting space, the favorable US Route 202 location, and the addition of Dolce as the Hotel operator, the Hotel is expected to produce strong financial results as set forth in the projections provided in the Financial Forecast (Exhibit A). If the project is able to achieve the projections provided in the Financial Forecast, the holders of the Class A Units could earn annual cash-on-cash returns on their capital contributions of over 16% in 2010 with significant increases in subsequent years. Moreover, if the Hotel achieves projected net operating income (“NOI”) by years 2011 and 2012, then it is anticipated the Hotel’s value will have appreciated to the point where the Hotel could be refinanced in an amount sufficient to pay off the Noteholders Loan and return a significant portion (if not all) the capital contributions to the holders of the Class A and Class B Units. Thereafter, cash-on-cash percentage returns (on original capital contributions) would increase significantly as the Class A Investors could have little or no outstanding invested capital.

**No Up-front Cash Fees to the Sponsors.** CHG, Mr. Moriarty, Mr. Schneck, Avanti Investors LP (“Avanti”) and Rose Mountain Enterprises (“Rose Mountain”) have received Class B Units and Class C Units in exchange for services provided to the Partnership, including negotiating the Purchase Agreement, structuring this Offering, arranging the Capmark Loan, and performing due diligence and financial analysis. On a cashflow basis, the Class C and Class B Limited Partners are entitled to a subordinate profits interest that isn’t paid unless the Class A Limited Partners are current on their Priority returns. In the event of a sale or refinancing, the Class B and Class C Limited Partners are entitled to profits distributions that are not paid until the Class A Limited Partners have received a return of all their capital contributions. In other words, the Sponsors feel strongly enough about the quality of this project that they are willing to defer and subordinate the receipt of any base compensation for services until the investors have received their Priority return (in the case of Cash from Operations) and return of their investments (in the case of Cash from Financings and Cash from Sales). In addition, the sponsors will be investing significant capital into the project as fellow investors.
Experienced Management. On-site Hotel management will be provided by Dolce International. Dolce is a
global leader in the conference and meetings business and adds additional value through their global reservation
distribution system, central reservations office, hotel-to-hotel cross-selling program, and marketing support from
their nearby corporate headquarters in Montvale, New Jersey. In addition, CHG, Mr. Moriarty and Mr. Schneck
specialize in developing and managing quality lodging products in the Eastern United States and have over 50 years
of combined experience in the acquisition, development, financing and management of hotels.

Noteholder Loan Priority. With the compounding accrual, the Noteholders are scheduled to achieve an
annual return of 12% during the term of the Note. In addition, the Noteholders are in a priority position in the
capital structure of the Partnership with a large amount of equity ($6,500,000) that is subordinate to the Noteholders Loan.
Finally, the Noteholders will be entitled to an ongoing bonus kicker of 5% of future net proceeds on refinancing or sale. If the Hotel is able to achieve the projections provided in the Financial Forecast (Exhibit A),
then this 5% kicker could result in significantly higher annual returns to the Noteholders. To illustrate, if the Partnership were to sell the Hotel in 2012 rather than refinance it, and assuming that the Hotel has achieved the
provided in the Financial Forecast, then it is anticipated that net capital proceeds after all expenses, preferences, debt
payoffs, etc. could be result in the holders of Noteholder Loan Units earning annual returns of over 15% per annum on the original Notholder Loan amount.

VIII. SUMMARY OF PROPOSED TRANSACTION AND FINANCING

Acquisition Agreement with the Seller. A Purchase and Sale Agreement dated March 22, 2007 has been
entered into by and between CHG and its assignee or designer, as the purchaser, and Prussia Associates, L.P., a
Pennsylvania limited partnership, as the seller, to acquire the Hotel for a purchase price of $28,000,000 ("Agreement
of Sale"). Under the Agreement of Sale, closing of the acquisition of the Hotel ("Closing") is to occur 60 days after the expiration of the Limited Study Period unless such date is extended in accordance with the terms of the Agreement of Sale. CHG plans to assign its right to purchase the Hotel to CHG Valley Forge.

Advances Made by CHG. To date, CHG has advanced approximately $500,000 as at-risk deposit money in connection with the Agreement of Sale and additional sums for Lender deposits, due diligence expenses, engineering fees, legal fees, etc., all of which shall be repaid out of the proceeds of this Offering.

Acquisition and Financing Team. To accomplish the acquisition and financing of the Hotel, the Partnership
has assembled a qualified team of professionals. In addition to CHG, Mr. Moriarty and Mr. Schneck, the Partnership has teamed with Avanti and Rose Mountain to secure the proposed Noteholders Loan, and a significant portion of the required equity funding.

Institutional Financing. To finance the acquisition, conversion and renovation of the Hotel, proceeds from the sale of Class A Units and the Noteholder Units will be used together with the proceeds from a first trust institutional loan. CHG has made application for acquisition/renovation financing from Capmark Finance, Inc. (the "Lender") for $40,800,000, to be secured by the Hotel (the “Capmark Loan”). The Capmark Loan will be for a 36 month term (the “Loan Term”) with two 12 month extension option periods (“Extension Option Periods”). To exercise the extension option periods (a) there must be no event of default, (b) the Hotel must demonstrate a 1.10x (1.20x for the 2nd extension option period) debt service coverage ration, and (c) CHG Valley Forge must pay an extension fee. The Capmark Loan will bear interest at a rate equal to the 30-day London Interbank Offered Rate (“LIBOR”) for U.S. dollar deposits plus (1) 200 basis points during construction, (2) 175 basis points upon completion of construction, and (3) 150 basis points when the Hotel demonstrates a 1.30x debt service average ratio (“DSCR”) using the trailing 12-months net operating income and applying the Lender’s underwriting adjustments. The Capmark Loan will be payable interest only during the Loan Term and the Extension Option Periods, if exercised; the entire balance of principal and interest will be due and payable at maturity or upon an earlier default. The Capmark Loan will be subject to a prepayment penalty beginning at 3.00% and reducing to 0.50% if prepaid during the initial 18 months of the Loan Term. The Loan will be secured by a first lien deed of trust on the Hotel in favor of the Lender, as well as an assignment of rents, leases and profits, and other similar collateral required in transactions of this nature.
The Offering. The Partnership intends to raise aggregate proceeds from Prospective Investors on an all or nothing basis of $10,200,000. The Offering consists of thirty-seven (37) Loan Units, with a purchase price of $100,000 for each full Noteholder Unit, and sixty-five (65) Units of Class A limited partner interest in the Partnership (“Class A Units”), with a purchase price of $100,000 for each full Class A Unit. Subscriptions made in the Offering are irrevocable, unless otherwise agreed in writing by the General Partner. If all one hundred two (102) units for an aggregate subscription price of ten million two hundred thousand dollars ($10,200,000) have not been subscribed for by June 25, 2007, this offering will be terminated and all funds will be returned to the investors. Notwithstanding the foregoing, the general partner, in its sole discretion, may extend the offering until July 25, 2007. The General Partner, in its sole discretion, may reject subscriptions in whole or in part. In addition, the General Partner, in its sole discretion in appropriate instances, may accept subscriptions for fractional Units, but not less than one-half of a Unit with a purchase price of $50,000 for each half-Unit. The proceeds of this Offering will be used to purchase all of the limited partner interests in CHG Valley Forge.

Terms of the Notes. The Noteholders collectively will lend $3,700,000 to the Partnership on an unsecured basis. The Noteholder Loans will be evidenced by individual promissory notes in the form of the sample attached as Exhibit E hereto and made a part hereof (the “Notes”) and all Notes will be bound and governed by a Loan Agreement (attached as Exhibit E). There will be 37 Units of Noteholder participation in the Noteholder Loans at $100,000 each. During the first five years, interest will accrue on the principal balance of the Noteholders Loan at the cumulative, compounded rate of 12% per annum. No payments of interest will be made during the first 12 months after the Noteholders Loan is made at which time accrued interest will either be paid or added to the principal balance of the Noteholder Loan. Beginning with the fifth (5th) quarter after the Noteholders Loan is made, interest will be paid on a quarterly basis at 12% per annum (the “Noteholder Current Payments”). The Noteholders will also be paid additional interest in an amount equal to 5% of the proceeds from Cash from Sales and Cash from Financings (as defined in the Partnership Agreement) remaining after distribution to the holders of the Class A Units and the Class B Units of their Capital Contributions (actual and deemed) and their Priority Returns.

