

FORM 2A
LISTING STATEMENT

FREEPORT CAPITAL INC.

With respect to a transaction

Involving the acquisition of all of the issued and outstanding

Membership unit interests of FIRST EQUITY LLC

DATE: October 27, 2009

1. Table of Contents

1.	TABLE OF CONTENTS.....	2
2.	CORPORATE STRUCTURE	3
3.	GENERAL DEVELOPMENT OF THE BUSINESS.....	4
4.	NARRATIVE DESCRIPTION OF THE BUSINESS	7
5.	SELECTED CONSOLIDATED FINANCIAL INFORMATION	13
6.	MANAGEMENT'S DISCUSSION AND ANALYSIS	16
7.	MARKET FOR SECURITIES	32
8.	CONSOLIDATED CAPITALIZATION.....	32
9.	OPTIONS TO PURCHASE SECURITIES.....	33
10.	PRIOR SALES	34
11.	ESCROWED SECURITIES	36
12.	PRINCIPAL SHAREHOLDERS	37
13.	DIRECTORS AND OFFICERS	39
14.	CAPITALIZATION	42
15.	EXECUTIVE COMPENSATION	47
16.	INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	47
17.	RISK FACTORS	49
18.	PROMOTERS	56
19.	LEGAL PROCEEDINGS	58
20.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	58
21.	AUDITORS, TRANSFER AGENTS AND REGISTRARS	59
22.	MATERIAL CONTRACTS	59
23.	INTEREST OF EXPERTS	59
24.	OTHER MATERIAL FACTS	60
25.	FINANCIAL STATEMENTS	60

2. Corporate Structure

- 2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

The head office of Freeport Capital Inc ("Freeport" or the "Issuer") is located at 1155 University Street, Suite 606, Montreal, Quebec H3B 3A7 and the registered office of Freeport is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The Head office of First Equity Strategy LLC ("First Equity") is located at 4823 Metropolitan Blvd., Suite 203, Montreal, Quebec H1R 3J6 and the registered office of First Equity LLC is located at Trolley Square, Suite 20C, Wilmington, Delaware 19806.

- 2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. If material, state whether the articles or other constating or establishing documents of the Issuer have been amended and describe the substance of the material amendments.

Freeport was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on February 8, 2005. The articles of Freeport were amended by a Certificate of Amendment dated June 3, 2005 to remove the private company provisions and the restrictions on share transfers. The Common Shares of Freeport are listed and posted for trading on the NEX board of the TSX Venture Exchange (the "Exchange") under the symbol "F.H".

First Equity was formed on July 11, 2008 as a limited liability company under the laws of the state of Delaware.

- 2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state

- (a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;

The Issuer is the beneficial holder of 100% of the issued and outstanding membership unit interests of First Equity.

- (b) the place of incorporation or continuance; and

First Equity LLC was formed by a certificate of formation pursuant to the Limited Liability Company Act (Delaware) on July 11, 2008;

- (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.

See Item 3.3 (a)

- 2.4 If the issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

*Freeport is a CPC and has not conducted any business operations other than to pursue a merger transaction. In connection with the Issuer's listing on the CNSX, Freeport completed a transaction (the "**Transaction**") by acquiring all the of the issued and outstanding membership interest units of First Equity. Pursuant to the Transaction, First Equity became a wholly owned subsidiary of the Issuer.*

- 2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

First Equity, the Issuer's wholly owned subsidiary, is a limited liability company without a share capital structure which operates with an operating agreement and whose capitalization is evidenced by membership interest units.

3. General Development of the Business

- 3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

*Freeport was a Capital Pool Company under the rules and policies of the TSX Venture Exchange and has not conducted any commercial operations other than to pursue a Qualifying Transaction. Freeport completed its initial public offering on April 10, 2006. Freeport has no assets other than cash and its only business has been to identify and evaluate potential targets with the objective of completing a Qualifying Transaction. The Common Shares of Freeport were listed and posted for trading on the TSX Venture Exchange on April 10, 2006 under the symbol "**F.P**". Failure to complete a Qualifying Transaction by April 10, 2008 resulted in the suspension of Freeport's Shares from trading on the TSX Venture Exchange. Freeport transferred its listing to the NEX in July 2008. On October 26, 2009 Freeport acquired all of the issued and outstanding membership-interest units of First Equity. Pursuant to the transaction, First Equity has become a wholly owned subsidiary of Freeport and has transferred the listing of its Shares to the CNSX.*

The Issuer will continue the business currently being conducted by First Equity which consists of exploiting competitive opportunities in transaction processing for small and home-based retailers. Pursuant to a licensing agreement with Smart Card Marketing Systems Inc., First Equity is the proprietor of exclusive distribution rights to new Internet technologies that make Point of Sale "POS" payments and online payments cheaper and more cost effective than existing solutions. In addition, the management of First Equity brings a business network of Money Service Businesses (MSB) with products and services to cross-sell into that network.

*The New Issuer will exploit three (3) lines of business (the "**Business**"):*

- i) *POS in a Box – A retail package containing everything a small retailer needs to start accepting debit cards for payment. The Issuer intends to sell the POS in a Box package through business supply retailers like Staples, Office Max, Best Buy, Amazon.com, etc.*
- ii) *Prepaid Debit Cards – Prepaid MasterCard and Visa cards will be marketed to businesses and co-branded with check processors and payday loan companies.*
- iii) *Short-term Cash Services for Money Lending Businesses – the company will provide loan capital to small, independent short-term loan businesses, like payday loan, car title loan and pawn loan companies.*

3.2 Disclose:

- (1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under Part 6 or 7 of OSC Rule 41-501 if this Listing Statement were a prospectus; and

Significant acquisition: *On June 23, 2009, Freeport entered into an acquisition agreement for the Purchase of all issued and outstanding membership interest units of First Equity (the “Acquisition Agreement” or “Transaction”). Pursuant to said Acquisition Agreement, Freeport purchased the First Equity Membership Interest Units from the First Equity Unitholders for an aggregate consideration consisting of 5,500,000 Freeport Common Shares at a deemed price of \$0.05 per share. With regards to financial statements of First Equity, there are no such financials prepared given that First Equity commenced operations in March 2009.*

- (b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under Part 8 of OSC Rule 41-501 if this Listing Statement were a prospectus.

There have been no significant dispositions.

- (2) Under paragraph (1) include particulars of:

- (a) the nature of the assets acquired or disposed of or to be acquired or disposed of;

The Acquisition consisted of the purchase by Freeport of all 1,000 issued and outstanding membership interest units of First Equity.

- (b) the actual or proposed date of each significant acquisition or significant disposition;

*The effective date of the Acquisition was June 23, 2009 and all conditions to the Transaction were completed on **October 23**, 2009;*

- (c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;

The consideration was 5,500,000 Freeport Common Shares at a deemed price of \$0.05 per share paid to the First Equity Unitholders;

- (d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;

The following conditions were fulfilled for the Transaction to be completed: First Equity will have received commitments to raise a minimum of \$100,000 through a non-brokered private placement of Common Shares at a minimum price of \$0.25 per share (the "Private Placement") which Private Placement will close immediately following listing of the Issued Shares on the CNSX, Freeport shall have received approval from the CNSX to list its common shares on the CNSX, First Equity shall have received a business evaluation report in the form satisfactory to Freeport on or before July 31, 2009 and satisfactory due diligence shall have been completed;

- (e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;

The acquisition is effectively considered a reverse take-over ("RTO") of Freeport by First Equity and will result in the management of Freeport being taken over by the existing management team of First Equity and the business being acquired shall render possible the raising of future capital for ongoing business. The acquisition will greatly influence the operating results and financial position of the Issuer.

- (f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation or Canadian securities directives of a Canadian securities regulatory authority or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

A valuation of the business of First Equity was conducted by Evans & Evans Inc., dated July 22, 2009.

- (g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

The significant acquisition transaction is not a non arm's length transaction.

- 3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

In the opinion of Management, the following trends appear to have developed in the point of sale "POS" transaction business in the past three (3) years that may have an impact on the POS transaction industry or influence on the business of the New Issuer:

1. *In 2006 the number of debit transactions exceeded the number of credit transactions for the first time in history, reaching 26.5 billion transactions in 2006.*
2. *Identity theft, payment processor system breaches and online intrusions into credit card files are currently at an all-time high.*
3. *Alternative payment services are growing at a rate, which a new report by Packaged Facts estimates to be 33% over 2006, reaching \$37.3 billion in 2007.*
4. *Many small retailers and online businesses do not qualify for merchant processing services due to bank restrictions and credit card processing policies.*
5. *The cost of purchasing or renting POS transaction equipment is too expensive for many small and home-based retailers.*
6. *Banks are increasingly denying services to small, independent payday loan, check cashers and car title loan companies. These are capital-intensive businesses with high return on investment.*

The foregoing information was gathered from market research conducted by the management of First Equity. It is not possible for the Issuer to accurately predict what effect, if any, the continued trends described above will have on the future prospects of the Issuer. However, with the acquisition of First Equity, the Issuer has no reason to expect that it will be more adversely affected by such trends in the industry than will be other competitors in the field.

4. Narrative Description of the Business

4.1 General

- (1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:
 - (a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period:

Subject to favourable conditions, the Issuer plans to raise additional capital in order to expand the business. Furthermore, in terms of business, the Issuer's objectives are as follows:

 - i) *To sell POS in a box units in major retail stores and distributors.*
 - ii) *To develop the prepaid debit cards segment of the business in order to support payroll and incentive infinity solutions.*
 - iii) *To provide short term cash services for the money lending business market.*
 - (b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event.

No specific timeline has been set as the raising of capital is dependent on the capital markets.

- (c) Disclose the total funds available to the Issuer and the following breakdown of those funds:

- (i) the estimated consolidated working capital as of the most recent month end prior to filing the Listing Statement.

