

INFORMATION MEMORANDUM



200
North
Dearborn

PRIVATE RESIDENCES

STRICTLY CONFIDENTIAL

200 N. Dearborn
Chicago, IL 60601

Presented by
American InvSCO
International Division
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Preliminary and subject to change without notice*

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1. Executive Summary

American InvSCO, a Chicago-based developer, known as the leading condominium conversion company in the U.S., presents a condo conversion, 200 N. Dearborn, in its home market Chicago. The launch of 200 N. Dearborn is scheduled for July 12, 2007.

Chicago continues to grow its infrastructure, and is transforming economically and aesthetically. The city has earned world-class standing. With the resurgence of its residential sector, the downtown area is becoming more appealing to both the domestic and international investor.

Market conditions in Chicago present an excellent opportunity for residential real estate investments. The Chicago housing market continues to be strong and continues to be supported by a large and diverse economy.

2. The Project

200 North Dearborn is a stately 47-floor high-rise ideally located in the Chicago Loop. Offering spectacular city, lake and river views, floor-to-ceiling windows and private balconies, 200 N. Dearborn is a full-amenity residence that provides ultimate city living. The project is nestled along the Chicago River and mere blocks to Lake Michigan, Millennium Park, Michigan Avenue, the Goodman and other theatres.

200 N. Dearborn has 309 residential units and over 24,633 RSF of commercial space. Key features and amenities include:

- fitness center
- 103 parking spaces
- dry cleaner
- laundry facility
- double-paned energy-efficient windows
- hospitality room
- 24-hour attendant door staff
- convenience store
- indoor swimming pool with outdoor sundeck

Constructed in 1989, 200 N. Dearborn will have new and upgraded main entry, elevators, and hallways.

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2.1 The Location



200 North Dearborn is located in the Loop and in the heart of Chicago's exciting theater district. The city's best restaurants and shops are within a few blocks, with Michigan Avenue just a short walk away. Lake Michigan is just east and major expressways just west.

The Loop has become one of the **fastest-growing neighborhoods** in Chicago. Last year the neighborhood welcomed new businesses including:

- ABC 7 studio
- Fannie Mae
- Elephant & Castle
- Macy's, McCormick & Schmick's
- T-Mobile

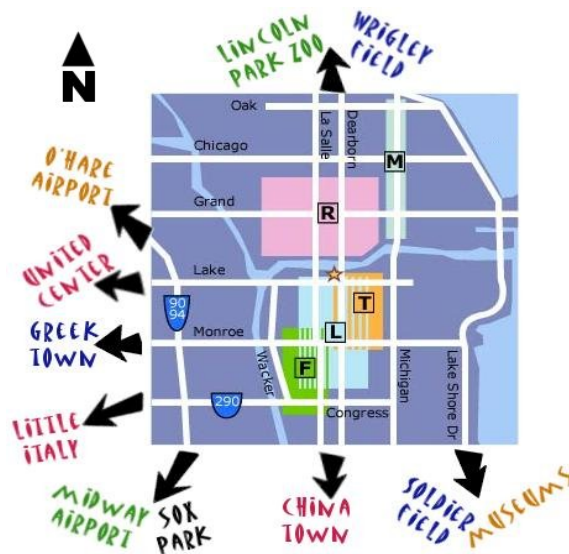
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According to the Chicago Loop Alliance (CLA), many retailers achieved **double-digit sales growth** in the last two years. Visitors to Chicago make the largest segment of consumers spending retail dollars in the area (*Source: CLA*). The CLA office market has more than 37 million square feet, accommodating **670,000 downtown employees**—the Loop has become a progressive **work-live environment**.

Nearly **54,000 students** come to the Loop to take classes, making the neighborhood the largest campus in the state of Illinois. Historically a business center, the neighborhood transformed in 2006 in several areas, including: housing, business, tourism/hospitality and the arts. “There is a **bona fide retail renaissance** taking shape in the Loop...a record number of restaurants are moving into the Loop looking to benefit from the influx of tourists, residents and students who hang out downtown long after the offices are closed,” says Sandra Jones (Chicago Tribune).

Outdoor sculptures populate the Loop, including “The Picasso” figure by Pablo Picasso built in 1967 and other sculptures by Marc Chagall, Joan Miro and Alexander Calder. Grant Park, also located in the Loop, hosts numerous festivals throughout the year, including the Jazz Festival, and the Blues Festival. Grant Park is home to Buckingham Fountain and the Grant Park Symphony, and nearby Millennium Park, the prominent new civic center of Chicago attracts **2 million visitors** each year.



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2.3 The Units



Unit Mix and Prices (USD)

Unit prices are preliminary estimates and are subject to change without notice.

Unite Type	Unit Price Range
1 Bedroom/1 Bath	\$258,200-\$351,900
2 Bedroom/1 Bath	\$384,200-\$393,200
2 Bedroom/2 Bath	\$396,700-\$482,100

The estimated cost per parking space begins at \$40,000.

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Actual View (Southeast)



Actual View (North)