It is anticipated that the Noteholders Loan will be repaid within 5 years. The Partnership may prepay the Noteholders Loan at any time by paying the entire balance of principal and unpaid accrued interest including, if the prepayment occurs during the first three years, the first three years of interest. If the Noteholders Loan is not repaid by the end of the fifth year, then the interest rate will increase to 14% with 12% paid currently and 2% (the “2% Deferred Interest”) accruing and compounding. During years 5 through 10 of the Noteholders Loan, the Noteholders will be entitled to be paid 25% of the Partnership’s net distributable cashflow with such payments being applied first to accrued and unpaid interest and then to principal. For this purpose, “net distributable cashflow” means cashflow after debt service on the Capmark Loan and interest payments on the Noteholders Loan, but before any Priority Return to the holders of the Class A and Class B Units. At the end of 10 years, all unpaid principal plus accrued and unpaid interest on the Noteholders Loan will be payable. If such principal and interest is not paid at that time, the interest rate will increase to 16% and any unpaid Deferred 2% Interest from years 5-10 will be capitalized. Thereafter, the Noteholders will be entitled to be paid 50% of the Partnership’s net distributable cashflow in years 10-15 with 12% paid currently and 4% accruing (the “4% Deferred Interest”). Such payments will be applied first to unpaid accrued interest and then to principal. If the Noteholders Loan is not repaid after 15 years, then the Noteholders will be entitled to be paid 100% of the Partnership’s net distributable cashflow until the Noteholders Loan is paid in full. In addition, the interest rate on the Noteholders Loan will be increased to and will be payable currently at 16% per annum.

Summary of Certain Provisions of the Partnership Agreement. The following is a summary of some of the terms of the Partnership Agreement. You should read the Partnership Agreement in its entirety before investing. To the extent that the terms of the Partnership Agreement conflict with any matters described below, the terms of the Partnership Agreement control.

Class A Limited Partner Interests. The Class A Limited Partners collectively will contribute $6,500,000 to the capital of the Partnership in exchange for 65 Class A Units and 44.82669% of the Partners’ Percentages in the Partnership. Each $100,000 contribution made in exchange for a Class A Unit will have a 0.68964138% Partner’s Percentage in the Partnership. The holders of the Class A Units will be entitled to a cumulative ten percent (10%) per annum priority return on their Net Capital Contributions (the “Class A Priority Return”). The Class A Priority Return will accrue and compound annually and will be paid in accordance with the terms and provisions of the Partnership Agreement. “Net Capital Contributions” is defined in the Partnership Agreement as a Class A Unit.
holder’s total capital contributions less distributions to the Class A Unit holder as a return of the Class A Unit holder’s capital contributions. If the Partnership’s Cash from Operations is insufficient to pay in full the Class A Priority Return in any given year, any such insufficiency will be paid out of future years’ Cash from Operations, Cash from Financings and Cash from Sales before payments are made to the holders of the Class B Units or Class C Units. The Class A Limited Partners are also entitled to distributions from Cash from Operations, Cash from Sales, and Cash from Financings as set forth below.

Class B Limited Partner Interests. The Class B Limited Partners collectively will hold 7.5 Class B Units and 5.172310% of the aggregate Partners’ Percentages in the Partnership. The Class B Partners initially will be comprised of Rose Mountain, Avanti, Mr. Schneck and Mr. Moriarty and/or affiliates or designees. The Class B Partners will not contribute any cash to the Partnership but will receive their Units in exchange for their due diligence, development and other consulting services. The Class B Limited Partners are entitled to receive a distribution from Cash on Sales and Cash from Financings in the aggregate amount of $750,000 (the “Class B Distribution”). The Class B Distribution is not payable until after the holders of Class A Units have received their Priority Return and their Net Capital Contributions. In addition, Class B Partners will receive a cumulative ten percent (10%) per annum priority return on the amount of their unpaid Class B Distribution (the “Class B Priority Return”). The Class B Priority Return will accrue and compound annually and will be paid in accordance with the terms and provisions of the Partnership Agreement. If the Partnership’s Cash from Operations is insufficient to pay the Class B Priority Return in any given year, any such insufficiency will be paid out of future years’ Cash from Operations, Cash from Financings and Cash from Sales before payments are made to the Class C Partners. The Class B Limited Partners are also entitled to distributions from Cash from Operations, Cash from Sales, and Cash from Financings as set forth below.

Class C Limited Partner Interests. The Class C Limited Partners collectively will hold 72.5 Class C Units and 50% of the aggregate Partners’ Percentages in the Partnership. The Class C Limited Partners initially will be comprised of Rose Mountain, Avanti, Mr. Schneck and Mr. Moriarty and/or affiliates or designees. The Class C Limited Partners will not contribute capital to the Partnership and will not receive credit for any capital contribution to the Partnership. The Class C Limited Partners are entitled to distributions from Cash from Operations, Cash from Sales, and Cash from Financings as set forth below.

The Partner’s Percentage of the Partners are subject to various allocation and distribution priorities as set forth in the Partnership Agreement some of which are based on target rates of return (but which are not guarantied) and which are summarized in this Memorandum.

Cash From Operations. In general, Cash from Operations is the excess, if any, of (a) the total cash receipts of the Partnership (other than cash receipts taken into account in determining Cash from Financings or Cash from Sales) during any period plus such reserves as the General Partner determines, in its sole discretion, to be no longer necessary to provide for the debts, obligations and liabilities (including contingent liabilities) of the Partnership, above (b) the total cash disbursements of the Partnership (other than cash disbursements taken into account in determining Cash from Financings or Cash from Sales) during such period plus such reserves as the General Partner determines, in its sole discretion, to be necessary to provide for the debts, obligations and liabilities (including, without limitation, the Capmark Loan, the Noteholders Loan and any contingent liabilities) of the Partnership. Cash from Operations will be accrued and capitalized (rather than paid) for two years after the Partnership acquires the Hotel. As of the ninth full calendar quarter after the Partnership acquires the Hotel, Cash from Operations will be distributed to holders of Units not more than thirty (30) days after the last day of the calendar quarter in which the Partnership receives the amounts to be distributed; provided, however, such distributions may be made at such earlier time or times as the General Partner in its sole discretion may determine. Cash from Operations for each calendar quarter of the Partnership after the first two years will be distributed in the following order of priority:

(i) First, to the holders of Class A Units in proportion to their accrued but unpaid Priority Returns until such Priority Returns are paid in full;

(ii) Second, to the holders of Class B Units in proportion to their accrued but unpaid Priority Returns until such Priority Returns are paid in full;
(iii) Third, in the discretion of the General Partner, to the payment of all or any portion of the principal, interest and/or other amounts payable pursuant to the Noteholders Loan;

(iv) Fourth, up to the amount necessary (when combined with all other distributions) to provide the holders of the Class A Units and the Class B Units with a twelve percent (12%) cash-on-cash return, which amount will be paid as follows: (1) 53.793% to the holders of the Class A Units in proportion to the number of Class A Units held by each at the time of the distribution, (2) 6.207% to the holders of the Class B Units in proportion to the number of Class B Units held by each at the time of the distribution, and (3) 40% to the holders of the Class C Units in proportion to the number of Class C Units held by each at the time of the distribution; and

(v) Fifth, the balance, if any, shall be paid as follows: (1) 0.001% to the General Partner, (2) 44.826690% to the holders of the Class A Units in proportion to the number of Class A Units held by each at the time of the distribution, (3) 5.172310% to the holders of the Class B Units in proportion to the number of Class B Units held by each at the time of the distribution, and (4) 50% to the holders of the Class C Units in proportion to the number of Class C Units held by each at the time of the distribution.