Freeport Cash: \$67,231

First Equity Cash: \$ 0

Private Placement: \$ 92,000

A/R & Inventory: \$ 89,200

Payables: \$ 119,942

Working Capital: \$ 128,489

*Please refer to the consolidated pro forma financial statements of the New Issuer (Freeport and First Equity combined) appended hereto as **Schedule 4**.*

- (ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b).

There are no specific amounts that have been determined as the amounts are dependent on the capital markets at that time.

- (d) Describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer,

With the acquisition of First Equity, the Issuer is expecting to generate sufficient revenue to offset operating expenses. In the event that the Issuer can successfully raise additional capital through equity or debt, the whole depending on the capital markets, and that the 12-month objectives are on target, the profitability will increase as the costs to run the business are generally fixed.

- (e) For principal products or services,

- (i) The methods of their distribution and their principal markets;

(1) POS in a Box

HomeATM™ – is a unique, patented and licensed product for creating “card present” transactions remotely over the Internet and in physical storefront locations. It provides a low-cost alternative for small brick-and-mortar retailers and online e-tailers to accept debit and credit cards at a better rate. The HomeATM technology creates an encrypted, secure debit transaction from any location. It allows the Issuer to guarantee its users rapid access to funds from transactions performed on the terminal with no security

withholdings, at rates below standard interchange rates. The terminal is very inexpensive enabling merchants to avoid the costs of a monthly fee to use the system, and this type of transaction is almost impossible to charge back, affording merchants an advantage given that they are guaranteed to receive their funds in 24 hours or less.

All transactions are processed through the EFT Network (Electronic Funds Transfer). All debit card transactions in the world, including HomeATM™ payments, are processed through the international debit card processing hub and because of this, merchants who want to offer the HomeATM™ to their clients do not need to get a Direct Merchant Account with a specific bank. All transactions are processed through the international hub and then deposited into the merchant's account.

DISTRIBUTION

The Issuer intends to sell the POS in a Box solution to small and home businesses through business supply retailers. The table below shows the targeted retailers and the number of locations each business supply chain operates.

Business Supply Retailer	Number of Retail Locations		Sales Volume
	US	Canada	
Staples	1,105	215	\$22.23 billion
Office Depot	1,193	29	\$15 billion
Office Max	867	0	8.58 billion
Target	1,683	0	\$63 billion
Best Buy	923	182 (Future Shop)	\$40 billion
TOTAL STORES	5,771	426	

Source: Market Data Enterprises.

(2) Prepaid Debit ATMcards

The prepaid Debit ATMcards and credit cards provide an alternative to cash. As such, businesses expected to use First Equity's services include check cashers, payday loan companies, independent tax preparation offices, money transfer offices and legal or accountancy offices that work with bankrupt individuals and/or immigrants. First Equity's business model targets companies servicing the estimated 25-30 million unbanked workers in the U.S. and another 20 million under-banked employees.

Primary targeted retail customers include the Hispanic marketplace (2006 estimated 40 million people in the US), 56% of which have never had a bank account. (Source: Pew Hispanic Center, 2002).

Prepaid Debit ATMcards also provide an alternative to cash for the check cashing businesses. Check cashers can offer ATM cards to customers in lieu of cash, whether they have a bank account or not. The cards can be reloaded with cash at the retailer's location or through payroll direct deposit from the customer's employer.

Another product to be distributed by First Equity allows all checks to be scanned, front and back, and electronically transmitted to the Federal Reserve's Automated Clearing House for processing. The money from the checks is electronically deposited in the check casher's account within 24 hours. The New Check 21 regulations and First Equity's proprietary relationship with a large processing firm makes this possible. Management is not aware of any other provider of end-to-end services comparable to these.

First Equity customers shall also include money transfer agents who are competing with MoneyGram and Western Union. Last year more than 100 million transfers were initiated in the USA, 56% being international, with half of those going to either Canada or Mexico. The average transfer was \$300 - \$500. First Equity debit card products leverage the ATM networks world-wide, particularly in those countries where the money is to be paid out. The consumer in the US buys multiple ATM cards, sends the extras to family members and transfers money from one card to another for a minimal fee, from which the retailer of the card makes a healthy commission. This ability provides a lower-cost alternative to Western Union or MoneyGram, whose combined costs can run 10% - 15% of the amount transferred, when currency conversion costs are included.

As with check cashing, payday loan lenders can electronically load a customer's payday loan proceeds directly to a debit card without requiring the time and expense of sending a check. The lender makes additional commissions on usage fees from these cards.

- (ii) As dollar amounts or as percentages, for each of the two most recently completed years, the revenues for each category of principal products or services that accounted for 15 percent or more of the total consolidated revenues for the applicable financial year derived from:

- (A) sales to customers, other than investees, outside the consolidated entity

Since its inception, Freeport has not conducted any commercial operations other than to pursue a Qualifying Transaction. First Equity commenced business in March 2008. The revenues derived from the POS in a box segment has accounted for 0% of the consolidated revenues, and the prepaid Debit Cards segment, including the processing fees, has accounted for 100% of the consolidated revenues.

- (iii) If not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,

All products and services provided are available and ready to be sold and delivered.

(f) Concerning production and sales

- (i) The actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services.

Please refer to Item 4.1 (e) i) hereinabove.

- (ii) The payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and if applicable, that the landlord or mortgagee is a Related Person of the Issuer;

First Equity holds a lease with 1067709 Ontario Limited for an office situated in Oakville, Ontario which rent is equivalent to \$7,000 per year. (Term May 1, 2009 – April 30, 2010). The Landlord is not a related person of the Issuer.

- (iii) Specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;

The Issuer's new management team provides a wealth of experience in raising capital and managing public entities. The Issuer's management team holds vast experience with regards to marketing, distribution and commercialization of the services and products being offered by First Equity.

- (iv) The sources, pricing and availability of raw materials, component parts or finished products;

Through its extensive network and privileged agreements with various suppliers, First Equity has managed to obtain extremely competitive pricing on its Home ATM, prepaid debit and credit cards as well as web-based services and software. This competitive pricing should contribute to the profitability of the business and provide an added value to shareholders.

- (v) The importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks,

The license agreement entered into between Smart Card Marketing Systems Inc. and First Equity for an indeterminate term is key to First Equity with regards to the distribution rights to prepaid debit cards from several providers and distribution rights to Home ATM terminals.

- (vi) The extent to which the business of the segment is cyclical or seasonal;

The business being conducted is neither cyclical nor seasonal.

- (vii) A description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Listing Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;

There are no contracts or sub contracts which may affect the business in the 12 months following the date of the Listing Statement.

- (viii) The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;

It is very unlikely that environmental protection requirements will have an affect on the capital expenditures, earnings and competitive position of the Issuer in the current financial year or in future years;

- (ix) The number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant.

Freeport currently has one employee. First Equity shall have 3 employees.

- (x) Any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations;

The Issuer does not foresee any risk associated with foreign operations, and there are no segments which are entirely dependant on foreign operations. It is anticipated that projected sales in Canada are sufficient to sustain the operations of the business, and sales in the USA and around the world, if pursued, shall add greatly to the profitability of the New Issuer.

- (2) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year;

There have been no proceedings of bankruptcy or receivership against the Issuer.

- (3) Disclose the nature and results of any material reorganization of the Issuer or any of its subsidiaries within the three most recently completed financial years of the current financial year.

There has been no material reorganization of the Issuer other than in connection with the RTO and the accompanying re-constitution of the board and management team of the Issuer.

- 4.2 For issuers with asset backed securities outstanding provide the disclosure required by items 6.2 and 10.3 of OSC Form 41-501F1 as if the securities were or were being distributed under a prospectus

The Issuer does not have any asset backed securities.

- 4.3 For Issuers with a mineral project, disclose the following information for each property material to the Issuer:

The Issuer is not involved with a mineral project (N/A).

5. Selected Consolidated Financial Information

5.1 *Since incorporation, Freeport has incurred costs in carrying out its initial public offering, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the TSX Venture Exchange. The following table sets forth selected historical financial information for Freeport for the years ended December 31, 2008, 2007 and 2006, and selected balance sheet data as at December 31, 2008, 2007 and 2006. Such information is derived from the financial statements of Freeport and should be read in conjunction with such financial statements.*

	Audited Year Ended December 31, 2008	Audited Year Ended December 31, 2007	Audited Year Ended December 31, 2006
Revenue	\$1,410	\$5,416	\$4,734
Operating Expense	113,220	77,104	71,122
Net Income (Loss)	(111,810)	(71,688)	(66,388)
Net Income (Loss) per share	(0.0557)	(0.0326)	(0.0344)
Total Assets	69,802	147,638	208,536
Total Liabilities	48,163	17,672	25,750
Total Shareholders Equity	21,639	129,966	182,786
Weighted average number of shares outstanding	2,008,743	2,200,000	1,928,767

Pro Forma Financial Information as at June 30, 2009

	CONSOLIDATED	
	Minimum	Maximum
	\$	\$
Assets		
Current assets		
Cash	159,231	987,231
Accounts receivable	26,200	26,200
Deferred reactivation expenses	-	-
Inventory		
Home ATM terminals	22,750	22,750
Prepaid cards	40,250	40,250
Licenses	52,000	52,000
	300,431	1,128,431
Intangible assets	202,800	202,800
Software development	-	-
	503,231	1,331,231

Liabilities

Current Liabilities

Accounts payable and accrued liabilities

<u>119,942</u>	<u>119,942</u>
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Shareholders' equity

Share capital

620,893	1,496,893
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Contributed surplus

142,500	166,500
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Deficit

(388,104)	(452,104)
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<u>383,289</u>	<u>1,211,289</u>
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<u>503,231</u>	<u>1,331,231</u>
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<u>CONSOLIDATED</u>	
<u>Minimum</u>	<u>Maximum</u>
\$	\$

Sales

<u>26,200</u>	<u>26,200</u>
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Expenses

Professional fees

48,131	48,131
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Listing and filing fees

16,447	16,447
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Bank charges

58	58
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Office and general

4,515	4,515
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Rent and occupancy

3,386	3,386
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Travel and development

11,754	11,754
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Advertising and marketing

35,000	35,000
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Share-based compensation

11,250	11,250
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<u>130,541</u>	<u>130,541</u>
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Net loss and comprehensive income

<u>(104,341)</u>	<u>(104,341)</u>
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Note: The foregoing summary of the Issuer's pro-forma financial information is qualified in its entirety by the Pro Forma Financial Statements of Freeport attached hereto.