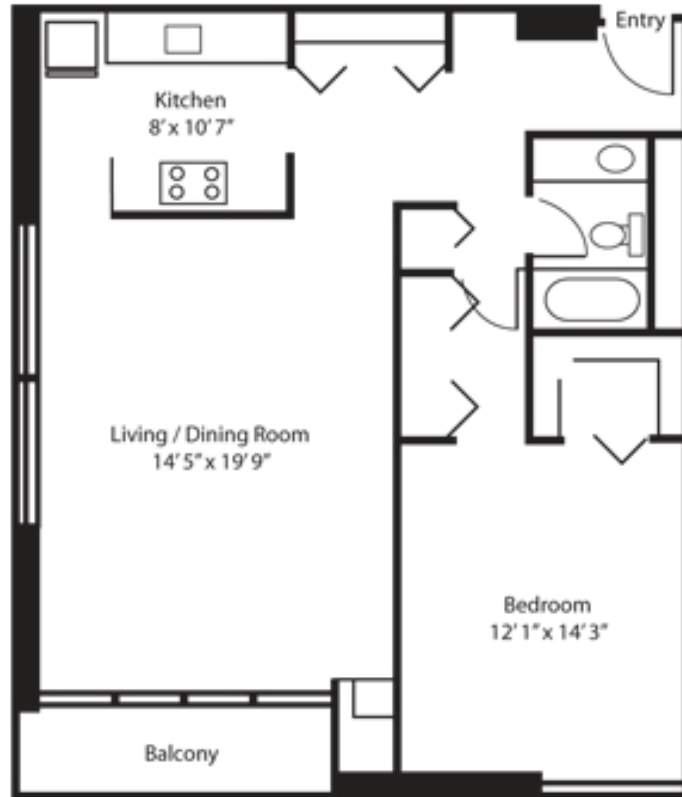


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Floor Plans

1 Bedroom, avg. square footage is 818



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2 Bedrooms, avg. square footage is 1,130



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2.4 Investment Highlights

- ✓ Chicago is the **third largest metropolitan area in the United States**, with a population of over 9.5 million.
- ✓ The Chicago Metropolis is one of the **world's largest** and **most diversified economies** equivalent to the 18th largest nation (larger than Argentina, Switzerland, Russia, Taiwan or the State of Michigan) with a Gross Regional Product of \$333 billion.
- ✓ **Wealth** of Chicago area households is 21.5% above the national average. This is reflected in high disposable income, helping to make the region a lively arts, entertainment and recreation environment.
- ✓ Chicago **created more jobs than New York, Los Angeles and Boston combined** from 1990 to 2000. Chicago added 250% (+43,9400) more private jobs than New York (+173,500) and Los Angeles (-65,400).
- ✓ 94 of the Fortune 100 and 35 of Fortune 500 have a presence in Chicago-Cook County.
- ✓ Chicago is an **international leader in the trading of commodities**, stock options, currency, and interest rate futures, with 50,000 direct jobs and 100,000 indirect jobs.
- ✓ For foreign investors, the U.S. dollar is historically weak against other major currencies, providing for a relatively inexpensive acquisition cost.

3. The Developer

3.1 American Invsco

Founded in 1969, American Invsco has successfully developed and sold over 40,000 condominiums in over 40 cities and towns throughout the United States with total property values in excess of \$4.5 billion.

Nicholas S. Gouletas, Chairman and CEO of American Invsco, has been responsible for the development of over 100 projects. His professional contributions to the industry were recognized by his peers in 1996, when he was inducted into the Chicago Real Estate Hall of Fame.

Among the most prominent projects undertaken by Mr. Gouletas are the 1988 conversion of one the world's tallest residential building, Chicago's Lake Point Tower, and the 2001 conversion of The New York Private Residences, which is one the world's tallest brick residential structure.

All American Invsco projects share the same vision of providing a superior homeownership experience or an outstanding investment opportunity for their customers. It is this striving for excellence that has established American Invsco as the nation's leading condominium developer.

Currently, American Invsco represents over a billion dollars of real estate property in three major U.S. markets:

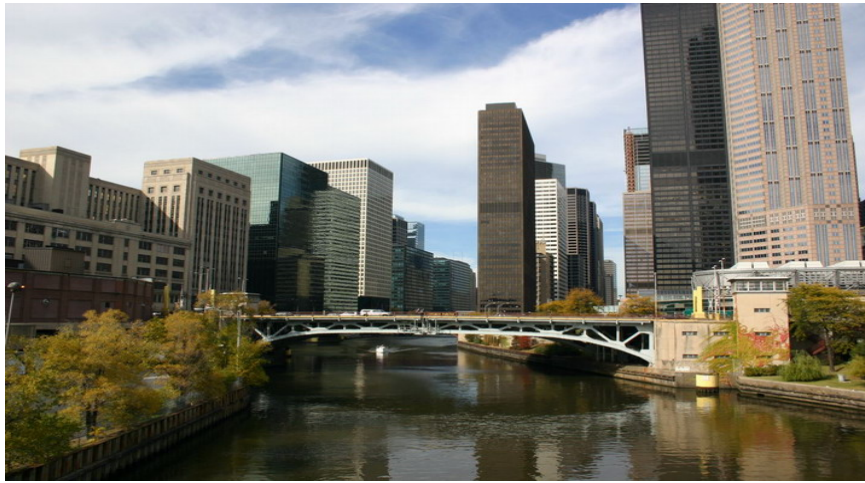
- Chicago
- Las Vegas
- Orlando

The philosophy of the company is to offer a diversified collection of real estate opportunities and thereby better serve the valued customers' residential and investment requirements by:

- providing a wide range of support—from home design to assistance in arranging financing
- providing the customer a level of support which is unmatched in the real estate industry
- offering comprehensive full-service that continues well beyond the “closing”

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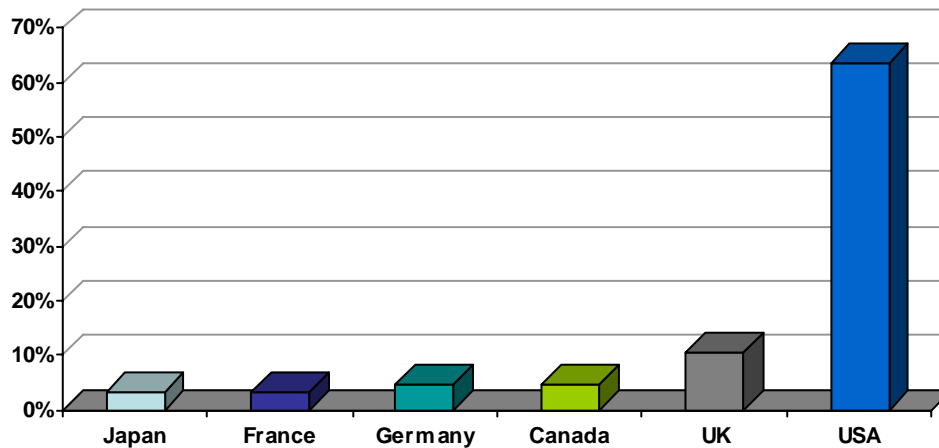