Cash from Sales and Cash from Financings. Cash from Sales is the amount of cash remaining to the Partnership from the proceeds (including, without limitation, any installment, interest on installment or interest on principal in the event of an installment sale) of any Capital Transaction or from the proceeds of policies of insurance received by the Partnership for or as a result of damage to or destruction of the Property (to the extent such proceeds exceed the actual or estimated costs of repairing or replacing the asset damaged or destroyed) after the payment or provision for the payment of all costs and expenses incurred by the Partnership in connection with such Capital Transaction or the receipt of such insurance proceeds, as the case might be, and after the payments made or required to be made in connection with any indebtedness of the Partnership (including, without limitation, the Capmark Loan and the Noteholders Loan) or encumbrances against the Property in connection with such event. Cash from Financings is the amount of cash remaining to the Partnership from the proceeds of any loan made to or obtained by the Partnership (whether from new financings or the refinancing of any loan or indebtedness of the Partnership) after the payment or the provision for the payment of all costs and expenses incurred by the Partnership in connection with such loan, and after the payments made or required to be made in connection with any prior loan or indebtedness of the Partnership (including, without limitation, the Capmark Loan and the Noteholders Loan) or encumbrance against the Property in connection with such financing. Cash from Sales not in connection with dissolution of the Partnership and Cash from Financings will be distributed in the following order of priority:

(i) First, to the creation of any reserves that the General Partner deems reasonably necessary for the payment of any debts, liabilities or obligations of the Partnership (including contingent or unforeseen debts, liabilities and obligations);

(ii) Second, to the holders of the Class A Units in proportion to their accrued but unpaid Priority Returns until such Priority Returns are paid in full;

(iii) Third, to the holders of the Class A Units in proportion to their Net Capital Contribution as of the date of the distribution until the Net Capital Contribution of each such holder is reduced to zero;

(iv) Fourth, to the holders of the Class B Units in proportion to their accrued but unpaid Priority Returns until such Priority Returns are paid in full;

(v) Fifth, to the holders of the Class B Units in proportion to the number of Class B Units held by each until the aggregate amount distributed to the holders of the Class B Units equals $750,000;

(vi) Sixth, in the discretion of the General Partner, to the payment of all or any portion of the principal, interest and/or other amounts payable pursuant to the Noteholders Loan;

(vii) Seventh, up to the amount necessary (when combined with all other distributions) to provide the holders of the Class A Units and the Class B Units with a twelve percent (12%) cash-
on-cash return, which amount will be paid as follows: (1) 53.793% to the holders of the Class A Units pro rata in proportion to the number of Class A Units held by each at the time of the distribution, (2) 6.207% to the holders of the Class B Units pro rata in proportion to the number of Class B Units held by each at the time of the distribution, and (3) 40% to the holders of the Class C Units pro rata in proportion to the number of Class C Units held by each at the time of the distribution; and

(viii) Eighth, the balance, if any, shall be paid as follows: (1) 0.001% to the General Partner, (2) 44.826690% to the holders of the Class A Units pro rata in proportion to the number of Class A Units held by each at the time of the distribution, (3) 5.172310% to the holders of the Class B Units pro rata in proportion to the number of Class B Units held by each at the time of the distribution, and (4) 50% to the holders of the Class C Units pro rata in proportion to the number of Class C Units held by each at the time of the distribution.

Distributions in Liquidation. Upon a dissolution and liquidation of the Partnership, any Liquidation Proceeds will be distributed to the holders of Units in accordance with the general provisions set forth in the Partnership Agreement for distribution of Cash from Sales and Cash from Financing as summarized above. No holder of Units will be required to restore any negative balance in such holder’s Capital Account. See the PARTNERSHIP AGREEMENT.

Allocations of Income and Net Losses.

Net Income. After giving effect to the special allocations required by the Treasury Regulations as set forth in Section 5.2 of the Partnership Agreement, Net Income for each fiscal year and other period of the Partnership will be allocated to the holders of Units in the following order of priority:

(i) First, to the holders of the Units in proportion to the cumulative Net Losses that each such holder (and his predecessor in interest) has received to a date 90 days after the end of such fiscal year or other period;

(ii) Second, to the holders of the Class A Units in proportion to the cumulative distributions of Priority Return that each such holder (and his predecessor in interest) has received to a date 90 days after the end of such fiscal year or other period;

(iii) Third, to the holders of the Class B Units in proportion to the cumulative distributions of Priority Return that each such holder (and his predecessor in interest) has received to a date 90 days after the end of such fiscal year or other period;

(iv) Fourth, to the holders of Units in proportion to the cumulative distributions that each holder (and his predecessor in interest) has received pursuant to Sections 6.1(a)(iv), 6.2(g) and 12.3(g) of the Partnership Agreement to a date 90 days after the end of such fiscal year or other period until the aggregate Net Income allocated to each such holder (and the holder’s predecessor in interest) pursuant to this clause (iv) for such fiscal year or other period and all prior fiscal years and other periods is equal to the cumulative amount of such distributions; and

(v) Fifth, the balance, if any, shall be allocated as follows: (1) 0.001% of the balance to the General Partner, (2) 44.826690% to the holders of the Class A Units in proportion to the number of Class A Units held by each such holder as of the last day of the respective Fiscal Year or other period, (3) 5.172310% of the balance to the holders of the Class B Units in proportion to the number of Class B Units held by each such holder as of the last day of the respective Fiscal Year or other period, and (4) 50% of the balance to the holders of the Class C Units in proportion to the number of Class C Units held by each such holder as of the last day of the respective Fiscal Year or other period.

Net Losses. After giving effect to the special allocations required by the Treasury Regulations as set forth in Section 5.2 of the Partnership Agreement, Net Losses for each fiscal year and other period will be allocated in the following order of priority:
(i) First to each holder of Units who has a positive balance in its Capital Account in proportion to such positive balances until all such positive balances are reduced to zero; and

(ii) Second, to the holders of the Units in proportion to their Partners’ Percentages

The foregoing allocation rules are subject to special regulatory allocations required under Treasury Regulations promulgated under Code Section 704(b) which are contained in the Partnership Agreement. Also, different allocations may apply for special items included in the overall Net Income or Net Losses for a particular tax year that are required to be separately stated for income tax reporting purposes. See “PARTNERSHIP AGREEMENT, ARTICLE 5 - Allocations of Income and Losses.”

Purpose of Offering and Use of Proceeds. The Partnership intends to use the proceeds of the Offering, among other things, to (1) acquire the Hotel, (2) make capital improvements to and renovate the Hotel, (3) defray the costs of the Offering and the Capmark Loan, (4) create an interest reserve, (5) pay pre-opening, overhead and administrative costs, (6) provide working capital, and (7) create a contingency reserve. See Exhibit B to this Memorandum which summarizes the sources and proposed uses of funds to be raised in the Offering and from the Capmark Loan based on information presently available.

IX. FINANCIAL FORECAST

THE FINANCIAL FORECAST IS SET FORTH IN THE PRELIMINARY PROJECTED INVESTOR RETURNS ATTACHED HERETO AS EXHIBIT A. THE PROJECTIONS SET FORTH IN EXHIBIT A ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING AND, ACCORDINGLY, INVOLVE ESTIMATES, PROJECTIONS, GOALS, FORECASTS, ASSUMPTIONS, RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL INVESTOR RETURNS OR OUTCOMES TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE PROJECTION. EXHIBIT A IS BASED ON INFORMATION CURRENT AS OF THE DATE OF THIS MEMORANDUM AND SPEAKS ONLY AS OF THE DATE ON WHICH SUCH STATEMENT IS MADE; THE PARTNERSHIP UNDERTAKES NO OBLIGATION TO UPDATE EXHIBIT A TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS MEMORANDUM.

X. SUITABILITY STANDARDS AND TERMS OF THE OFFERING

The Units are being offered in a private placement only to Prospective Investors meeting certain suitability standards. All subscriptions are subject to acceptance by the General Partner in its sole discretion in whole or in part.

The Units being offered herein are divided into an unsecured creditor class and a Class A limited partner class, consisting of thirty-seven (37) Noteholder Units, priced at $100,000 per Unit, and eighty-nine (89) Class A Units, priced at $100,000 per Unit. In appropriate instances in the sole discretion of the General Partner, a Unit may be divided into fractional Units, but not less than one-half of a Unit with a purchase price of $50,000 for each half-Unit. Prospective Investors will be required to pay the full cash price in immediately available federal funds at the time that they submit their Subscription Agreement. Purchasers of Class A Units will have no further obligation to contribute any additional capital to the Partnership beyond the amount of their initial investment unless otherwise required by the Act.

Units are being offered without registration under the Securities Act of 1933 by reason of the exemption from the registration requirements of the Securities Act set forth in Regulation D promulgated thereunder by the United States Securities and Exchange Commission (“Regulation D”). Regulation D sets forth certain restrictions as to the number and nature of purchasers of securities offered pursuant thereto. In order for the offering to qualify as an exempt offering under Regulation D, Rule 506, the Partnership will sell Units only to accredited investors, as that term is defined in Rule 501(a) of Regulation D (“Accredited Investors”).