5.2 *The following table sets out selected unaudited quarterly financial information of the Issuer for the eight most recently completed quarters of operation. This information is derived from unaudited quarterly financial statements prepared by management. The Issuer's interim financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.*

	2nd Quarter June 30, 2009	1st Quarter March 31, 2009	4th Quarter Dec. 31, 2008	3rd Quarter September 30, 2008
	\$	\$	\$	\$
Revenue	0	0	0	0
Net Gain / (Loss)	(13,045)	(13,246)	(63,651)	2,664
Loss Per Share	(0.0050)	(0.0074)	(0.0354)	0.0015

	2nd Quarter June 31, 2008	1st Quarter March 31, 2008	4th Quarter Dec. 31, 2007	3rd Quarter September 30, 2007
	\$	\$	\$	\$
Revenue	374	1,036	862	1,313
Net Loss	(25,349)	(25,475)	(31,838)	(11,602)
Loss Per Share	(0.0115)	(0.0116)	(0.0145)	(0.0053)

5.3 Dividends

- (a) *To date, the Issuer has not declared or paid any dividends on the common shares and it is unlikely earnings, if any, will be available for the payment of dividends in the foreseeable future.*
- (b) *Dividends will be declared by the Board of Directors when deemed appropriate from time to time.*

5.4 N/A

6. Management's Discussion and Analysis

FREEPORT CAPITAL INC. Management's Discussion & Analysis For the Year Ended December 31, 2008

April 30, 2009.

This Management's Discussion and Analysis ("MD&A") of financial results and related data is reported in Canadian dollars and should be read in conjunction with the financial statements for the year ended December 31, 2008.

Description of the Issuer's Business

Incorporated on February 8, 2005, Freeport Capital Inc. (the "Company") completed a \$250,000 initial public offering on April 10, 2006.

The principal business of the Company is the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction ("the Qualifying Transaction"), as defined in Policy 2.4 of the TSX Venture Corporate Finance Manual.

On August 9, 2007, the Company entered into a definitive letter of intent and agreement in principle in respect of an arm's length Qualifying Transaction with an Irish based private natural gas exploration company, Finavera Gas Limited. Trading in the Company's Common Shares on the TSX Venture was halted pending completion of the terms of the Qualifying Transaction.

On March 10, 2008 the Company received notice from the TSX Venture that the trading status of its Common Shares would be changed from halt to suspend, effective April 15, 2008, for failure to complete its Qualifying Transaction in accordance with Exchange Policy 2.4.

On July 11, 2008 the Company received notice from the TSX Venture Exchange that in accordance with TSX Venture Exchange Policy 2.4, since the Company had not completed its Qualifying Transaction within the 24 month prescribed time frame, effective July 15, 2008, the Company's tier classification would be changed from Tier 2 to NEX.

In connection with the transfer to NEX, 400,000 common shares initially purchased by directors of the Company and held in escrow, as well as 40,000 incentive stock options, were cancelled, effective July 9, 2008.

On December 9, 2008 the Company announced that it had ceased negotiations regarding its proposed Qualifying Transaction with Finavera Gas Limited., and that it would resume the process of identifying and evaluating companies, assets or businesses with a view to completing a Qualifying Transaction.

Subsequent Event

The following transaction occurred subsequent to the December 31, 2008:

The Company entered into a definitive letter of intent (the "Agreement") dated effective March 20, 2009, in respect of an arm's-length transaction with a Delaware company, First Equity Strategy LLC ("First Equity"). Pursuant to the terms of the Agreement and subject to certain conditions, the Company intends

to acquire all of the issued and outstanding securities of First Equity by way of an exempt takeover bid (the "Transaction").

Subject to the terms and conditions of the Agreement, The Company will purchase all of the issued and outstanding First Equity common shares on the basis of 5,500 Company common shares for each First Equity share. First Equity currently has 1,000 shares outstanding which will be paid for by the issuance of 5,500,000 Company common shares at a deemed price of \$0.25 per share. Upon completion of the Transaction and assuming completion of (i) a non-brokered private placement financing for gross proceeds of up to \$80,000; and (ii) a brokered financing for gross proceeds of approximately \$200,000, the resulting issuer will have approximately 9,700,000 common shares issued and outstanding on a non-diluted basis.

The closing of the proposed Transaction is subject to a number of conditions including: (i) obtaining all necessary regulatory approvals including the approval of the NEX; (ii) shareholder approval (if required); (iii) approval of the CNSX; (iv) receipt of a valuation of First Equity acceptable to the Company; and (v) other conditions typical of a transaction of this nature.

Basis of Presentation of the Financial Statements – going concern

These financial statements are prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because of the Company's losses; negative cash flows and a diminishing working capital ratio. At December 31, 2008 the Company's expected level of expenses for the upcoming twelve months exceeds the Company's cash on hand.

The ability of the Company to continue as a going concern is dependent on future events, including raising capital from either shareholders or outside investors, in order to finance its future activities. There is no certainty that these and other strategies will be sufficient to permit the Company to continue during the twelve months ending December 31, 2009.

These financial statements do not reflect adjustments that would be necessary to the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses if the going concern assumption was not appropriate.

Discussion of Operations and Financial Condition

The Company's net loss for fiscal 2008 was \$111,810, versus a net loss of \$71,688 for fiscal 2007. For the three month period ended December 31, 2008, the Company recorded a net loss of \$63,651, versus a net loss of \$31,838 for the same three month period ended December 31, 2007.

Revenues

Total interest income generated in 2008 was \$1,410, versus \$5,416 in 2007. This interest income was derived from a Guaranteed Investment Certificate. In 4th quarter 2008, the Company did not record any interest income, versus interest income of \$862 in 4th quarter 2007.

Expenses

Total expenses incurred in 2008 were \$113,220 versus \$77,104 in 2007. In 4th quarter 2008, the Company incurred expenses of \$63,651, versus expenses of \$32,700 in 4th quarter 2007.

Off-Balance Sheet Arrangements

During 2008, the Company did not have any special purpose entities nor was it party to any arrangements

that would be excluded from the balance sheet.

Working Capital

The Company's net working capital at December 31, 2008 was \$21,639, which is less than the Company's expected level of expenses for the upcoming twelve month period.

Share Capital

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. As at December 31, 2008 there were 1,800,000 common voting shares issued and no preferred shares issued and outstanding, 180,000 stock options and no agents' options outstanding.

Pursuant to the requirements of the Exchange, 800,000 common shares issued were placed in escrow. Under the Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release"), and an additional 15% of the common shares will be released every six months thereafter on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six month anniversaries following the Initial Release.

Summary of Financial Information:

ANNUAL STATEMENTS OF LOSS (AUDITED)	2008	2007
Interest income	\$1,410	\$5,416
Expenses		
Professional fees	\$32,037	\$17,621
Listing and filing fees	\$27,994	\$22,778
Reactivation expenses	\$34,636	\$0
Bank charges	\$90	\$65
Office and general	\$3,528	\$4,174
Rent and occupancy costs	\$6,773	\$6,837
Stock option compensation	\$3,483	\$20,900
Telecommunications	\$157	\$414
Travel and development	\$4,522	\$4,315
Total Expenses	\$113,220	\$77,104
Net (loss) for the year	(\$111,810)	(\$71,688)
(Loss) per share	(\$0.0557)	(\$0.0326)
Weighted average number of shares outstanding	2,008,743	2,200,000

QUARTERLY BALANCE SHEETS	12/31/08	09/30/08	06/30/08	03/31/08	12/31/07	09/30/07	06/30/07	03/31/07
Cash & cash equivalents	\$69,802	\$75,195	\$83,823	\$118,004	\$137,547	\$157,358	\$164,406	\$193,272
Accrued interest receivable	\$0	\$0	\$0	\$3,021	\$2,673	\$2,107	\$794	\$213
Reactivation expenses	\$0	\$14,636	\$14,636	\$14,636	\$7,418	\$25,000	\$0	\$0
Total assets	\$69,802	\$89,831	\$98,459	\$135,661	\$147,638	\$159,465	\$165,200	\$193,485
Total liabilities	\$48,163	\$12,143	\$15,836	\$27,688	\$17,672	\$27,888	\$2,247	\$18,576
Share capital	\$187,643	\$237,642	\$237,642	\$237,642	\$237,643	\$212,642	\$237,642	\$237,642
Shareholders' equity	\$21,639	\$77,688	\$82,623	\$107,973	\$129,966	\$131,577	\$162,954	\$174,909
Total liabilities & equity	\$69,802	\$89,831	\$98,459	\$135,661	\$147,638	\$159,465	\$165,200	\$193,485

QUARTERLY STATEMENTS OF LOSS	2008	2008	2008	2008	2007	2007	2007	2007
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Interest income	\$0	\$0	\$374	\$1,036	\$862	\$1,313	\$2,074	\$1,168
Expenses								
Professional fees	\$16,931	\$0	\$15,106	\$0	\$16,931	\$0	\$530	\$160
Listing and filing fees	\$2,398	\$2,547	\$5,117	\$17,932	\$2,746	\$5,476	\$8,355	\$6,201
Reactivation expenses	\$34,636	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank charges	\$7	\$7	\$13	\$63	\$13	\$11	\$34	\$7
Office and general	\$0	\$345	\$0	\$3,183	\$2,335	\$1,839	\$0	\$0
Rent and occupancy costs	\$1,693	\$1,693	\$1,693	\$1,693	\$3,988	\$0	\$2,849	\$0
Stock option compensation	\$7,600	(\$7,600)	\$0	\$3,483	\$5,225	\$5,225	\$10,450	\$0
Telecommunications	\$0	\$0	\$0	\$157	\$165	\$66	\$184	\$0
Travel and development	\$385	\$344	\$3,794	\$0	\$1,296	\$299	\$2,077	\$643
Total Expenses	\$63,651	(\$2,664)	\$25,723	\$26,511	\$32,700	\$12,914	\$24,478	\$7,011
Net (loss) for the period	(\$63,651)	\$2,664	(\$25,349)	(\$25,475)	(\$31,838)	(\$11,602)	(\$22,405)	(\$5,844)
(Loss) per share	(\$0.0354)	\$0.0015	(\$0.0115)	(\$0.0116)	(\$0.0145)	(\$0.0053)	(\$0.0102)	(\$0.0027)
Weighted average number of shares outstanding	1,800,000	1,834,783	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000

Contractual Obligations

The Company has no material contractual obligations to disclose.