4. The Market

U.S. Leader in International Real Estate

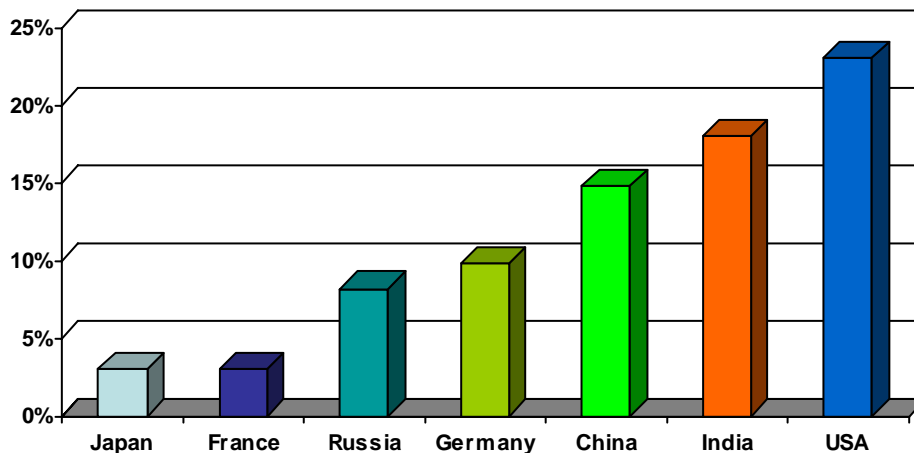
The two graphs below represent the U.S. in first place for having the most stable real estate investments and for the greatest amount of appreciation in 2006 compared to international markets.

Countries providing the most stable and secure Real Estate investment-2006



Source: AFIRE (Association of Foreign Real Estate Investments)

Countries providing the highest opportunity for capital appreciation-2006



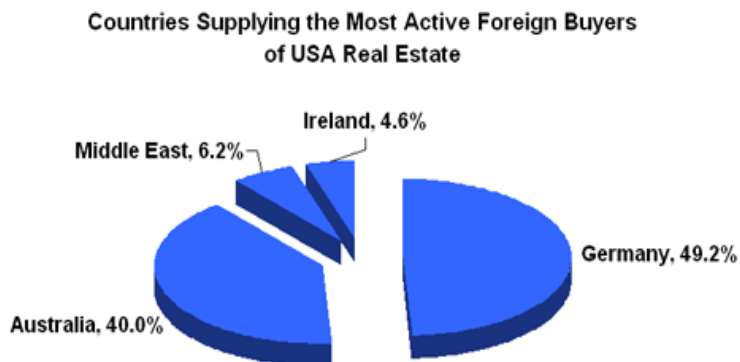
4.1 Foreign Direct Investment

Global foreign direct investment (FDI) inflows grew in 2006 for the third consecutive year to reach US\$1.2 trillion, according to UNCTAD's first estimate for the year. The total is a 34% increase from 2005.

FDI flows to developed countries in 2006 rose by 48%, well over the levels of the previous two years, and reached US\$800 billion. The United States recovered its position as the largest single host country for FDI in the world, overtaking the United Kingdom, the top FDI recipient in 2005.

International Capital flows

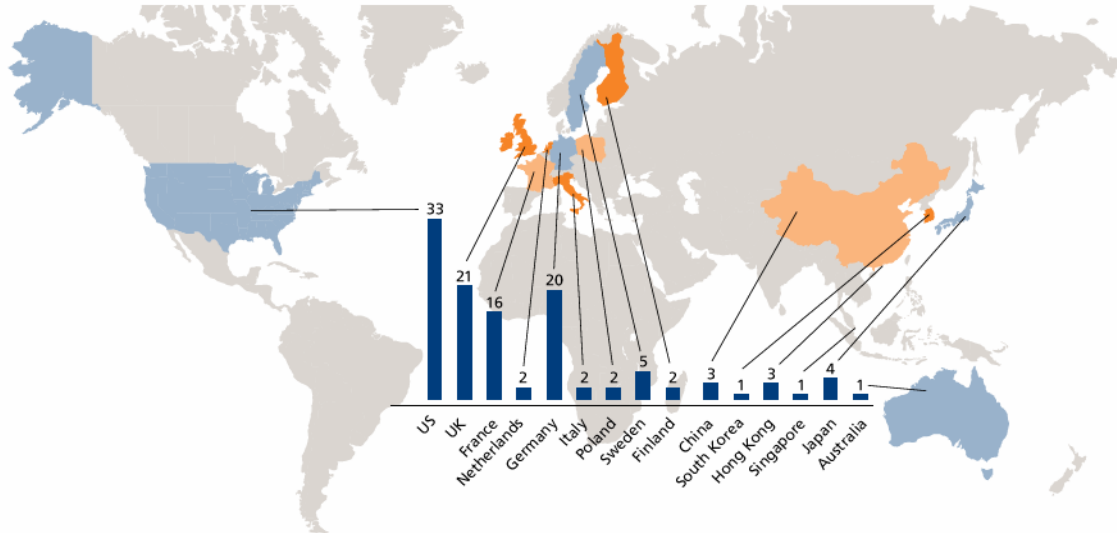
The increased allocation of capital to real estate has affected pricing globally. Competition for real estate assets has increased, pushing down yields to historically low levels. In some markets, finding high-quality real estate has become more challenging, driving investors to bid aggressively for better locations with stable cash flow. Investors will need to better anticipate demand to continue to generate strong returns. Capital flows into real estate have not only increased in volume but have also become cross border, representing 44% of total real estate investment transaction volume in the first half of 2006. As seen in Figure 3, the US accounted for over US\$ 33 billion in cross border investment, roughly 25% of the global figure.