An Accredited Investor is defined as follows:

Valley Forge Hotel and Conference Center, LP – Private Offering Memorandum
(a) an individual who has individual income (exclusive of any income attributable to his or her spouse) of more than $200,000 per year in each of the preceding two years and reasonably expects to have individual income in excess of $200,000 in the current year, or had joint income with his or her spouse of more than $300,000 per year in each of the preceding two years and reasonably expects to have joint income of more than $300,000 in the current year;

(b) an individual who has a net worth (i.e., excess of total assets over total liabilities, inclusive of home, home furnishings and automobiles) or together with his or her spouse, a combined net worth in excess of $1 million;

(c) a trust, partnership or corporation with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring Units, whose purchase is directed by a sophisticated person, as described in Securities Act Rule 506(b)(2)(ii); or

(d) An entity in which all of the equity owners would qualify as Accredited Investors under paragraphs (a), (b) or (c) above.

Other entities, such as certain retirement plans and IRAs may also qualify as Accredited Investors as defined by Rule 501 of Regulation D. It is contemplated that all Prospective Investors will be Accredited Investors. The General Partner shall have the sole discretion to accept or reject any Prospective Investor’s subscription for a Unit or half-Unit in the Partnership. Satisfaction of these standards by a Prospective Investor does not necessarily mean that the Units are a suitable investment for such Prospective Investor.

Prospective Investors will be required to complete and execute the Subscription Agreement which sets forth the necessary representations supporting Accredited Investor status and acknowledging the inherent risks associated with an investment in the Units. A copy of the Subscription Agreement is attached as Exhibit G. In addition, Prospective Investors will be required to provide the Partnership with any additional information or documentation that may be deemed appropriate to verify such qualification. The general suitability standards described above represent minimum suitability requirements for Prospective Investors. Satisfaction of such standards by a Prospective Investor does not necessarily mean that the Units are a suitable investment for such Prospective Investor. In circumstances where the General Partner deems it appropriate, the General Partner may alter these suitability standards. The General Partner reserves the right, in its sole discretion, to: (i) accept or reject any offer to subscribe; and (ii) may accept subscriptions for a fractional Unit, provided any such fraction is not for less than one-half of a Unit.

All subscription funds will be held in a non-interest bearing escrow account by the Partnership with a federally insured bank until released in accordance with this Memorandum. The General Partner, in its sole discretion, has the right to accept or reject a Subscription Offer. In the event that a Subscription Offer is rejected, such subscriber will receive a refund of the subscription price without interest. This Offering will terminate on or before June 25, 2007, unless it is extended by the General Partner in its sole discretion, but in no event beyond July 25, 2007. If all one hundred two (102) Units have not been subscribed for by June 25, 2007, this offering will be terminated and all funds will be returned to the investors. Notwithstanding the foregoing, the general partner, in its sole discretion, may extend the offering until July 25, 2007. If the offering is extended and all one hundred two (102) Units have not been subscribed for by July 25, 2007, this offering will be terminated and all funds will be returned to the investors.

**THIS INVESTMENT IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL NET WORTH WHO ARE WILLING AND HAVE THE FINANCIAL CAPABILITY TO PURCHASE A HIGH RISK INVESTMENT WITHOUT ANY DEGREE OF LIQUIDITY. THERE WILL BE NO READY MARKET FOR THE UNITS. THE UNITS MAY NOT BE TRANSFERRED EXCEPT AS PERMITTED UNDER THE PARTNERSHIP AGREEMENT AND/OR THE TERMS OF THE NOTE ISSUED TO AN INVESTOR.**

**THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER**
THE SECURITIES ACT OF 1933, AS AMENDED, NOR REGISTERED UNDER THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED ONLY TO ACCREDITED INVESTORS (AS PERMITTED IN THE JURISDICTIONS IN WHICH OFFERS WILL BE MADE), ALL OF WHOM ARE SUITABLE INVESTORS ACCEPTABLE TO THE GENERAL PARTNER AND WHO WILL ACQUIRE THESE UNITS SOLELY FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION AND RESALE THEREOF.

THE PARTNERSHIP IS NOT REQUIRED BY THE SECURITIES ACT OF 1933 OR THE SECURITIES AND EXCHANGE ACT OF 1934 TO DELIVER ANNUAL REPORTS TO SUBSCRIBERS TO THIS OFFERING. HOWEVER, THE PARTNERSHIP WILL UPON REQUEST FURNISH ANNUALLY TO OWNERS OF UNITS REPORTS CONTAINING FINANCIAL STATEMENTS OF THE PARTNERSHIP'S ANNUAL OPERATIONS. HOWEVER, THESE FINANCIAL STATEMENTS MAY BE PREPARED INTERNALLY AND THERE IS NO REQUIREMENT THAT THEY BE EXAMINED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE GENERAL PARTNER, THE PARTNERSHIP, AND THEIR AFFILIATES, EMPLOYEES OR ANY PROFESSIONAL ASSOCIATED WITH THIS OFFERING AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS OR HER OWN PERSONAL ATTORNEY, ACCOUNTANT AND OTHER ADVISORS AS TO THE LEGAL, TAX, ECONOMIC AND RELATED MATTERS CONCERNING THE INVESTMENT DESCRIBED HEREIN AND ITS SUITABILITY FOR HIM OR HER. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM SOURCES DEEMED RELIABLE, BUT NO REPRESENTATION OR WARRANTY IS MADE AS TO ITS ACCURACY.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE NAME APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER HEREOF. NO DISTRIBUTION OF THIS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, IS PERMITTED UNLESS AUTHORIZED IN WRITING BY THE GENERAL PARTNER IN ITS SOLE DISCRETION. NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION, WITH RESPECT TO THESE UNITS, EXCEPT THE INFORMATION CONTAINED HEREIN. ANY PERSON ACTING CONTRARY TO THE FOREGOING RESTRICTIONS MAY PLACE HIMSELF AND THE PARTNERSHIP IN VIOLATION OF FEDERAL AND STATE SECURITIES LAWS. THE OFFEREES, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO PROMPTLY RETURN TO THE GENERAL PARTNER THIS MEMORANDUM AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED TO HIM OR HER UPON REACHING A DECISION NOT TO MAKE AN INVESTMENT IN THE UNITS.


THE GENERAL PARTNER, THE CLASS B PARTNERS, CLASS C PARTNERS, AND THEIR RESPECTIVE AFFILIATES RESERVE THE RIGHT TO PURCHASE UNITS IN THIS OFFERING. ANY SUCH PURCHASE SHALL BE MADE FOR INVESTMENT AND NOT FOR RESALE.

XI. ADDITIONAL INFORMATION

The Partnership will make available to each Prospective Investor and his/her/its professional advisors the opportunity to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this offering, the Partnership, or any other relevant matters. The Partnership will
respond with any additional information necessary and not of a proprietary nature to verify the accuracy of the information set forth in this Memorandum, to the extent that the Partnership possesses such information or can acquire it without unreasonable effort or expense. Inquiries should be directed to: Creighton R. Schneck, Telephone: (703) 624-1763 or Michael J. Moriarty, Telephone: (571) 232-7007, 467 Herndon Parkway, Herndon, Virginia 20170.

XII. HOW TO SUBSCRIBE

To subscribe for the purchase of Units, each Prospective Investor should cause the documents described below to be delivered to: Creighton R. Schneck or Michael J. Moriarty, 467 Herndon Parkway, Herndon, Virginia 20170.

(a) One executed completed original of the Subscription Agreement (Subscription Agreements will not be considered complete unless the accredited investor information Section 4(e) is completed).

(b) One fully completed and executed Form W-9, Request for Taxpayer Identification Number and Certification

(c) If purchasing a Note, one executed original signature page to the Noteholders Loan Agreement.

(d) If purchasing Class A Units, one executed original signature page to the Partnership Agreement).