Related Party Transactions

During the year, the Company was charged \$6,000 plus sales taxes (2007: \$6,000 plus sales taxes) with respect to rent and occupancy costs from a corporation controlled by a director of the Company. The transaction was in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

There have been no critical accounting estimates during the year ended December 31, 2008.

Forward-Looking Statements

Certain statements in this report may constitute forward-looking statements, which may involve risk and uncertainty. The actual results or performance of the Company may be materially different from future results or performance expressed or implied by such forward-looking statements.

Additional Information

Additional Information relating to the Company can also be found on SEDAR at www.sedar.com.

FREEPORT CAPITAL INC.
Management's Discussion & Analysis
For the Three and Six Months Period Ended June 30, 2009

August 28, 2009.

This Management's Discussion and Analysis ("MD&A") of financial results and related data is reported in Canadian dollars and should be read in conjunction with the financial statements for the three month period ended June 30, 2009.

Description of the Issuer's Business

The Company was incorporated under the Business Corporations Act (Alberta) on February 8, 2005. The articles of the Company were amended by Certificate of Amendment dated June 3, 2005 to delete the closed company provisions and the restrictions on share transfers. The Company is a capital pool company ("CPC") that has not commenced commercial operations and has no assets other than cash. Except as specifically contemplated in the CPC policy manual, the Company will not carry on business other than the identification and evaluation of companies, businesses or assets with a view to completing a proposed Qualifying Transaction, as defined in Policy 2.4 of the TSX Venture Corporate Finance Manual.

On August 9, 2007 the Company entered into a definitive letter of intent and agreement in principle in respect of an arm's length Qualifying Transaction with an Irish-based private natural gas exploration company, Finavera Gas Limited. Trading in the Company's Common Shares on the TSX Venture was halted pending completion of the terms of the Qualifying Transaction.

On July 15, 2008 the Company received notice from the TSX Venture Exchange ("TSXV") that in accordance with TSX Venture Exchange Policy 2.4, since the Company had not completed its Qualifying Transaction within the 24-month prescribed time frame, the Company's tier classification had been changed from Tier 2 to NEX. In connection with the transfer to NEX, 400,000 Common Shares of the Company issued to directors of the Company and held in escrow as well as 40,000 incentive stock options, were cancelled, effective July 9, 2008.

On December 9, 2008 the Company announced that it had ceased negotiations regarding its proposed Qualifying Transaction with Finavera Gas Limited, and resumed the process of identifying and evaluating companies, assets or businesses with a view to completing a Qualifying Transaction.

On March 20, 2009 the Company entered into a definitive letter of intent in respect of an arm's-length transaction with a Delaware Company, First Equity Strategy LLC ("First Equity"). Pursuant to the terms of the letter of intent and subject to certain conditions, the Company intends to acquire all of the issued and outstanding units of First Equity by way of an exempt takeover bid.

Subject to the terms and conditions of the letter of intent, the Company will purchase all of the issued and outstanding First Equity units on the basis of 5,500 common shares for each First Equity unit. First Equity currently has 1,000 units outstanding which will be paid for by the issuance of 5,500,000 common shares of the Company at a deemed price of \$0.05 per share.

On May 22, 2009 the Company completed a non-brokered private placement of 1,700,000 common shares at \$0.05 per share, for gross proceeds of \$85,000. A finder's fee was paid to a certain individual consisting of 100,000 common shares of the Company.

Upon completion of the proposed transaction with First Equity, and assuming completion of a concurrent, non-brokered private placement financing for gross proceeds of a minimum of \$200,000 to a maximum of \$1,000,000, the resulting issuer will have approximately 10,525,000 to 13,725,000 common shares issued and outstanding on a non-diluted basis.

The closing of the proposed Transaction is subject to a number of conditions including: (i) obtaining all necessary regulatory approvals; and (ii) other conditions typical of a transaction of this nature.

Discussion of Operations and Financial Condition

For the three month period ended June 30, 2009 ("Q2-09") the Company recorded a net loss of (\$13,045), versus a net loss of (\$25,349) for the same three month period ended June 30, 2008 ("Q2-08"). Year-to-date, the Company's net loss was (\$26,291), versus (\$50,824) for the same 6-month period in 2008.

Revenues

The Company did not generate any interest income in Q2-09, versus interest income of \$374 (derived from a Guaranteed Investment Certificate) in Q2-08. Year-to-date, the Company has not generated any interest income, versus \$1,410 for the same 6-month period in 2008.

Expenses

For Q2-09, the Company incurred expenses of \$13,045, versus \$25,723 in Q2-08. Year-to-date, the Company's expenses were \$26,291, versus \$52,234 for the same 6-month period in 2008.

Financing Activities

On May 22, 2009 the Company completed a non-brokered private placement financing of 1,700,000 common shares, at \$0.05 per share, for gross proceeds of \$85,000. A finder's fee was paid to a certain individual consisting of 100,000 common shares of Freeport Capital. All securities issued in connection with the financing were subject to a four (4) month hold period under applicable securities legislation.

Off-Balance Sheet Arrangements

During Q2-09, the Company did not have any special purpose entities nor was it party to any arrangements that would be excluded from the balance sheet.

Working Capital

The Company's net working capital at June 30, 2009 was \$59,287, which is sufficient for the Company to meet its ongoing obligations. Net working capital at March 31, 2009 and December 31, 2008 were \$8,391 and \$21,639, respectively.

Share Capital

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. As at June 30, 2009

there were 3,600,000 common voting shares issued and no preferred shares issued and outstanding, 180,000 stock options and no agents' options outstanding.

Pursuant to the requirements of the Exchange, 800,000 common shares issued were placed in escrow. Under the Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release"), and an additional 15% of the common shares will be released every six months thereafter on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six month anniversaries following the Initial Release.

Summary of Financial Information:

QUARTERLY BALANCE SHEETS	6/30/2009	3/31/2009	12/31/2008	9/30/2008	6/30/2008	3/31/2008	12/31/2007	9/30/2007
Cash & cash equivalents	\$67,231	\$63,115	\$69,802	\$75,195	\$83,823	\$118,004	\$137,547	\$157,358
Accrued interest receivable	\$0	\$0	\$0	\$0	\$0	\$3,021	\$2,673	\$2,107
Deferred reactivation expenses	\$21,059	\$0	\$0	\$14,636	\$14,636	\$14,636	\$7,418	\$25,000
Total assets	\$88,290	\$63,115	\$69,802	\$89,831	\$98,459	\$135,661	\$147,638	\$159,465
Total liabilities	\$7,942	\$54,724	\$48,163	\$12,143	\$15,836	\$27,688	\$17,672	\$27,888
Share capital	\$277,643	\$187,643	\$187,643	\$237,642	\$237,642	\$237,642	\$237,643	\$212,642
Shareholders' equity	\$80,348	\$8,391	\$21,639	\$77,688	\$82,623	\$107,973	\$129,966	\$131,577
Total liabilities & equity	\$88,290	\$63,115	\$69,802	\$89,831	\$98,459	\$135,661	\$147,638	\$159,465

QUARTERLY STATEMENTS OF LOSS	2nd Qtr 2009	1st Qtr 2009	4th Qtr 2008	3rd Qtr 2008	2nd Qtr 2008	1st Qtr 2008	4th Qtr 2007	3rd Qtr 2008
Interest income	\$0	\$0	\$0	\$0	\$374	\$1,036	\$862	\$1,313
Expenses								
Professional fees	\$0	\$131	\$16,931	\$0	\$15,106	\$0	\$16,931	\$0
Listing and filing fees	\$6,502	\$9,945	\$2,398	\$2,547	\$5,117	\$17,932	\$2,746	\$5,476
Reactivation expenses	\$0	\$0	\$34,636	\$0	\$0	\$0	\$0	\$0
Bank charges	\$24	\$34	\$7	\$7	\$13	\$63	\$13	\$11
Office and general	\$3,072	\$1,443	\$0	\$345	\$0	\$3,183	\$2,335	\$1,839
Rent and occupancy costs	\$1,693	\$1,693	\$1,693	\$1,693	\$1,693	\$1,693	\$3,988	\$0
Stock option compensation	\$0	\$0	\$7,600	(\$7,600)	\$0	\$3,483	\$5,225	\$5,225
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$157	\$165	\$66
Travel and development	\$1,754	\$0	\$385	\$344	\$3,794	\$0	\$1,296	\$299
Total Expenses	\$13,045	\$13,246	\$63,651	(\$2,664)	\$25,723	\$26,511	\$32,700	\$12,914
Net loss for the period	(\$13,045)	(\$13,246)	(\$63,651)	\$2,664	(\$25,349)	(\$25,475)	(\$31,838)	(\$11,602)
Loss per share	(\$0.0050)	(\$0.0074)	(\$0.0354)	\$0.0015	(\$0.0115)	(\$0.0116)	(\$0.0145)	(\$0.0053)
Weighted average number of shares outstanding	2,591,209	1,800,000	1,800,000	1,834,783	2,200,000	2,200,000	2,200,000	2,200,000

Contractual Obligations

The Company has no material contractual obligations to disclose.