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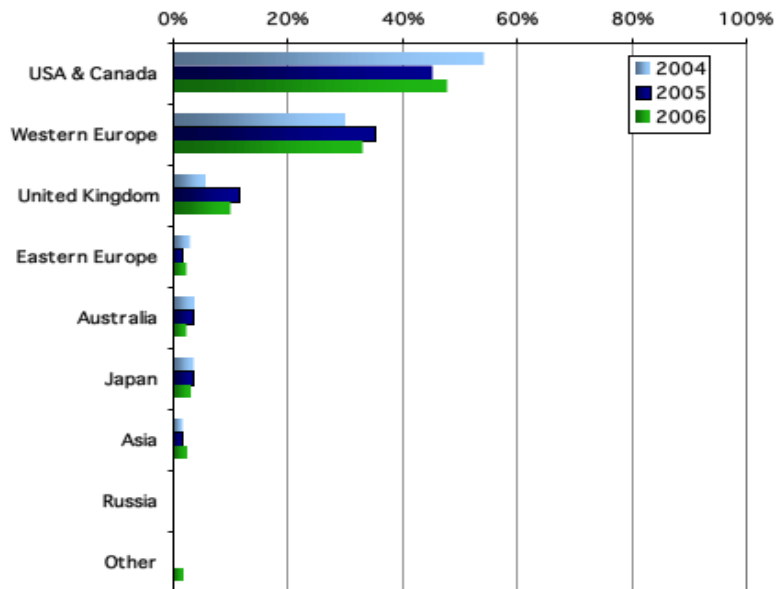
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Figure 3: Cross-border Capital Flows in US\$ Billions



Sources: Jones Lang LaSalle, ING Real Estate Research
As of 1H 2006 (in US\$ billions)

Global Real Estate Portfolio Geographic Distribution - 2006

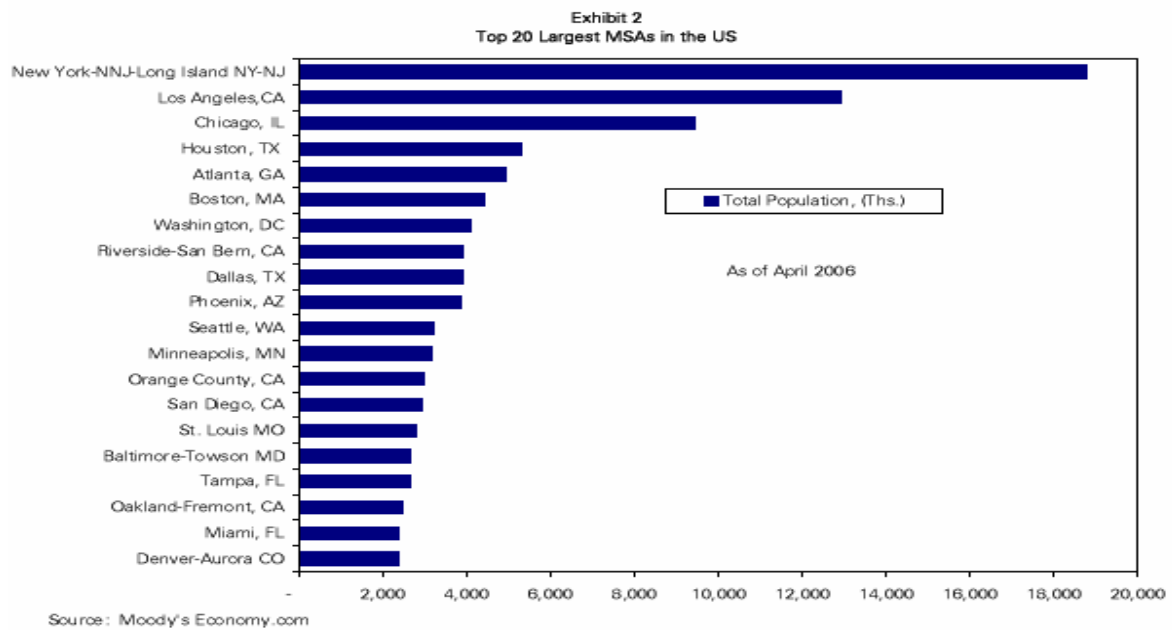


4.2. US Market Growth

The analysis contained in this report provides important insight into the US real estate market. The analysis can, at best, only provide an indication of the types of opportunities in the US residential real estate market. Employment has increased in the past year, interest rates are historically low, wages are rising at more than 4% per annum and jobs continue to be created. In addition, 1.7 million net new payroll-jobs were added to the economy in the past 12 months. Nationally, unemployment remains historically low, with 32 areas experiencing unemployment rates below their long-term average. The analysis below entails a more in-depth perspective in the drivers of the American Economy.

Population

Exhibit 2 ranks the largest metropolitan areas in the US. According to Moody's, the 2006 largest metropolitan areas were New York, Los Angeles, and Chicago. The fastest-growing metro areas were Las Vegas, Austin, West Palm Beach, Orlando, Phoenix and Fort Lauderdale.