In addition, a wire transfer of immediately available funds in the amount of $100,000 per Unit (or $50,000 for a fractional one-half Unit) subscribed must be received in Valley Forge Hotel and Conference Center, LP’s escrow account not later than 4:00 PM New York time on June 25, 2007 per the following wire transfer instructions:

Valley Forge Hotel and Conference Center LP
WIRING INSTRUCTIONS

Account Name: Valley Forge Hotel and Conference Center LP
Financial Institution: Branch Banking and Trust Co
Washington, DC
ABA Number: 054001547
Account Number: 516-273-8420
Service Representative: Jay Sloan
202-835-9324

Should there be any questions, please contact Michael J. Moriarty at 571-232-7007.

The wire transfer must clearly disclose the name of the subscriber and the dollar amount of the subscription.

If subscription documents did not accompany your Memorandum and you wish to subscribe, you may request them by calling Creighton R. Schneck (703-624-1763) or Michael J. Moriarty (571-232-7007).

Upon release of the funds from the escrow account, the accepted subscribers for Class A Units will be admitted to the Partnership as Class A Limited Partners and the Partnership will execute and deliver to each accepted subscriber for a Noteholders Unit a promissory note for the subscriber’s Noteholder Loan.
XIII. MANAGEMENT EXPENSES/FEES

CHG will enter into a separate Asset Management Agreement with the Partnership. In addition, the Partnership intends to enter into a long-term management agreement with Dolce International to operate the Hotel. See “Operation of the Hotel by Dolce International,” above.

Upon the submission of appropriate documentation, CHG will be reimbursed by the Partnership for reasonable expenses incurred by CHG on behalf of the Partnership or at the Partnership’s request.

All reasonable management, development, financing, consulting and leasing fees, commissions, expense reimbursements and other entitlements of the General Partner, CHG, the Class B Partners, the Class C Partners and their respective owners and Affiliates related to the operation of the Partnership and/or the Hotel will be treated as authorized business expenditures and will be paid before distributions, if any, are made to holders of Units.

The following chart summarizes the types, estimated amounts (where determinable) and recipients of compensation that CHG, Mr. Moriarty, Mr. Schneck, Avanti, Rose Mountain, Dolce, the Class B Partners and the Class C Partners will receive in connection with the formation of the Partnership and its ongoing operations. While the General Partner believes that these fees and entitlements are consistent with or similar to those which would have resulted from arms-length negotiations between independent parties, applying accepted industry standards established in similar real estate transactions, no independent evaluation of such fees and entitlements has been performed.

<table>
<thead>
<tr>
<th>Entity Receiving Compensation</th>
<th>Description of Services</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosenberg and Avanti (and/or Affiliates)</td>
<td>For consulting on the acquisition of the Hotel, consulting on transactional matters of the Partnership, and assisting with the structuring of the Offering</td>
<td>2.5 Class B Units representing a 1.724 Partner’s Percentage.</td>
</tr>
<tr>
<td>CHG, Mr. Moriarty and Mr. Schneck</td>
<td>For acquisition due diligence review, negotiating and entering into the Purchase Agreement, financial analysis, arranging the Capmark Loan and overseeing the renovations to the Hotel.</td>
<td>5 Class B Units representing a 3.448 Partner’s Percentage.</td>
</tr>
<tr>
<td>Mr. Moriarty Mr. Schneck Avanti and Rose Mountain</td>
<td>For negotiating and entering into the Purchase Agreement, structuring the Offering, arranging the Capmark Loan, Acquisition due diligence review, and financial analysis</td>
<td>72.5 Class C Units representing a 50% Partner’s Percentage in the Partnership</td>
</tr>
<tr>
<td>CHG, Mr. Moriarty and Mr. Schneck</td>
<td>Hotel Asset Management</td>
<td>1% of Revenues</td>
</tr>
<tr>
<td>Dolce International</td>
<td>Hotel Operations</td>
<td>3% of Revenues</td>
</tr>
<tr>
<td>Dolce International</td>
<td>Marketing, Sales and Technology Services</td>
<td>2% of Revenues</td>
</tr>
</tbody>
</table>
XIV. CONFLICTS OF INTEREST

The Partnership is subject to various conflicts of interest arising out of its relationship with CHG, Mr. Schneck, Mr. Moriarty, Rose Mountain, Avanti, the Class B Partners, the Class C Partners, and affiliates of each of the foregoing (collectively the “Affiliates”). Because the Partnership was organized by affiliates of CHG and will be managed and operated by CHG and Dolce, these conflicts will not be resolved through arms-length negotiations but through the exercise of the judgment of the General Partner consistent with the Partnership’s investment objectives and policies. Conflicts include but are not limited to, the following:

Receipt of Compensation by CHG and Its Affiliates. CHG and its Affiliates will receive fees and other compensation in connection with the acquisition of the Hotel, the formation and management of the Partnership. The types, estimated amounts and recipients of such compensation are set forth under “MANAGEMENT EXPENSE/FEES.” None of these fees were determined by arms-length negotiations. However, an attempt was made to deal fairly with the various interests involved in the transaction by using standards established in other similar real estate transactions.

Mr. Moriarty, Mr. Schneck, Mr. Rosenberg and Avanti are Involved with Other Real Estate Entities. CHG, Mr. Moriarty, Mr. Schneck, Mr. Rosenberg and Avanti have been and continue to be members, managers and/or managing partners in other entities organized to invest in real property and/or hotels. As a consequence, CHG, Mr. Moriarty, Mr. Schneck, Mr. Rosenberg and Avanti will devote as much time to the business of the Partnership as in their judgment is reasonably required. However, conflicts of interest could arise between Mr. Moriarty and Mr. Schneck in allocating management time, services and functions among the various existing and/or future partnerships, companies or business ventures. Notwithstanding the foregoing potential conflicts, Mr. Moriarty and Mr. Schneck believe that they have sufficient staff personnel to be fully capable of discharging their responsibilities to the Partnership.

Accounting/Tax Services. The Financial Forecast attached as Exhibit A hereto has been prepared by Santos, Postal & Company, P.C. (“SPC”). One or more of the principals of SPC or their Affiliates, family members or clients may invest in the Partnership; such principals and their Affiliates have also invested in prior syndications sponsored by Avanti, Rose Mountain or their Affiliates.

CHG and Its Affiliates May Contract With the Partnership. CHG has the power and authority to contract with the Partnership and it Affiliates to perform services for the Partnership. Such services must be performed at competitive rates as determined by CHG.

General Conflicts Of Interest Of CHG and Its Affiliates. The interest of the holders of Class A Units may be inconsistent in some respects with the interest of CHG and its Affiliates. For example, due to the engagement of CHG and its Affiliates in various aspects of the business of the Partnership, a continuation of the business by the Partnership may be advantageous to CHG or the Affiliates even though termination of the Partnership may be advantageous to the Noteholders and holders of Class A Units. Also, circumstances may arise where termination of the business by the Partnership may be advantageous to CHG and its Affiliates even though continuation of the Partnership may be advantageous to the Noteholders and holders of Class A Units.

General Conflicts Of Interest Holders of Class B and Class C Units. The interests of the holders of Class A Units may conflict in some respects with the interests of the holders of Class B and Class C Units although such conflicts are not anticipated. For example, the holders of the Class A Units will have made substantial actual cash capital contributions to the Partnership while the holders of the Class B and Class C Units will not make any cash contributions. The holders of Class B and C Class Units do not have any legally required fiduciary duty to the holders of the Class A Units and are not required to exercise their rights under the Partnership Agreement in a manner consistent with the best interests of the holders of Class A Units.

Tax Matters Partner. CHG with be the Partnership’s “tax matters partner” with authority to act for the Partnership in certain dealings with the IRS. To the extent that the characterization for federal income tax purposes of a particular “partnership item” may be more or less favorable to the tax situation of CHG or any of its Affiliates.
as opposed to that of the holders of the Class A Units, the “tax matters partner” may be placed in a conflict of interest position.

XV. RISK FACTORS

THE PURCHASE OF UNITS MUST BE CONSIDERED SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. Purchase of Units is suitable only for investors of substantial financial means who have no need for liquidity to the extent of their investment in the Partnership and who otherwise meet the suitability standards outlined above. Risks of an investment in the Units include, but are not limited to the following which should be considered and understood before a decision is made to purchase a Unit:

No Operating History: No Assurance of Profitability. Although the Hotel has operated for many years, the Partnership itself is a new business enterprise with no operating history on which Prospective Investors can judge the Partnership’s performance. There can be no assurance that the Partnership will ever be profitable or that Investors will receive the return of all or any portion of their loans or capital contributions to the Partnership. For this reason, each Prospective Investor should be in the economic position to bear the potential loss of the investment and should not fail to consult with his, her or its attorney, business or investment advisor.