Related Party Transactions

During the period, the Company was charged \$1,500 plus sales taxes (Q2-08: \$1,500 plus sales taxes) with respect to rent and occupancy costs from a Company controlled by a director of the Company. The transaction was in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

There have been no critical accounting estimates during the three month period ended June 30, 2009.

International Financial Reporting Standards (IFRS)

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged with International Financial Reporting Standards as issued by the International Accounting Standards Board. The changeover date is effective for interim and annual financial reporting for fiscal year ends beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures which the Company must address.

The Company intends to develop its IFRS conversion plan and evaluate the effect of these new standards on its financial statements. Determination of the key differences between IFRS and the Company's accounting policies will be done with an evaluation of the main potential impact on its business practices, systems and internal controls over financial reporting.

Forward-Looking Statements

Certain statements in this report may constitute forward-looking statements, which may involve risk and uncertainty. The actual results or performance of the Company may be materially different from future results or performance expressed or implied by such forward-looking statements.

Additional Information

Additional Information relating to the Company can also be found on SEDAR at www.sedar.com.

Annual MD&A

Date

- 6.1 Specify the date of the MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the financial statements for the Issuer most recently completed financial year.

Please refer to the annual MD&A for the year ended December 31, 2008 under Item 6 herein.

Overall Performance

- 6.2 Provide an analysis of the Issuer's financial condition, results of operations and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the Issuer's business. Compare the Issuer's performance in the most recently completed financial year to the prior year's performance. The analysis should address at least the following:
- (a) operating segments that are reportable segments as those terms are used in the Handbook;
 - (b) other parts of the business if
 - (i) they have a disproportionate effect on revenues, income or cash needs; or
 - (ii) there are any legal or other restrictions on the flow of funds from one part of the Issuer's business to another;

- (c) industry and economic factors affecting the Issuer's performance;
- (d) why changes have occurred or expected changes have not occurred in the Issuer's financial condition and results of operations; and
- (e) the effect of discontinued operations on current operations.

Please refer to the annual MD&A for the year ended December 31, 2008 under Item 6 herein.

Selected Annual Information

6.3 Provide the following financial data derived from the Issuer's financial statements for each of the three most recently completed financial years:

- (a) net sales or total revenues;
- (b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis;
- (c) net income or loss, in total and on a per-share and diluted per-share basis;
- (d) total assets;
- (f) total long-term financial liabilities; and
- (g) cash dividends declared per-share for each class of share.

Please refer to the annual MD&A for the year ended December 31, 2008 under Item 6 herein

6.4 Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of the Issuer's business, and any other information the Issuer believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

Please refer to the annual MD&A for the year ended December 31, 2008 under Item 6 herein

Results of Operations

6.5 Discuss management's analysis of the Issuer's operations for the most recently completed financial year, including net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

- (a) any other significant factors that caused changes in net sales or total revenues;

- (b) cost of sales or gross profit;
- (c) for issuers that have significant projects that have not yet generated operating revenue, describe each project, including the Issuer's plan for the project and the status of the project relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the project to the next stage of the project plan;
- (d) for resource issuers with producing mines, identify milestones such as mine expansion plans, productivity improvements, or plans to develop a new deposit;
- (e) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;
- (f) commitments, events, risks or uncertainties that you reasonably believe will materially affect the Issuer's future performance including net sales, total revenue and income or loss before discontinued operations and extraordinary items;
- (g) effect of inflation and specific price changes on the Issuer's net sales and total revenues and on income or loss before discontinued operations and extraordinary items;
- (h) a comparison in tabular form of disclosure you previously made about how the Issuer was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on the Issuer's ability to achieve its business objectives and milestones; and
- (i) unusual or infrequent events or transactions.

Please refer to the annual MD&A for the year ended December 31, 2008 under Item 6 herein.

Summary of Quarterly Results

- 6.6 Provide the following information in summary form, derived from the Issuer's financial statements, for each of the eight most recently completed quarters:
- (a) net sales or total revenues;
 - (b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis; and
 - (c) net income or loss, in total and on a per-share and diluted per share basis.
 - (d) Discuss the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

Please refer to the quarterly MD&A for the Three and Six Months Period Ended June 30, 2009 under Item 6 herein.

Liquidity

6.7 Provide an analysis of the Issuer's liquidity, including

- (a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

Please refer to the quarterly MD&A for the Three and Six Months Period Ended June 30, 2009 under Item 6 herein.

- (b) trends or expected fluctuations in the Issuer's liquidity, taking into account demands, commitments, events or uncertainties;

Taking into account the new business to be conducted, the Issuer expects to generate sufficient revenues from its commercial activities in order to cover its projected operating expenses.

- (c) its working capital requirements;

\$150,000 (Salaries, rent and various licensing fees)

- (d) liquidity risks associated with financial instruments;

None.

- (e) if the Issuer has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

With the conduct of the business of First Equity, the Issuer does not have or expect to have a working capital deficiency

- (f) balance sheet conditions or income or cash flow items that may affect the Issuer's liquidity;

The business being conducted poses a very limited risk to the Issuer's liquidity due to the fact that the business consists of selling prepaid debit cards. The risk is leveraged by the initial investment.

- (g) legal or practical restrictions on the ability of subsidiaries to transfer funds to the Issuer and the effect these restrictions have had or may have on the ability of the Issuer to meet its obligations; and

There are no legal or practical restrictions on the ability of First Equity to transfer funds to the Issuer.

- (h) defaults or arrears or anticipated defaults or arrears on
 - (i) dividend payments, lease payments, interest or principal payment on debt;
The Issuer is not in default on any payments.
 - (ii) debt covenants during the most recently completed financial year; and
The Issuer is not in default on any debt covenants.
 - (iii) redemption or retraction or sinking fund payments, and how the Issuer intends to cure the defaults or arrears
The Issuer is not in default on any payments.

Capital Resources

6.8 Provide an analysis of the Issuer's capital resources, including

- (a) commitments for capital expenditures as of the date of the Issuer's financial statements including
 - (i) the amount, nature and purpose of these commitments;
The Issuer has no such commitments.
 - (ii) the expected source of funds to meet these commitments; and
The Issuer has no such commitments.
 - (iii) expenditures not yet committed but required to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;
The Issuer has no such expenditures committed.
- (b) known trends or expected fluctuations in the Issuer's capital resources, including expected changes in the mix and relative cost of these resources; and
There are no trends or expected fluctuations in the Issuer capital resources.
- (c) sources of financing that the Issuer has arranged but not yet used.
The Issuer has not arranged any other sources of financing.

Off-Balance Sheet Arrangements

6.9 Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Issuer

including, without limitation, such considerations as liquidity and capital resources. This discussion shall include their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments, including

- (a) a description of the other contracting party(ies);
- (b) the effects of terminating the arrangement;
- (c) the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement;
- (d) the nature and amounts of any other obligations or liabilities arising from the arrangement that could require the Issuer to provide funding under the arrangement and the triggering events or circumstances that could cause them to arise; and
- (e) any known event, commitment, trend or uncertainty that may affect the availability or benefits of the arrangement (including any termination) and the course of action that management has taken, or proposes to take, in response to any such circumstances.

During 2008 and the first six months of 2009, the Issuer did not have any special purpose entities nor was it party to any arrangements that would be excluded from the balance sheet.

Transactions with Related Parties

6.10 Discuss all transactions involving related parties as defined by the Handbook.

During 2008, the Issuer was charged \$6,000 plus sales taxes (2007: \$6,000 plus sales taxes) with respect to rent and occupancy costs from a corporation controlled by a director of the Issuer. The transaction was in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

For the six-month period ended June 30, 2009 the Issuer was charged \$3,000 plus sales taxes (2008: \$3,000 plus sales taxes) with respect to rent and occupancy costs from a corporation controlled by a director of the Issuer. The transaction was in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Fourth Quarter

6.11 Discuss and analyze fourth quarter events or items that affected the Issuer's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of the Issuer's business and dispositions of business segments.

See annual MD&A for the year ended December 31, 2008 under Item 6 herein.

Proposed Transactions

- 6.12 Discuss the expected effect on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if the Issuer's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

The Issuer purchased all of the issued and outstanding First Equity membership interest units on the basis of 5,500 Freeport common shares for each First Equity membership interest unit ("the Transaction"). First Equity currently has 1,000 membership interest units outstanding which will be paid for by the issuance of 5,500,000 Freeport common shares at a deemed price of \$0.05 per share. As of the date of the listing statement, the Issuer will have completed a brokered financing for gross proceeds of a minimum of \$100,000. The Resulting Issuer will have approximately 10,125,000 common shares issued and outstanding on a non-diluted basis.

Changes in Accounting Policies including Initial Adoption

- 6.13 Discuss and analyze any changes in the Issuer's accounting policies, including
- (a) for any accounting policies that management has adopted or expects to adopt subsequent to the end of the most recently completed financial year, including changes management has made or expects to make voluntarily and those due to a change in an accounting standard or a new accounting standard that you do not have to adopt until a future date,
 - (i) describe the new standard, the date the Issuer required to adopt it and, if determined, the date the Issuer plans to adopt it;
 - (ii) disclose the methods of adoption permitted by the accounting standard and the method management expects to use;
 - (iii) discuss the expected effect on the Issuer's financial statements, or if applicable, state that management cannot reasonably estimate the effect; and
 - (iv) discuss the potential effect on the Issuer's business, for example technical violations or default of debt covenants or changes in business practices; and
 - (b) for any accounting policies that management has initially adopted during the most recently completed financial year,
 - (i) describe the events or transactions that gave rise to the initial adoption of an accounting policy;
 - (ii) describe the accounting principle that has been adopted and the method of applying that principle;
 - (iii) discuss the effect resulting from the initial adoption of the accounting

policy on the Issuer's financial condition, changes in financial condition and results of operations;

- (iv) if the Issuer is permitted a choice among acceptable accounting principles,
 - (A) state that management made a choice among acceptable alternatives;
 - (B) identify the alternatives;
 - (C) describe why management made the choice that you did; and
 - (D) discuss the effect, where material, on the Issuer's financial condition, changes in financial condition and results of operations under the alternatives not chosen; and
- (v) if no accounting literature exists that covers the accounting for the events or transactions giving rise to management's initial adoption of the accounting policy, explain management's decision regarding which accounting principle to use and the method of applying that principle.