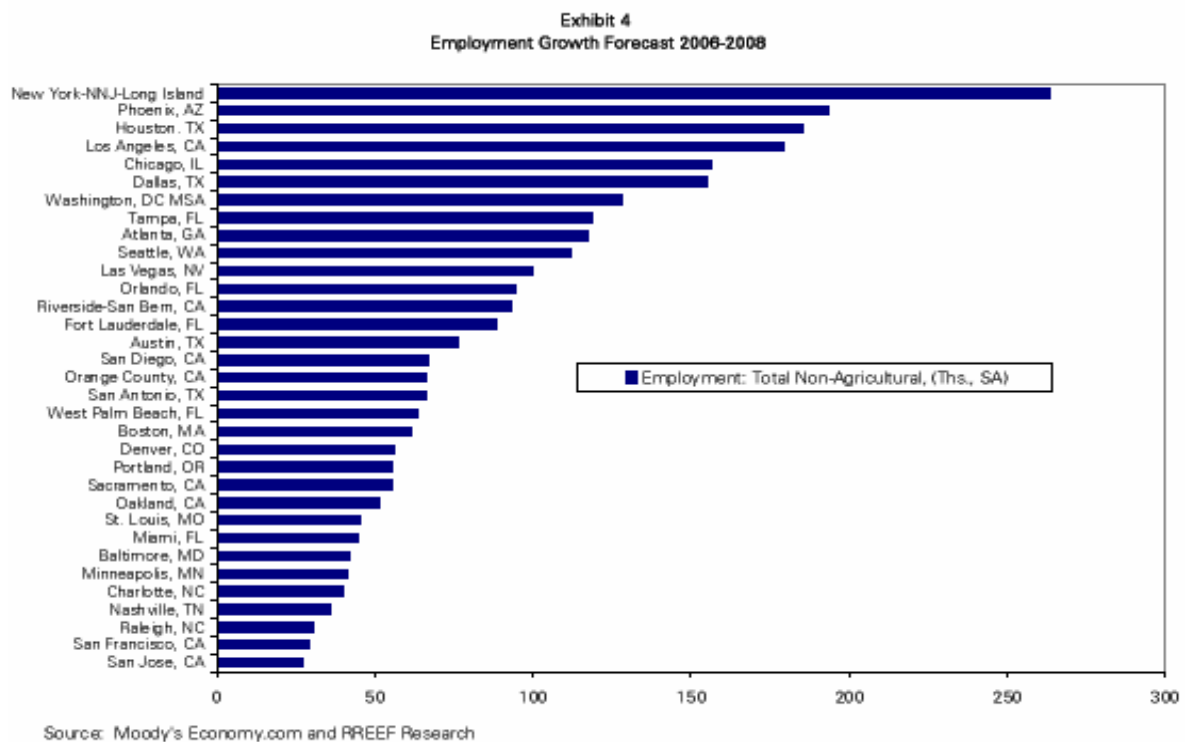
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Echo boomers (born between 1982 and 1995) represent an estimated 76.3 million residents. The prime renter age of 20-24 year olds has the highest propensity to rent. This will benefit the rental market across the US. This component of the population is vital, as more than 75% historically live in rental housing. Growth in this segment of the population is expected to total nearly 900,000 between 2005 and 2010, peaking in 2009 and 2010.

Employment

A large and diversified employment base and job creation is also vital to facilitate demand for housing. Exhibit 4 illustrates the outlook for jobs by metro area ranked by the sheer number of jobs in the larger metro areas as well as by relative change in markets where strong momentum exists. The types of jobs being created reflect the composition and growth sectors of the local economy.



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4.4 Chicago Market Analysis

The Wall Street Journal named Chicago the most balanced economy in the nation, and according to Forbes, Chicago's Loop is the best place to purchase residential real estate, not just in Chicago, but in all of the U.S. The location, accessibility to excellent transportation, and employment base continues to attract residents, investors and businesses to the Loop.

Appreciation is sustained by a low unemployment (4.3%), consistent job growth (74,000 new payroll jobs added from 2004-2006) and population growth (4% over a 10 year period, third largest in the nation).

Chicago is the third largest metropolitan area in the United States, with a population of over 9.5 million. According to the Chicago Sun-Times wealth of Chicago area households is 21.5% above the national average. This is reflected in high disposable income, helping to make the region a lively arts, entertainment and recreation environment.

The city ranked third in Travel + Leisure magazine's top 10 U.S & Canada destinations. Millennium Park, which is located in the Loop, was the number one summer search on Orbitz in 2006.

Chicago created more jobs than New York, Los Angeles and Boston combined from 1990 to 2000. Chicago added 250% (+439,400) more private jobs than New York (+173,500) and Los Angeles (-65,400). It has planned for a \$14.7 billion expansion and reconfiguration of Chicago O'Hare International Airport.

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Price Levels

According to Appraisal Research Counselors, most of the 2005 conversions of Class A rental building averaged \$350-\$425+ per square foot (psf), which is comparable to some of the new construction condo buildings in the market. However, with the smaller unit sizes in the conversion buildings, the overall average price per unit is more affordable than in the competing newly constructed condominium buildings. The only property converted to condominium ownership during 2006 was priced in the mid \$300s PSF. The data used for the comparables has been provided by the Appraisal Research Counselors. The table below represents all the available condo conversions in the Downtown area of Chicago as of 2007. It summarizes the most pertinent competitors to 200 N. Dearborn:

Name of the Project	Type	Location-Submarket	Avg. \$PSF
The Flats on LaSalle	CC	Gold Coast	\$487
Ontario Place	CC	River North	\$453
Grand Plaza West	CC	River North	\$450
400 N. LaSalle	CC	River North	\$432
474 N. Lake Shore Drive	CC	South Streeterville	\$422
Pearson on the Park	CC	South Loop	\$422
8 W. Monroe	CC	Loop	\$421
200 North Dearborn	CC	Loop	\$380
2 E. Erie	CC	River North	\$380
1400 Lake Shore Drive	CC	Gold Coast	\$364
Century Tower	CC	Loop/New East Side	\$356
River City	CC	South Loop	\$357
Huron Street Lofts	CC	River North	\$312