General Risk of Ownership. The Partnership shall be subject to the general risk inherent in the ownership of a hotel and of real property, such as occupancy rates and operating expenses which in turn may be adversely affected by general and local economic conditions, energy supplies, the supply of and demand for property of the type in which the Partnership has invested, environmental regulations, Federal and local controls and real property tax rates. The occupancy of the Hotel may be adversely affected by various local factors such as an increase in unemployment, excessive building resulting in an over supply of hotel and/or conference space, zoning law changes, terrorism or management inadequacies. Certain expenditures associated with hotel and real estate equity investments, principally loan payments, real estate taxes and maintenance costs normally are not decreased by events adversely affecting the income from such investments. Thus, the cost of operating the Hotel may exceed the income earned thereon, and the General Partner may decide to advance funds, although not required to do so, to protect the investment or otherwise may decide to dispose of the Hotel at a loss. The ability of the Partnership to meet its debts and other obligations and thereafter to make distributions to the holders of Units will depend on factors such as these. For these as well as for other reasons, there can be no assurance that the projections in the Financial Forecast set forth in Exhibit A will be achieved or that operations of the Partnership will be profitable.

Possible Need for Additional Capital or Financing. Notwithstanding the summary of the expected sources and uses of funds reflected under the heading “Summary Of Proposed Transaction-Purpose of Offering and Use Of Proceeds,” the net proceeds of this Offering have been allocated only generally and the specific uses thereof will depend upon the business judgment and management of the General Partner, upon which the Investors must rely. Although the Partnership believes that the net proceeds from this Offering and the Capmark Loan will be sufficient to satisfy cash requirements for the foreseeable future based on projected size of the initial working capital reserve and the projected results of operations reflected in the Financial Forecast attached as Exhibit A to this Memorandum, there can be no assurance that additional funds will not be needed at some future date, which the Partnership may or may not be able to obtain through borrowings from third parties, Partners or Affiliates. Unless the Partnership is then able to derive sufficient operating revenues to fund its working capital requirements, the Partnership will require additional funds which it may or may not be able to raise by incurring of debt. If additional funding is raised through the incurrence of debt, the Partnership likely would become subject to restrictions on its operations and finances, including, without limitation, its ability to make distributions to holders of Units and perhaps to make payments of current interest to the Noteholders. The Partnership is not able to raise additional capital under the terms of the Partnership Agreement. Raising funds as equity as opposed to borrowing funds may at times be beneficial to the Partnership, but such equity may be difficult if not impossible to raise. If the Partnership is unable to secure additional funding on terms and conditions acceptable to the Partnership or at all, the Partnership’s business could be materially adversely affected and could result in a complete loss of any funds invested. There is no obligation under the Partnership that the General Partner or the Affiliates or their respective owners cover operational deficits of the Partnership. While it may be reasonable to assume that monies would be advanced to cover such deficits for some period of time, there can be no assurance that the General Partner or the
Affiliates would perform in that manner. Under the Capmark Loan, the Lender has imposed terms that restrict the ability of the Partnership to borrow additional funds over and above the Loan and Noteholders Loan proceeds and ongoing trade payables unless the Lender approves such proposed borrowing in advance.

**Competition.** The Property will compete with existing hotels and conference facilities in the same market area. It can also be anticipated that additional hotels and conference facilities will be developed in the future in other sites in the same market area thereby creating further competition. The profitability of the Partnership’s operations will depend to a large extent on how well the Hotel can compete for business with existing and anticipated future projects.

**No Guarantee of Success.** The Partnership Agreement authorizes the General Partner to exercise exclusive control over the activities of the Partnership. The General Partner’s owners/members, Mr. Moriarty and Mr. Schneck, have extensive experience in the management and operation of hotels and other entities that have invested in hotels. Notwithstanding such experience, there can be no assurance that the General Partner’s management of the business of the Partnership will result in successful operations; the success of the Partnership will depend in large part upon the operational ability of Dolce. The loss of Dolce could have a material adverse effect on the Partnership’s business.

**Interest Rate Increase.** The Capmark Loan from Lender matures three years following the Closing with a potential for two 12-month extensions. By selecting a short-term loan of three years, the General Partner was able to lock in a favorable market interest rate. The trade-off is that the Partnership bears the risk that interest rates will not be as attractive in 3-5 years when the Capmark Loan matures. The General Partner has attempted to be conservative in its projections by assuming that a refinancing of the Capmark Loan after 3-5 years will result in a loan with a significantly higher interest rate. However, if the Partnership is unable to sell the Hotel and is forced to refinance the Capmark Loan at an interest rate that is substantially higher than projected in 3-5 years, then the Partnership’s cash flow thereafter will be detrimentally impacted by the higher interest rates. To mitigate the risk of increased interest rates, the General Partner may decide to create additional reserves from cash flow if it appears likely that interest rates will significantly rise by the end of the 3-5 year term of the Capmark Loan.

**Limited Transferability.** The Units have not been registered under the Securities Act of 1933 or under any state securities laws and cannot be transferred unless they subsequently are registered under the Act (and any applicable state acts) or an exemption from registration is available. The holders of Class A Units and the Noteholders will have no right to require such registration and the Company does not currently plan to register the Units. No market for Units exists or is expected to develop. Consequently, holders of Class A Units and Noteholders Units may not be able to liquidate their investment in the event that liquidation becomes necessary or advisable. Furthermore a holder of Class A Unit(s) or Noteholder Unit(s) seeking to transfer such Unit(s) probably would incur legal and other costs in connection with such transfer. Transfer of Units is further restricted by provisions of the Noteholders Loan Agreement and/or Partnership Agreement (including a provision requiring the General Partner to consent before any transfer is made), whichever is applicable. See “Limited Partnership Agreement” (Exhibit E hereto) and “Noteholders Loan Agreement” (Exhibit F hereto).

**Long-Term Investment.** The Units are suitable only for purchase as a long-term investment, and purchasers should be prepared to bear the economic risk of their investment for an indefinite period of time. The Noteholders will not have the right to demand payment on their loans prior to the loans’ maturity and the holders of Class A Units will not have the right to withdraw their capital contributions from the Partnership or to receive a return of all or any portion of their capital contributions except upon (and only if sufficient funds are generated as a consequence of): (i) a sale or refinancing of the Hotel; or (ii) the dissolution of the Partnership. In this context, there is no assurance that the Hotel can be refinanced in an amount sufficiently large enough to pay off the Capmark Loan plus the Noteholders Loan.

**Future Operations/Financial Forecast.** No representation is or can be made as to any possible results of future operations, the sale of the Partnership’s assets, or possible future income or loss to the Partnership or the amount of any payments, distributions or other return to the Investors. The Financial Forecast attached as Exhibit A to this Memorandum is based upon assumptions made by the General Partners regarding future events, including various assumptions concerning projected operating revenues, offset by estimated operating expenses, financing costs and capital expenditures. All such assumptions may not be fully stated in the Financial Forecast. The...
assumptions used in the Financial Forecast are based upon anticipated costs associated with the acquisition of the Hotel, expenditures for renovations and improvements, fees and reimbursements to be paid to the General Partner and Affiliates, and various organizational expenses and related costs. These assumptions concerning anticipated costs associated with the investment merely constitute the General Partner’s good faith estimation of various anticipated cash disbursements and expenses. These assumptions have not been independently evaluated to verify their reasonableness in preparing the Financial Forecast. There can be no assurance that actual events will correspond with these assumptions or that actual results will correspond with the Financial Forecast. Such information may also be based upon general accounting rules which do not necessarily reflect United States of America generally accepted accounting principles. Accordingly, it is possible that Investors will receive no return of, or return on, their investment in the Partnership, as the possible profitability of the Partnership concerns factors over which the General Partner has no control.