See Annual MD&A for the year ended December 31, 2008 and quarterly MD&A for the three months ended June 30, 2009 under Item 6 herein.

Financial Instruments and Other Instruments

6.14 For financial instruments and other instruments,

- (a) discuss the nature and extent of the Issuer's use of, including relationships among, the instruments and the business purposes that they serve;
- (b) describe and analyze the risks associated with the instruments;
- (c) describe how management manages the risks in paragraph (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;
- (d) disclose the financial statement classification and amounts of income, expenses, gains and losses associated with the instrument; and
- (e) discuss the significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

With regard to all the foregoing points, see Annual MD&A for the year ended December 30, 2008 and quarterly MD&A for the three months ended June 30, 2009 under item 6 herein.

Interim MD&A

6.15 Specify the date of the interim MD&A.

June 30, 2009.

6.16 Interim MD&A must update the Issuer's annual MD&A for all disclosure required by sections 6.2 to 6.14 except sections 6.3 and 6.4. This disclosure must include

- (a) a discussion of management's analysis of
 - (i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;
 - (ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;
 - (iii) any seasonal aspects of the Issuer's business that affect its financial condition, results of operations or cash flows; and
- (b) a comparison of the Issuer's interim financial condition to the Issuer's financial condition as at the most recently completed financial year-end.

With regard to all the foregoing points, see Annual MD&A for the year ended December 30, 2008 and quarterly MD&A for the three and six months ended June 30, 2009 under item 6 herein.

Additional Disclosure for Issuers without Significant Revenue

6.17

- (1) Unless the information is disclosed in the financial statements to which the annual or interim MD&A relates, an Issuer that has not had significant revenue from operations in either of its last two financial years must disclose a breakdown of material components of
 - (a) capitalized or expensed exploration and development costs;
 - (b) expensed research and development costs;
 - (c) deferred development costs;
 - (d) general and administration expenses; and
 - (e) any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (a) through (d)

and if the Issuer's business primarily involves mining exploration and development, the analysis of capitalized or expensed exploration and development costs must be presented on a property-by-property basis.

- (2) The disclosure in the annual MD&A must be for the two most recently completed financial years and the disclosure in the interim MD&A for the each year-to-date interim period and the comparative period presented in the interim statements.

With regard to all the foregoing points, see Annual MD&A for the year ended December 31, 2008 and quarterly MD&A for the three months ended June 30, 2009 under Item 6 herein.

7. Market for Securities

- 7.1 Identify the exchange(s) and quotation system(s) on which the Issuer's securities are listed and posted for trading or quoted.

The Issuer commenced trading its common shares on the TSX-V under the symbol F.P. on April 10, 2006. Effective April 15, 2008 the Issuer's trading status was suspended for failure to complete its Qualifying Transaction in accordance with Exchange Policy 2.4. Effective July 15, 2008 the Issuer's tier classification was changed from Tier 2 to NEX. The trading symbol was subsequently changed to F.H. In light of the transaction described herein, the Issuer is currently seeking to list its shares for trading on the CNSX.

8. Consolidated Capitalization

- 8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. As at December 31, 2008 there were 1,800,000 common voting shares issued and no preferred shares issued and outstanding, 180,000 stock options and no agents' options outstanding. Pursuant to the acquisition of First Equity, it is anticipated that there will be a minimum of 10,125,000 issued and outstanding common voting shares.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Issuer, effective June 30, 2009, both before and after giving effect to the Transaction. See the Pro Forma Financial Statements of Freeport attached hereto.

	Outstanding as at June 30, 2009 prior to giving effect to the Transaction	Outstanding as at June 30, 2009 after giving effect to the Transaction ⁽¹⁾	
		Minimum	Maximum
Freeport Shares	3,600,000	10,125,000	13,725,000

Note:

- (1) Total issued and outstanding shares will depend on the size of financing completed.

9. Options to Purchase Securities

- 9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by
- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;
 - (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;
 - (c) all other employees and past employees of the Issuer as a group, without naming them;
 - (d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;
 - (e) all consultants of the Issuer as a group, without naming them; and
 - (f) any other person or company, including the underwriter, naming each person or company.

	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Name				
Brad M. Romoff	80,000	0.125	Feb 2011	0
J.R. Scott Pritchard	80,000	0.125	Feb 2011	0
David E. Luxton	10,000	0.125	Feb 2011	0
J. Gill Broome	10,000	0.125	Feb 2011	0

10. Prior Sales

10.1 State the description or the designation each class of equity or debt securities of the Issuer and describe all material attributes and characteristics, including

- (a) dividend rights;
- (b) voting rights;
- (c) rights upon dissolution or winding-up;
- (d) pre-emptive rights;
- (e) conversion or exchange rights;
- (f) redemption, retraction, purchase for cancellation or surrender provisions;
- (g) sinking or purchase fund provisions;
- (h) provisions permitting or restricting the issuance of additional securities and any other material restrictions;
- (i) provisions requiring a security holder to contribute additional capital;
- (j) provisions for interest rate, maturity, and premium, if any of debt securities;
- (k) the nature and priority of any security for debt securities, briefly identifying the principal properties subject to lien or charge;
- (l) any material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing debt securities;
- (m) the name of the trustee under any indenture relating to debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any

of its affiliates; and

- (n) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness..

The Issuer will have authorized capital which consists of an unlimited number of Common Shares without nominal or par value, and an unlimited number of preferred shares without nominal or par value, issuable in series. Assuming completion of the Transaction and the Private Placement, approximately 10,125,000 Common Shares will be issued and outstanding, on a non-diluted basis, as fully paid and non-assessable and 10,705,000 Common Shares will be issued and outstanding on a fully diluted basis.

Common Shares

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Resulting Issuer's shareholders and are entitled to one vote for each Common Share held. The holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the Resulting Issuer.

Preferred Shares

The preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Resulting Issuer.

- 10.2 State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

Date	Number of Common Shares	Price per Share	Consideration Received
May, 2009	1,700,000 (private placement)	\$0.05	\$85,000
May, 2009	100,000 (finder's fee/commission)	\$0.05	N/A

10.3 Stock Exchange Price

- (1) If shares of the same class as the shares to be listed were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs.
- (2) If shares of the same class as the shares to be listed were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs.

- (3) Information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

The Common Shares are listed and posted for trading on the NEX board of the TSX Venture Exchange under the symbol "F.H". On August 9, 2007, the last full day on which the Common Shares traded on the TSX-V Exchange, the ten day closing average trading price of the Common Shares on the TSX-V Exchange, as reported by such Exchange, was \$0.245 per share. The following table sets forth the high and low closing trading prices and the aggregate volume of trading of the Common Shares as reported by the TSX-V Exchange for the periods indicated. The Common Shares began trading on the TSX-V Exchange on April 10, 2006 and have not traded since August 9, 2007 as trading was suspended by the Exchange for failure to complete a Qualifying Transaction within the Exchange's prescribed time period. Effective July 15, 2008 the Issuer's tier classification was changed from Tier 2 to NEX. The trading symbol was subsequently changed to F.H.

Period	Price Range		Volume
	High	Low	
2009			
First Quarter ⁽²⁾	0	0	0
2008			
Fourth Quarter ⁽²⁾	0	0	0
Third Quarter	0	0	0
Second Quarter	0	0	0
First Quarter	0	0	0

Notes:

- (1) Commenced trading in April 2006.
(2) The Common Shares were halted for trading on August 10, 2007.

11. Escrowed Securities

- 11.1 State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

Name and Place of Residence of Shareholder	Common Shares held in escrow	Percentage of Shares prior to giving effect to the Acquisition
Bradley M. Romoff Montreal, Quebec	150,000	8.3%

Name and Place of Residence of Shareholder	Common Shares held in escrow	Percentage of Shares prior to giving effect to the Acquisition
J.R. Scott Pritchard Westmount, Quebec	150,000	8.3%
David E. Luxton Ottawa, Ontario	50,000	2.8%
J. Gill Broome Montreal, Quebec	50,000	2.8%
Alain Lambert West Bolton, Quebec	100,000	5.6%
Robert E. Brown Westmount, Quebec	100,000	5.6%
William L. Hess Montreal, Quebec	100,000	5.6%
Louis-Philippe Séguin Montreal, Quebec	100,000	5.6%
Total	800,000	44.4%

Note:

- (1) the foregoing shares are subject to a CPC Escrow Agreement pursuant to the policies of the TSX Venture Exchange. It is expected that all of the foregoing shares will be cancelled in connection with the issuer's delisting from the TSX Venture Exchange and shareholders will receive new shares in the Issuer upon confirmation of listing on the CNSX, which will be deposited and held under a new NP 46-201 escrow agreement.

12. Principal Shareholders

- 12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:

- (a) Name.

Variance Strategy L.L.C.

- (b) The number or amount of securities owned of the class to be listed;

4,400,000 Common Shares

- (c) Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only.

Owned both of record and beneficially

- (d) The percentages of each class of securities known by the Issuer to be owned.

43.5%

- (2) If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.

The percentages held by Variance Strategy LLC are a result of the Acquisition by Freeport of First Equity. The Issuer is listing on the CNSX pursuant to a fundamental change.

- (3) If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.

There are no voting trusts.

- (4) If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.

No such relationship exists.

- (5) In addition to the above, include in a footnote to the table, the required calculation(s) on a fully diluted basis.

Not applicable, as fully-diluted would be the same result as above.