Avg. PPSF \$407

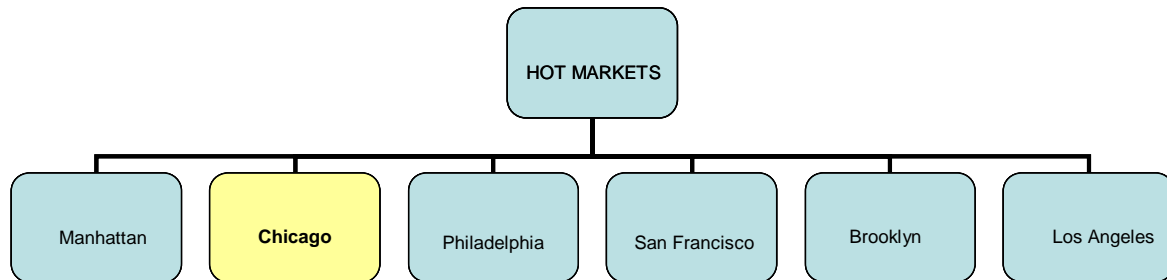
CC. Condo Conversion

200 N. Dearborn price per square foot are preliminary estimates.

Housing Equity Gain				
Appreciation Rate	1.5%	3.0%	4.5%	5.7%
Conservative Scenarios	Low	Middle	High	25-year average rate
2010	\$38,900	\$60,300	\$83,000	\$101,400
2015	\$84,200	\$132,100	\$186,600	\$233,800
2020	\$140,500	\$220,800	\$319,200	\$409,900
2030	\$297,300	\$465,000	\$702,700	\$951,400
2040	\$439,200	\$733,900	\$1,217,200	\$1,790,400

Source: National Association of Realtors

The hottest residential markets in the U.S. as of March 2007



Source: Trulia

Tourist Attraction and Conventional Hub

Chicago's has world-class tourist attractions such as Navy Pier, the Shed Aquarium, the Museum of Science and Industry, and the Art Institute, which attract millions of visitors each year. Additional visitors come to Chicago to attend some of the nation's largest and best conventions and trade shows. Chicago annually hosts over 1,000 conventions, 150 trade shows, and over 30,000 corporate meetings, more than any other city in the world. Chicago is home to the McCormick Place, the largest exhibition and meeting facility in North America with over 2.2 million square feet of exhibition space, 112 meeting rooms, and assembly seating for 10,000 people.

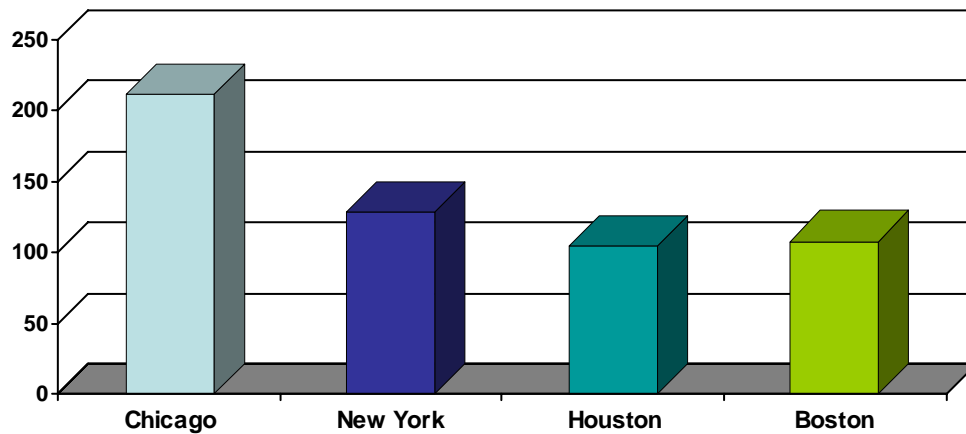
Employment & Job Growth

The city re-invented itself as a business services center and international business meeting place. The table below demonstrates how Chicago over a 10 year period outperformed other major American cities in job growth. This performance is notable because of the simultaneous upheaval in the region's strong construction base.

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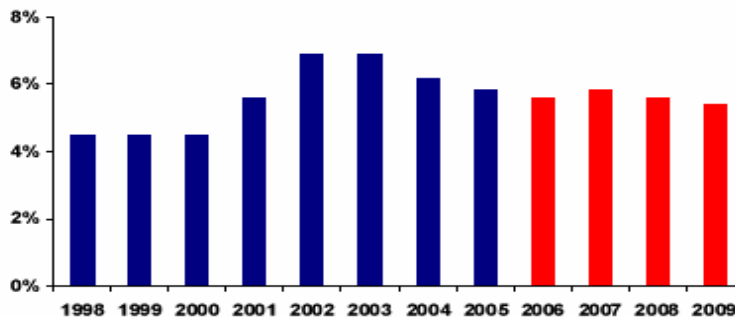
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Professional & Business Services Job Growth in thousands, 1990-2000



The table above compared Chicago job growth to other cities. Chicago continues to experience an upward growth trajectory as the unemployment rate has fallen sharply this year. The expected employment growth aligns with the addition of 28,000 new jobs in 2007.

Unemployment Rates & Forecast, as of June 2006



Source: Economy.com

Chicago has planned for a \$14.7 billion expansion and reconfiguration of Chicago O'Hare International Airport. The Chicago area is undoubtedly contributing to the U.S. economy's expansion. The airports are at full capacity, hotel occupancy rates are climbing, and residential real estate is constantly growing stronger and stronger.

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Chicago wins 2016 Olympics Bid

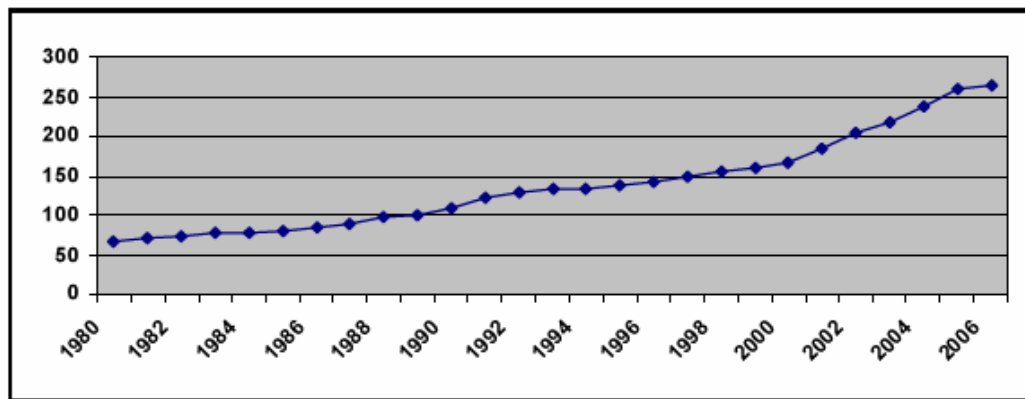
The United States Olympic Committee (USOC) announced in April 2007 that it has selected Chicago over Los Angeles for its bid to host the 2016 Olympics. This is a major step in the process for selecting a city to host the 2016 Olympics by the International Olympic Committee and a crowning stroke for the City of Chicago. Planning for this honor to represent the USOC began years ago with a firm commitment by Chicago City officials to revitalize areas of Chicago that needed a little help.