Environmental Risk. The Hotel has conducted business operations on the Property for many years. A Phase I environmental study has been conducted on the real property on which the Hotel is located (the “Property”) showing no measurable level of environmental contamination. The Property does not appear to have any underground storage tanks. Notwithstanding the foregoing, if the Hotel or the Property is ever found to be contaminated, including leakage or spillage of hazardous materials from adjacent properties, such occurrence could have a materially adverse impact upon the Property, the Hotel, and the Partnership. In such event, the Partnership could be required to expend its own funds (or contribute a portion of its funds) to remediate and clean-up such contamination. The scope and extent of liability of property owners and operators under federal and state environmental statutes for such contamination is extremely broad.

Asbestos Containing Material. The Phase 1 Environmental Site Assessment Report was performed and prepared by Terracon, a third party contractor approved by Capmark. In summary, the report stated that there was suspected Asbestos Containing Material (“ACM”) in pipe wrap at some joints, in the popcorn ceiling in rooms and in the joint compound in the drywall in the original guest rooms. Over 90 samples were taken by Terracon as a part of the study and the results varied in that some samples were below 1% and some were greater than 1%. When the presence of asbestos in a sample is greater than 1% and that material is going to be disturbed a certified asbestos abatement contractor must be used and he must adhere to EPA guidelines for the removal and disposition of any material. This would be a costly and time-consuming endeavor. Additionally, if pipe wrap at joints were disturbed or if popcorn ceilings were demolished, then EPA guidelines would also have to be followed. Requisite action has been taken to address the risk of ACM and to mitigate against costly remediation. In the case of the pipe wrap, a certified contractor will be used for this removal and the costs have been budgeted. With respect to the popcorn ceiling, none of the ceilings will be removed and the existing ceiling paint will be “sprayed over” to further encapsulate the trace material. Repainting of the ceilings is also in the budget. The third area of ACM is the trace asbestos in the joint compound used in the original guest rooms (rooms built during the addition did not indicate trace ACM in the joint compound). A large number of additional tests were performed in all area of the building and it was determined by the contractor performing the inspections and confirmed by Terracon as an independent third party on behalf of the lender that where the condition exists, the levels of ACM are below the levels where EPA guidelines apply. To ensure that all ACM-related work is performed correctly, the Sponsors engaged a Certified Industrial Hygienist who has prepared an Operation and Maintenance Plan (“O&M Plan”) which will be kept at the Property. The O&M Plan will advise Property personnel what steps need to be employed if they are removing drywall. The O&M Plan was prepared for and approved by Terracon.

Mold. The Property Condition Report prepared for the benefit of Capmark stated that there was evidence of visible mold in certain areas both public space and rooms. However, the Phase 1 Environmental Report stated that in observing the common areas and 10% of the guest rooms “mold growth was not observed”. The Sponsors believe that what appears to be a conflict in the reports is explained by the fact that the instances of mold are sporadic and not extensive and are the results of improper clean-up after the repair of water leaks and due to the fact that during a driving rain, water will seep into some rooms because the window frames may not be properly sealed and water can get behind the vinyl wall covering and potentially create a moldy condition. The risk of mold has been directly addressed. The Sponsors and our renovation contractors have inspected every room and believe that while there are some instances of mold presence, these conditions will be eliminated as part of the budgeted renovation and will be easily monitored and addressed after renovation through proper maintenance.
Zoning. The Hotel property constitutes a non-conforming use pursuant to the Upper Merion Township, Pennsylvania Zoning Code (the “Zoning Code”). Section 165-99 of Article 31 of the Zoning Code permits the continuation of the Hotel operation as a nonconforming use, but subject to certain reasonable restrictions on the Hotel operation. To illustrate, the Hotel building area cannot be increased by more than 25% after October 26, 1987. If a fire or other casualty destroys not more than 75% of the fair market value of the building, the Partnership may rebuild provided reconstruction commences within 12 months after the date of damage and it is carried on without interruption. By contrast, if more than 75% of the fair market value of the building is destroyed or rebuilding does not occur within 12 months, the Partnership could lose the Hotel use unless a special exception is granted. There is no guarantee that such an exception would be granted. In such event, the value of the Hotel property as a high rise apartment building or condominiums may be less than the value as a Hotel, resulting in a partial or total loss of the investors’ investment (unless the proceeds of any casualty insurance policy owned by the Partnership at the time of such casualty are sufficient to cover all debts of the Partnership as well as return all capital to the investors). Lastly, if the Hotel is abandoned or discontinued for a continuous period of more than 12 months, the Hotel use could be lost unless a special exception was granted. In such event, the Investors could lose all or part of their investment for the reason stated in the previous sentence.

Deemed Receipt of Taxable Income Without Cash Distributions. In each year of the Partnership after the first two years, the Partnership intends to make distributions to the holders of Units to the extent Cash from Operations is available. However, the General Partner may, in its sole discretion, withhold distribution of all or a part of Cash from Operations if, in the General Partner’s sole discretion, such cash is necessary for the conduct of the Partnership’s business or for reserves. Although the General Partner does not expect that it will be required to withhold all Cash from Operations, if Cash from Operations is not distributed then each holder of Unit will remain subject to income tax on his or her share of the Partnership’s taxable income, if any, attributed to him or her without receiving sufficient cash to pay his or her tax with respect to such income. See “Income And Other Tax Considerations”

Tax Risk. An investment in the Partnership entails certain tax risks. Prospective Investors should consult their own tax advisors concerning the tax consequences associated with an investment in the Units in light of their personal tax situations.

Return of Distributions. A Class A Limited Partner may not receive a distribution from the Partnership to the extent that, after giving effect to the distribution, all liabilities of the Partnership, other than liabilities to Partners on account of their Partnership interests, exceed the fair value of the Partnership assets. If a partner has received the return of any part of his contribution without violation of the Partnership Agreement or the Act, he will be liable to the Partnership for a period of one year thereafter for the amount of the returned contribution, but only to the extent necessary to discharge the Partnership’s liabilities to creditors who extended credit to the Partnership during the period the contribution was held by the Partnership. If a Partner has received the return of any part of his contribution in violation of the Partnership Agreement or the Act, he will be liable to the Partnership for a period of six years thereafter for the amount of the contribution wrongfully returned. For these purposes, a Partner receives a “return of his contribution” to the extent that a distribution to the Partner reduces his or her share of the fair value of the net assets of the Partnership below the value, as set forth in the Partnership records, of his or her contribution which has not been distributed to him or her.

Uninsured Losses. The Partnership will obtain comprehensive insurance, including liability, fire, and extended coverage which is customary for hotels similar to the Hotel. However, there are certain types of losses (generally of a catastrophic nature) that either are uninsurable or are not economically insurable. Such risks include, but are not limited to, earthquakes, war and flood, and of late, acts of terrorism. Should such a disaster occur with respect to either of the Hotel or the Property, the Noteholders could suffer a loss of the amounts loaned to the Partnership and the holders of Class A Units could suffer a loss of all capital invested in the Partnership.

Lack of Management Control by the Investors. Neither the holders of Class A Units nor the Noteholders will have any right to control or participate in the management, operations or affairs of the Partnership. Under the terms of the Partnership Agreement, the affairs of the Partnership will be managed exclusively by the General Partner which alone will control all of the Partnership’s management, operations and affairs. See “Management - Unit Holder Participation in Management.”
Management Agreement. The Hotel will be managed by Dolce International. Dolce is an internationally recognized conference hotel specialist. Dolce’s obligations will be set forth in a Hotel Management Agreement that has been heavily negotiated between Dolce and the General Partner. Typical hotel management agreements are onerous in nature and are costly to terminate. The justification for costly termination is that the management company often expends significant capital in ramping-up a facility with on-site personnel, a marketing plan, systems and branding. The agreement with Dolce is no different. A specific provision in the Dolce management agreement which could have a detrimental impact on the investors is a termination upon sale provision which basically requires the Partnership, upon sale of the Hotel, to pay Dolce a termination fee equal to the greater of (1) the previous year’s program and base management fees paid to Dolce or (2) $1,000,000. The Sponsors have negotiated that this fee will not get paid in the event the Property is sold for a loss (defined as an amount less than $51,000,000). However, if the Hotel is ultimately sold for a small profit, it is possible that a good portion of the profit could be earmarked to Dolce to cover the termination fee (unless the purchaser elects to retain Dolce to manage the Hotel). This type of termination fee is a standard in the industry and the Sponsors have used their best efforts to minimize this risk and other detrimental provisions in the Management Agreement. Finally, the Financial Forecast provides for payment of the termination fee upon a hypothetical sale of the Property. In the event that a hypothetical purchaser elects to retain Dolce as the management company for the Hotel, then the termination fee will not apply and said amounts allocated in the Forecast toward the termination fee will be paid in accordance with the distribution waterfall.