13. Directors and Officers

- 13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years :

Name and Municipality of Residence	Position to be Held	Number and Percentage of Common Shares of Resulting Issuer	Director / Officer Since	Principal Occupation
Bruce Donald Baillio, San Antonio, Texas.	Chief Executive Officer and Director	550,000	Proposed Director and Officer of Resulting Issuer	<p>Smart Card Marketing Systems Inc (SMKG: Pink sheets)</p> <p>Mr. Baillio has 30 years experience in operations management, retail marketing and sales. Beginning his career as a retail manager for JC Penney, Mr. Baillio went on to a career focused on information technology. He founded a software company in 1981 which he operated for 5 years and sold to a major distributor in 1986. He furthered his expertise in retail management and marketing as Chief Operating Officer of a company that managed 21 optical clinics adjoined to EyeMasters throughout Texas and Louisiana. Mr. Ballio also served as the Vice President of North Americas 3rd largest Optometric buying coalition (Vision West) of California with over 4900 Optometrists, billing over \$60 million annually. He received his MBA in 2001 with a focus in E-Commerce. Mr. Baillio offers strong industry insight, business management and strategic planning to the company.</p>
Michael Tasillo Montreal, Canada	President Chief Financial Officer and Director	550,000	Proposed Director and Officer of Resulting Issuer	<p>Les Entreprises Nord Construction (1962) Inc. Quality coordinator, Project manager and operational management from 1996 to present</p>

Name and Municipality of Residence	Position to be Held	Number and Percentage of Common Shares of Resulting Issuer	Director / Officer Since	Principal Occupation
Anthony, Barone Toronto, Canada	Director	0	Proposed Director of Resulting Issuer	Riviera Parque Banquet Hall and restaurant, operations Manager, 2005 to present; Premium Lens care, sales representative, 2005; Peppercorn's Steakhouse & Lounge, Manager;

- 13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

Directors are elected annually.

- 13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.

As at the date hereof the directors hold as an aggregate of individuals 1,100,000 shares or approximately 10.9% of the anticipated issued and outstanding shares of the Issuer.

- 13.4 Disclose the board committees of the Issuer and identify the members of each committee.

The Resulting Issuer will have an Audit Committee which consists of the following directors:

Bruce Donald Baillio

Michael Tasillo

Anthony Barone

- 13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.

Please refer to the above- mentioned table in Item 13.1.

- 13.6 If a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

No director or officer was involved in any other Issuer which was subject to a cease trade

or similar order.

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

No directors/officers have been bankrupt within the last 10 years.

- 13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

N/A

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

N/A

- 13.8 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

There are no items to report.

- 13.9 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.

No material conflicts exist.

- 13.10 Management — In addition to the above provide the following information for each member of management:

- (a) state the individual's name, age, position and responsibilities with the Issuer and relevant educational background,

Name	Age	Position	Responsibilities	Educational Background
Bruce Donald Baillio	57	CEO and Director	Day to day business and strategy implementation	MBA, 2001

Michael Tasillo	35	Director	Oversight of business strategy	Concordia University
Anthony Barone	28	Director	Day to day business	Laurier MacDonald High School 1998

- (b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer,

Name	Time Spent	Employee/Contractor	Related Experience
Bruce Donald Baillio	100%	CEO and Director	Refer to Item 13.1
Michael Tasillo	10%	Director	Refer to Item 13.1
Anthony Barone	10%	Director	Refer to Item 13.1

- (c) state whether the individual is an employee or independent contractor of the Issuer,

Please refer to Item 13.10 (b)

- (d) state the individual's principal occupations or employment during the five year prior to the date of the Listing Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:

- (i) its name and principal business;
- (ii) if applicable, that the organization was an affiliate of the Issuer;
- (iii) positions held by the individual; and
- (iv) whether it is still carrying on business, if known to the individual;

Please refer to Item 13.10 hereinabove.

- (e) describe the individual's experience in the Issuer's industry; and

Please refer to Item 13.10 (b)

- (f) state whether the individual has entered into a non-competition or nondisclosure agreement with the Issuer.

No individuals have entered into these types of agreements.

14. Capitalization

- 14.1 Prepare and file the following chart for each class of securities to be listed:

<u>Issued Capital</u>	<u>Number of Securities (non-diluted)</u>	<u>Number of Securities Issued</u>		<u>% of Issued (non-diluted)</u>
		<u>(fully- Diluted)</u>	<u>(non- diluted)</u>	
<u>Public Float</u>				
Total outstanding	4,625,000	5,205,000	4,625,000	45.7%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer	5,500,000	5,500,000	5,500,000	54.3% ⁽¹⁾ 40.1% ⁽²⁾

Notes:

- (1) If minimum financing is completed.
(2) If maximum financing is completed.

	<u>Minimum</u>		<u>Maximum</u>
<u>Freely-Tradeable Float</u>	4,625,000	/	8,225,000
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders	5,500,000	/	5,500,000
<u>Total Tradeable Float</u>	10,125,000	/	13,725,000

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 - 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	<u>22</u>	<u>2,600,000</u>

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	3	4,000
2,000 securities 2,999	62	148,000
3,000 securities 3,999	71	219,000
4,000 securities 4,999	43	173,000
500 or more securities	50	156,000
	<hr/> 226 ⁽¹⁾	<hr/> 1,000,000 ⁽²⁾

Note:

- (1) Subject to completion of financing of up to minimum 4,00,000 and maximum 4,000,000 shares being issued to public securityholders.

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 securities 2,999		
3,000 securities 3,999		
4,000 securities 4,999		
500 or more securities	3	5,500,000

14.2 Provide the following details for any securities convertible or exchangeable into common shares of the Issuer:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / Exercise
Share purchase options ⁽¹⁾	180,000	180,000
Warrants ⁽²⁾	400,000 – 4,000,000	400,000 – 4,000,000

Note

- (1) Exercisable at a price of \$0.125 per share for a period of five (5) years from the date of grant.
(2) Warrants have an exercise price of \$0.40 per share and expire 18 months after the dated of issuance.

14.3 Provide details of any listed securities reserved for issuance that are not included in section

No additional securities exist.

15. Executive Compensation

- 15.1 Attach a statement of executive compensation from form 40 of Regulation 1015 of the Revised Regulations of Ontario, 1990 or any successor instrument and describe any intention to make any material changes to that compensation.

The following table (presented in accordance with Form 51-102F6 – Statement of Executive Compensation ("Form 51-102F6") pursuant to National Instrument 51-102 – Continuous Disclosure Obligations) sets forth all annual and long term compensation for services, in all capacities, to the Issuer in the most recent financial year ended December 31, 2008 (to the extent required by Form 51-102F6), in respect of the Chief Executive Officer, Chief Financial Officer and each of Issuer's other three most highly paid executive officers as at December 31, 2008 with annual compensation in excess of \$150,000, and any individual who would have satisfied these criteria but for the fact that individual was not serving as such an officer at the end of the most recently completed financial year (collectively, the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Awards			
					Securities Under Options granted (#)	Shares or Units subject to Resale Restrictions	LTIP Payouts	All other Compensation
Bradley Romoff President and Chief Executive Officer	2008	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Perquisites and other personal benefits, securities or property that do not in the aggregate exceed the less of \$50,000 and 10% of the total of the annual salary and bonus for the Named Executive Officer for the financial year, if any, are not disclosed.
- (2) First Equity was formed on July 11, 2008 and commenced operating in March 2009. There were no salaries paid in 2008.
- (3) Mr. Bruce Donald Baillio new C.E.O. of the Issuer will be expected to receive a base annual salary of \$60,000.

- 15.2 Exception- Despite item 15.1, the disclosure required under Items V, VIII, IX and X of Form 40 may be omitted.

16. Indebtedness of Directors and Executive Officers

- 16.1 (1) Disclose in substantially the following tabular form all indebtedness (other than routine indebtedness), and the other details prescribed in paragraph (2), for each individual who is, or at any time during the most recently completed financial year of the Issuer was, a director or executive officer of the Issuer, and each associate of such an individual,
- (a) who is indebted to the Issuer or a subsidiary of the Issuer; or

No directors/officers are indebted to the Issuer.

- (b) whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or a subsidiary of the Issuer.

No directors/officers are indebted to the Issuer.

16.2 Include the following in the table required under paragraph 16.1:

- (a) The name of the borrower (column (a)).

No directors/officers are indebted to the Issuer.

- (b) If the borrower is a director or executive officer, the principal position of the borrower; if the borrower was, during the year, but no longer is a director or executive officer, include a statement to that effect; if the borrower is included as an associate of a director or executive officer, describe briefly the relationship of the borrower to any individual who is or, during the year, was a director or executive officer, name that individual and provide the information that would be required under this subparagraph for that individual if he or she was the borrower (column (a))

No directors/officers are indebted to the Issuer.

- (c) Whether the Issuer or a subsidiary of the Issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).

No directors/officers are indebted to the Issuer.

- (d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).

No directors/officers are indebted to the Issuer.

- (e) The aggregate amount of the indebtedness outstanding as at a specified date not more than 30 days before the date of Listing Statement (column (d));

No directors/officers are indebted to the Issuer.

- (f) If the indebtedness was incurred to purchase securities of the Issuer or of a subsidiary of the Issuer, separately for each class of securities the aggregate number of securities purchased during the last completed financial year with the financial assistance (column (e)).

No directors/officers are indebted to the Issuer.

- (g) The security, if any, provided to the Issuer, a subsidiary of the Issuer or the other entity for the indebtedness (column (f)).

No directors/officers are indebted to the Issuer.

- 16.3 Disclose in the introduction to the table required under paragraph (1) the aggregate indebtedness of all officers, directors, employees, and former officers, directors and employees of the Issuer or a subsidiary of the Issuer outstanding as at a specified date not more than 30 days before the date of the Listing Statement, that is owed to

- (a) the Issuer or a subsidiary of the Issuer; or

No directors/officers are indebted to the Issuer

- (b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

No directors/officers are indebted to the Issuer.