The revitalization of downtown areas has been nothing short of remarkable, and the side effect of this is the number of developers who are investing in the development of Chicago high-rise luxury condominiums and Urban Villages within Chicago.

Local Appreciation

Chicago's appreciation over the past three years is 30.2%. Historically Chicago has averaged 5.6% appreciation factor compared to the national average of 5.0%. Chicago home prices are one of the most affordable among large metro markets. Below are two graphs which portray the appreciation trend in Chicago. The graph shows an increasing gradual sloping line which signifies stability and solid economic growth in Chicago.

Local Home Price (in \$1,000)



5. The Investment

200 North Dearborn represents an extraordinary condominium investment opportunity with potential increases in rental income and continued appreciation. With limited supply of condo conversions and a zip code named most lucrative in the nation, the Chicago Loop gives the property—and investor a unique advantage.

The primary investment strategy is based on the strong history of Chicago's property appreciation. Although past performance is no guarantee of future returns, the historical pattern clearly indicates a continuation of the economic fundamentals that are currently driving property values.

Highlights for the investors include:

➤ **Upon completion of any of the purchase the investor has the following options:**

- American Invsco can sell the unit for the investor through its brokerage company, which may provide the investor with tax benefits through the 1031 Exchange Program to be tax-efficient. Please refer below to the section on 'The 1031 Exchange Exit Option'.
- American Invsco can recommend a management company to lease the unit on the investor's behalf for a management fee (usually a 10% per year fee).
- The investor may choose to occupy the unit or personally rent it.
- The investor has complete control over all decisions relating to the unit, with no obligation to utilize management or other services provided by American Invsco or its affiliates.

➤ **Significant Market Value Growth Potential due to:**

- Loop appreciation factor
- Limited condos in the loop

➤ **Market Timing**

- Participation in a strong national and local economy, strong convention and tourism industry, along with a stable and growth-driven real estate market.

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➤ Currency Gain

The U.S. dollar remains weaker against many other currencies including the euro, now it is considerably less expensive to acquire dollar denominated assets. The aim is to hold the property until the U.S. dollar is strong and then the conversion to the euro would be highly profitable.

➤ Strong Track Record of the Developer

- 40,000 condominiums
- \$4.5 billion in sales
- Large market share

➤ Highlights

- Fitness center
- Indoor swimming pool
- Dry cleaning, laundry facility
- Onsite deeded parking
- Sundeck
- Convenience store
- 24-hour doorman
- Walking distance to renowned restaurants, shopping, and entertainment
- Incredible views from every angle—city, river & lake

➤ Availability of Mortgage Financing

Mortgage financing may be arranged for qualified applicants subject to certain loan limits, credit underwriting, and with purchaser equity participation of at least (10% under specific circumstances).

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5.1 The Investment Process

Process

➤ **Step 1 - Reserve a unit with a \$2,000 deposit**

Reserve a unit by sending a good faith deposit of US \$2,000 to Chicago Title and sign a purchase agreement and return it to an American InvSCO International office within 5 days of the date of the good faith deposit receipt.

The property agent/broker must fax to American InvSCO's International sales office, the following:

- Copy of the good faith deposit receipt confirming the transaction including name of purchaser, address, unit number, and deposit amount
- Copy of check representing initial good faith deposit
- Copy of purchase agreement
- The above information must be faxed to either location:

AMERICAN INVSCO INTERNATIONAL

Chicago Office

Attn. Romina Ziccarrelli
1028 North Clark Street
Chicago, IL 60610
Tel +1 (312) 431-8311
Fax +1 (312) 834-0651

Miami Office

Attn: Alejandro Clavero
3149 NE 163rd Street
North Miami Beach, FL 33160
Tel: +1 (305) 354-9357
Fax: +1 (305) 354-9362

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➤ Step 2 – Deposit totaling 10% of the Purchase Price

A deposit representing 10% of the purchase price must be transferred with the contract within **5 days** of the date of the good faith deposit receipt and signing of the purchase agreement.

Upon receipt of this amount, the purchaser's property agent/broker will refund the good faith deposit to the purchaser.

Monies are refundable up to **5 days** from the date the purchase agreement is executed.

➤ Step 4 – Closing

The estimated "closing" dates are September 20-27, but will be confirmed by American Invsco. The balance of monetary funds due at closing will equal: unit purchase price plus closing costs (including mortgage fees, if applicable, and transaction costs), less 10% of monetary funds already received.

5.2 Closing Costs

Closing costs will vary depending upon the purchase price of the property. A detailed itemization of charges and fees will be supplied.

Mortgage Financing

American Invsco works with various lenders and mortgage brokers who offer investors the most appropriate financing package for their needs. They have considerable experience working with investors from Europe, Asia, and South America. They will issue "good faith estimates" to investors which will include the maximum mortgage amount and the estimated closing costs. Contact information may be obtained from any one of American Invsco's international team members.

Mortgage Fees and Home Owners Insurance

Mortgage fees will vary slightly among lenders, who will supply their schedule of fees to you upon application. Investors will need to open a checking account in the U.S. to facilitate monthly mortgage payments and to pay for certain pre-paid items. This should also facilitate

the receipt of the investor's monthly revenue checks should the investor choose the rental program.