Dilution. An investment in Class A Units will be subject to immediate dilution. Specifically, there is a substantial disparity between the offering price to Prospective Investors of Class A Units and the effective cost of Class B and Class C Units to the Class B and Class C Partners. The holders of the Class B and Class C Units collectively will have a 55.1723% Partners’ Percentage interest in the Partnership and the holders of the Class A Units collectively will have a 44.8267% Partners’ Percentage interest in the Partnership. The holders of the Class B and C Units will have no up front cash outlay for their Units since they are not required to make cash contributions to the Partnership, unlike the contributions from the holders of the Class A Units.

An investment in Class A Units also will be subject to immediate dilution because the “net tangible book value” of the Class A Units will, immediately after the Offering, be less than the price at which such Class A Units were offered. The “net tangible book value” of the Class A Units may be regarded as the value of the Class A Units after deduction of organization expenses of the Partnership, offering expenses and other amounts, other than capital expenditures paid or to be paid by the Partnership out of the proceeds of the Offering.

This dilution or decrease in the value of the Class A Units immediately after the Offering will not be accompanied by any increase in value to the holders of the Class B or Class C Units because their interest in the Partnership’s assets is subordinate to a return of the capital of the holders of the Class A Units. Accordingly, were the Partnership to be liquidated immediately after the Offering, each holder of Class A Units would receive an amount equal to the amount paid by him or her for a Class A Unit less his or her pro rata share of the organization and offering expenses, and other amounts paid by the Partnership out of the proceeds of this Offering. Although these sums would be paid to the holder of Class A Units before any amounts were paid to the holders of Class B or Class C Units, in the event of such liquidation, the holders of Class A Units would suffer a loss.

No Assurances. No assurance can be given that an Investor (whether a holder of Class A Units or Noteholder) will realize a return on his or her investment or will not lose his or her entire investment. For this reason, each Prospective Investor should be in the economic position to bear the potential loss of his or her entire investment, should carefully read this Memorandum and all Exhibits and should consult with his attorney, business or investment advisor.

No Independent Counsel. No independent counsel has been retained to represent the interest of the holders of Class A Units or the Noteholders. The Partnership Agreement, Noteholders Loan Agreement and related documentation was drafted by counsel to the Partnership and has not been reviewed by any attorney on behalf of the holders of the Class A Units or the Noteholders. Therefore, each Prospective Investor is urged to consult with his or her own independent counsel as to the terms and provisions of the Partnership Agreement, the Noteholders Loan Agreement and the related documentation, as applicable to that Prospective Investor.
Standard of Care of General Partner/Exoneration/Indemnification. Under the Partnership Agreement, the General Partner’s standard of care is to refrain from engaging in acts constituting gross negligence, fraud or willful misconduct. Unless the General Partner violates this standard of care, it shall have no liability for damages or otherwise to the Partnership or the holders of Units to the fullest extent permitted under applicable law.

Subordination. The Lender may require all other debt holders of the Partnership, including holders of Noteholder Loans, to subordinate to the Capmark Loan. The terms of any such subordination or “stand still” agreements may prohibit the Partnership from making regular scheduled payments of current interest to Noteholders at a time when there is any default under the Capmark Loan documentation (whether or not the Partnership is permitted a right to cure) and to impose other restrictions and limitations on the Partnership and its operations.

XVI. INCOME AND OTHER TAX CONSIDERATIONS

EACH PROSPECTIVE INVESTOR MUST RELY UPON ADVICE FROM HIS OR HER OWN INDEPENDENT LEGAL, FINANCIAL AND OTHER ADVISORS REGARDING THE ECONOMIC AND TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP. NO LEGAL OPINION OR RULING FROM THE INTERNAL REVENUE SERVICE (THE “IRS” OR “SERVICE”) WILL BE OBTAINED REGARDING ANY TAX MATTERS OR OTHER MATERIAL TAX CONSEQUENCES AND THE PARTNERSHIP MAKES NO REPRESENTATIONS AS TO SUCH MATTERS.

XVII. CONSTRUCTION/PERSON TO CONTACT/OTHER RELEVANT INFORMATION

Construction. The singular shall include the plural and vice versa, the use of any gender shall be deemed to include any other and any reference to a Person shall be deemed to include reference to a Person other than an individual. Any variance or inconsistency between the terminology used in this Memorandum and the actual legal documentation referred to in this Memorandum, including the Partnership Agreement and the documentation for the Noteholder Loans, or any variance or inconsistency between the summaries of the provisions of those other documents contained in this Memorandum and the actual provisions of those other documents, shall be controlled in all cases by the terminology and actual provisions of the operative legal documents, including the Partnership Agreement and the documentation for the Noteholder Loans. Any reference to this Memorandum shall be deemed to include a like reference to all exhibits attached hereto which shall be considered an integral part of this Memorandum. The word “including” when following any general statement or term will not be construed to limit such statement or term to the specific items or matters as provided immediately following such word or to similar items or matters, whether or not non-limiting language such as “without limitation” or words of similar import are used with reference to the word or the similar items or matters, but rather will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of the general statement or term.

Person to Contact. Inquiries should be directed to: Creighton R. Schneck (703-624-1763) or Michael J. Moriarty (571-232-7007).
Exhibit A

to

Private Offering Memorandum

Financial Forecast – Preliminary Projected Investor Returns
## DOLCE VALLEY FORGE HOTEL AND CONFERENCE CENTER

### SOURCES & USES OF CAPITAL

<table>
<thead>
<tr>
<th>USES OF CAPITAL</th>
<th>per room</th>
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</table>
| Purchase Price           | $28,000,000 | $85,627  
| Capital Improvements     | $16,827,800 | $51,461  
| Financing Fee            | $518,000 | $1,584  
| Other Closing Costs      | $336,200 | $1,028  
| Working Capital          | $500,000 | $1,529  
| Interest Reserve         | $3,000,000 | $9,174  
| Pre-Opening Costs        | $418,000 | $1,278  
| Legal & Accounting       | $100,000 | $306  
| Overhead & Admin         | $300,000 | $917  
| Contingency              | $1,000,000 | $3,058  
| **Total Capital**        | **$51,000,000** | **$155,963**  

### SOURCES OF CAPITAL

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>% of Cost</th>
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| Senior Debt                | $40,800,000 | 80%  
| Mezzanine Loan             | $3,700,000 | 7%  
| Class A Equity             | $6,500,000 | 13%  
| **Total Investment**       | **$51,000,000** | **100%**  

Valley Forge Hotel and Conference Center, LP – Private Offering Memorandum
Exhibit C
to
Private Offering Memorandum

Map of Hotel Location
The principals of Capital Hospitality Group, Michael J. Moriarty and Creighton Schneck have over 50 years of combined experience in the acquisition, development, financing and management of hotel assets. Capital Hospitality was formed in 1998 for the purpose of acquiring underperforming hotel assets that had the potential of creating addition value from a combination of improved management, capital improvements and market repositioning.

In 1999 Capital Hospitality did a major renovation and repositioning of the 185 room Alexandria Suites Hotel in Alexandria, Virginia which was converted to the Hawthorn Suites Alexandria in 2000 and sold in 2006 at a substantial profit. In 2003 Capital Hospitality purchased the Hawthorn Suites Herndon which it still owns and manages.

Prior to forming Capital Hospitality Mr. Moriarty and Mr. Schneck were respectively President and Senior Vice President-Development for Studio Plus Hotels where they helped launch the Studio Plus Hotel chain by implementing an aggressive nationwide growth plan that added 48 hotels to the chain in less than 14 months.

Prior to working at Studio Plus Hotels, Mr. Moriarty spent 15 years with Marriott International during which he served as Vice President of Operations for Residence Inn and Vice President and Brand Manager for Marriott’s Fairfield Inn and Suites.

Mr. Schneck has 30 years experience in commercial real estate and prior to Studio Plus Hotels headed the Washington office of Tishman Speyer Properties and for ten years was Senior Vice President of Western Development Corporation.
Exhibit E
to
Private Offering Memorandum

Limited Partnership Agreement
Exhibit F

to

Private Offering Memorandum

Loan Agreement and Sample Form of Promissory Note