It is also recommended that you obtain a "Home Owners" comprehensive insurance policy for the protection of the interior elements of the unit as well as offering third-party liability coverage. American Invsco will offer referrals of available insurance carriers.

Legal Process

The conveyance process in the U.S. is completed by a "title insurance company" that examines public records to ensure that the seller is properly registered as the owner of the property. The title insurance company also insures the property against third-party title claims.

Tenant right of first refusal

If on the date of acceptance of the purchase agreement by seller, the unit is occupied by a tenant (other than purchaser) who was a tenant on the date of the notice of intent to convert the property was given, as required by the act and the code, then the agreement shall be subject to the statutory right of such tenant to purchase the unit on substantially the same terms and conditions set forth herein. If such tenant elects to purchase the unit, the reservation or purchase agreement shall become null and void and all funds paid or deposited by purchaser shall be forthwith returned to purchaser and neither party shall have any further liability, rights or obligations. The liability of seller shall be limited to the return of purchaser's deposit.

Taxation

In addition to obtaining a Tax Identification Number, foreign investors will need to consider the following primary U.S. taxes:

- Federal Taxes
- Capital Gains Tax (please refer to the section on The 1031 Exchange Option). A capital gains tax is a tax upon the profits upon the sale of your property
- Withholding Tax (a portion of the rental income is withheld against future tax obligations)
- Gift and Estate (Inheritance) Tax

Investors are advised to consult with their tax, accounting, financial, and legal advisors as necessary. For your convenience, we have attached a list of U.S. sources you may contact for assistance in these matters. Please refer to section 7.2 for information.

6. The 1031 Exchange Exit Option

Foreign investors who buy in the U.S. are subject to U.S. capital gains tax liability at both the federal and state levels on the sale of appreciated capital assets. Savvy real estate investors recognize the 1031 Exchange as an effective and simple means toward deferring tax liabilities incurred upon the future sale of U.S. real property. These deferred gains, as well as the gains from the new property, are not taxed as long as 1031 Exchange rules are followed. The overall U.S. capital gains tax rate is 15% for capital assets held for more than one year and is as high as 35% for capital assets held for less than a year. Applicable state taxes can increase the foregoing aggregate rates. By following the 1031 Exchange rules and income exchanging into a new U.S. rental real property at the end of a holding period, American Invsco property owners can legally defer payment of these taxes and free up capital for new products. Real Estate investors can therefore increase their overall returns by using 1031 Exchanges to roll from one U.S. rental real estate investment to the next. American Invsco's diverse range of high-performing products and proven expertise has made American Invsco a natural choice for those looking to execute a successful 1031 Exchange. American Invsco works with one of the most well-established and secure qualified intermediaries in the industry, literally guaranteeing that your 1031 exchange will be carried out with the highest possible degree of security and integrity. This unique investment tool gives the investor the ability to diversify, leverage and defer taxes. American Invsco sales consultants can help you locate an appropriate replacement property in which to reinvest with minimal due diligence required while the investment return is enhanced. Investors wishing to take advantage of the 1031 Exchange rules should be aware that the rules are technical and must be precisely followed to qualify for the tax benefits of deferring gain. It should also be noted that upon an ultimate disposition of U.S. rental real estate for cash or some other asset, the relevant basis used to determine gain is the basis of the initial U.S. rental real estate investment that was exchanged. As such, the like kind exchanges defer gain but do not wholly extinguish it.

7. Attachments

Legal Disclaimer

This Information Memorandum is not intended as an offer to sell or a solicitation of an offer to purchase the described properties in any jurisdiction in which such offer or solicitation may be prohibited by law. Investors should consult with their personal financial, legal and tax advisors before investing in the properties described in the enclosed Information Memorandum. As a courtesy, we have included the name of a U.S. accounting firm that can accommodate the international investor's financial and tax accounting needs. However, the investor may select to use any accounting firm of their choice as we have no affiliation with the accounting firm Ostrow, Reisin, Berk & Abrams Ltd.

U.S. Income Tax Considerations

Investors in the U.S.: Real Property Interests - Chicago, IL

As investors consider the purchase of United States (U.S.) real property located in the State of Illinois as an investment generating capital gains and rental income, will have concerns about the U.S. income tax system and their requirements under U.S. tax law. The information presented here will help to identify those concerns. It will focus on the specific fact pattern of an individual (or a husband and wife) citizen and resident of a foreign country purchasing rental property in the U.S.. The issues presented here may not be relevant if your circumstances are different or if they change over time. Nonresident aliens of the U.S. are only taxed on U.S. source income. U.S. source income includes net rental income from operations of U.S. real property and any taxable gain from the sale of U.S. real property. Net rental income from operations is calculated by netting gross rents collected with related rental expenses, such as property taxes imposed by the local jurisdiction, mortgage interest, condominium maintenance fees, management fees, and depreciation expense. U.S. tax law permits the cost of residential real property to be depreciated over a period of 27.5 years. This net rental income is taxed at rates that presently range from 10 to 35 %. For example, a rate of 10 % would apply to the first \$7,000 of net rental income. Net rental income in excess of \$7,000, but less than \$30,000 would be taxed at 15 %. Thus, for a net rental income of \$30,000, the U.S. income tax cost would be about \$4,000. Married couples owning the property jointly will be required to file separate tax returns and each will report one half of the net rental income. Gain from the sale of U.S. real property owned for at least one year is taxed at special capital gain rates that average about 15% regardless of the amount of the gain. Gain is calculated by netting the gross proceeds of the sale with any associated selling costs and reduced by the adjusted cost (original cost minus accumulated depreciation expense to the date of sale) of the property. A special provision of U.S. tax law permits an owner to defer tax on the capital gain by exchanging the property for another property. In order to qualify for this deferral the "replacement" property must have a value higher than the value of the "relinquished" property. There are additional technical requirements. While the previous discussion relates to tax obligations imposed by the U.S. federal government, International investors should be aware that most of the 50 states impose their own local tax obligations.

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