- 16.4 Disclose in a footnote to, or a narrative accompanying, the table required under paragraph (1)

- (a) the material terms of the indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and the nature of the transaction in which the indebtedness was incurred;

No directors/officers are indebted to the Issuer.

- (b) any material adjustment or amendment made to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding; and

No directors/officers are indebted to the Issuer.

- (c) the class of the securities purchased with financial assistance from the Issuer or held as security for the indebtedness and, if the class of securities is not publicly traded, all material terms of the securities.

No directors/officers are indebted to the Issuer.

17. Risk Factors

- 17.1 Describe the risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the Issuer, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, the arbitrary establishment of the offering price, regulatory constraints, economic or political conditions and financial history and any other matter that in the opinion of the Issuer would be most likely to influence the investor's decision to

purchase, hold or sell the Issuer's securities. Risks should be disclosed in the order of their seriousness in the opinion of the Issuer.

*An investment in the Common Shares should be considered highly speculative due to the Issuer's present stage of development, the nature of its operations and certain other factors. An investment in the Common Shares should only be made by persons who can afford the total loss of their investment. **Investments in small businesses involve a high degree of risk and investors should not invest any funds in the Resulting Issuer unless they can afford to lose their entire investment.** A prospective investor should consider carefully the following factors, which assume the completion of the Transaction.*

The following are certain risk factors relating to the Issuer, and the Issuer's Business. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document. The risks and uncertainties described below are not the only risks and uncertainties The Issuer faces. Additional risks and uncertainties not currently known to the Issuer currently deems immaterial also may impair the Issuer's business operations. If any of the following risks actually occur, the Issuer's business, results of operations and financial condition could suffer. In that event the trading price of the Issuer's common shares could decline and shareholders could lose all or part of their investment in.

Regulatory Regime

The profitability of the Business will be in part dependent upon the continuation of a favourable regulatory regime with respect to the continuing operations and the future growth and development of independent POS, prepaid debit and money lending. Should the regulatory regime or the interpretation of the legislation in an applicable jurisdiction be modified in a manner which adversely affects independent operators, including increases in taxes or increased regulatory burdens (including burdens imposed by Interac, Cirrus, Maestro, Canadian Payments Association, Visa and Plus), the Issuer's business may be adversely affected. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, may adversely affect (?????)

Business

If the Networks, like Interac, Visa, MasterCard, Plus, or Cirrus change their rules to alter the financial terms under which acquirers and issuers operate, such a change could have an adverse effect on the Issuer's business (or a positive effect, depending on the direction of the change). Some examples of the types of financial terms that the Networks have the power to change under their rules include: changing of amounts of interchange that is paid to/by card issuers or transaction acquirers, adjusting the fees paid by card issuers and/or transaction acquirers to the Network, creating new fees or levies charged to card issuers and/or transaction acquirers, changing the rules for allocating the liability for fraudulent transactions and their associated costs, changing the requirements for connecting to the network for transaction processing, eliminating or restricting the use of surcharging, allowing non-financial institution members to deploy or process transactions, increasing Network association fees charged to card issuers or transaction acquirers, changing their rules so that different rules/fees apply to financial institutions versus non financial institution terminal deployers or processors, and changing or adding new monetary sanctions for breaches of network rules. If such changes result in increased costs or decreased revenue for the Issuer, the Issuer may or may not be able to recover the

difference by altering the terms of the contracts the Issuer has with the Issuer's customers (or the Issuer may not be able to make the necessary adjustments until the terms of existing contracts reach the end of their current term).

If Interac, MasterCard or VISA mandate a hardware or software security upgrade for POS and debit cards, or change the rules and regulations around approved devices, members or security, the Issuer's business may be adversely impacted.

Security upgrades are required under Interac, MasterCard, and Visa rules. These upgrades include the requirements to have: (a) EMV (Europay, MasterCard, Visa) certified chip card (the replacement technology for the historical magnetic stripe cards) software/readers, and (b) network approved encrypted PIN pad ("EPP") devices, installed on all debit terminals thereby providing the ability to accept EMV chip card transactions.

The Issuer's operations are subject to a variety of federal laws, provincial laws and the rules of various financial networks ("Networks"), including Interac, Cirrus, Maestro, Visa and Plus. Also, the Issuer or the entities with whom the Issuer contracts are subject to the jurisdiction of various government agencies and departments, including the Office of the Superintendent of Financial Institutions ("OSFI"), the Canadian Payments Association (the "CPA"), Canadian Deposit Insurance Corporation ("CDIC"), Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"), various Provincial regulators of consumer transaction laws and financial services (for example, Alberta Superintendent of Financial Institutions ("ASFI"), British Columbia Financial Institutions Commission ("FICOM"), The Financial Services Commission of Ontario ("FSCO") and the offices of Provincial privacy commissioners). Any arrangements between the Issuer Group and DC Bank (i.e. transactions between "related parties" and "outsourcing" arrangements) are also subject to regulation/scrutiny by OSFI as the regulator of federal banks. Some of the more common areas where regulatory compliance can become relevant to operation of the Issuer's business include (a) anti-money laundering ("AML") requirements which includes reporting of suspicious transactions and checking of customer names against various lists of terrorist organizations, (b) know your client ("KYC") requirements (c) fee disclosure requirements ("FDR"), (d) identification of politically exposed foreign persons ("PEFP") and collection of additional information regarding PEFP transactions. Although the cost of compliance with such requirements historically has not been material to the Issuer, such laws or regulations are subject to change and accordingly, it is impossible to predict the cost or impact of such laws or regulations on its future operations. Each of the Networks, the CPA and other regulators are constantly reviewing, revising and updating their rules and regulations with a view to addressing and regulating new business practices, the needs of the marketplace and generally to meet their public interest mandates. If any of the Networks or government agencies that regulate financial institutions change their rules (or their interpretation of the rules) so as to increase the administrative burdens necessary to operate the Issuer's Cash Card program (for example, requiring that each Cash Card customer become a customer of the financial institution and provide the necessary information to open and maintain a separate deposit account), such changes/increased costs could negatively impact cash distributions. If other legislation not directly dealing with financial institutions (for example, the Tax Rebate and Discount Act (Canada)) or legislation similar to the legislation introduced to regulate "gift" cards, is passed to restrict or limit the ability to charge fees on Cash Cards, this may make the use of Cash Cards in such applications uneconomic (or reduce the Issuer's per card profitability in such applications), and thereby possibly reducing the Issuer's cash flow.

Payday Loan Companies

The majority of the customers for Cash Cards are payday loan and cheque cashing companies, and this industry is currently subject to a large number of class action lawsuits and regulatory inquiries which could adversely impact the volume of business that the Issuer realizes from these companies. Card Capital Inc. (one of the predecessors from whom the Issuer acquired the Cash Card assets) has been named as a defendant in one class action lawsuit which is being actively defending and which the Issuer believes has no merit. Card Capital Inc. is indemnified for this claim pursuant to its merchant agreement with the payday loan provider who has been named as a party to this lawsuit. The Issuer has a payday loan customer which accounts for over 15% of the Issuer's overall revenues. Most Provinces are in the process of passing legislation and/or regulations to regulate the payday loan industry (including setting maximum fees and interest for payday loan operators). Some of these regulations include regulations on how payday loan operators may use cash cards to fund payday loan. Most of the Provinces have not yet set maximum interest/fee structures yet. In many of those jurisdictions where maximum interest/fees have been proposed, many payday operators have complained that the maximum rates and charges set are too low. In the result, there is a possibility that some pay day operators might decide to discontinue operations in some jurisdictions if either (a) criminal prosecutions or civil law suits (in Provinces where Section 347 still applies); or (b) compliance with Provincial pay day loan regulatory requirements (in Provinces exempted from Section 347) make continued operations unprofitable. If any of the Issuer's larger Cash Card merchant customers involved in the pay day loan business were to cease operations in all of Canada or in particular Provinces this could negatively impact the Issuer's revenue in the Cash Card business.

Network and Internal Fraud

If a fraud occurs on any of the Networks, this could result a cost to the Issuer if it is determined that the breach is a result of our negligence or failure to follow Network rules or regulations (or where the fault is not the Issuer's but the perpetrator of the fraud cannot be located or cannot be collected from). As new methods of intrusion and fraud emerge in the industry, the Issuer may have to incur significant additional costs to implement additional security precautions (which may be undertaken by the Issuer voluntarily or as a result of Network rule changes). Furthermore, the occurrence of frauds can result in a loss of consumer confidence which may result in declining transaction volumes at Debit Terminals. Any of these circumstances could lead to the Issuer' cash flow being adversely impacted.

Software Viruses and Network Intrusion

The Issuer maintains many different networks and management information systems (some of which are interconnected) and some of which are connected to the internet or to other external networks. The Issuer may be susceptible to viruses and network intrusions by third parties. Furthermore, network intrusions that occur on outside networks (or the internet) that the Issuer connects to can spread to the Issuer. Any intrusion or virus could impact the performance of the transaction processing capabilities of the Issuer and in a worst case scenario could require temporary shut down of the affected systems (and the related services offered by the Issuer), and compromise information about customers, users and employees. Systems that are accessed through the internet are also subject to "denial of service" attacks - these attacks do not involve an intrusion into the system but can effectively make the systems unavailable to the Issuer's customers/employees. The Issuer maintains significant and complex security policies and procedures to manage these risks, some of which include intrusion detection software, virus

monitoring software, IP blocking, IP tracking software, complex encryption for transactions, network monitoring and reporting solutions as well as application and data base level restrictions and controls through network design and implementation.

Uninsured and Underinsured Losses

The insurance coverage currently maintained by the Issuer is in the form of comprehensive property and casualty insurance, including coverage in respect of claims for bodily injury or property damage arising out of assets or operations. In many of the Issuer's customer contracts, the customer is required to maintain insurance with the Issuer named as a loss payee. The Issuer has not always carried out annual verification that such customers have the necessary insurance in place. The Issuer has introduced a program where customers who are required to provide such insurance can pay a per transaction to the Issuer in exchange for the Issuer's agreement to waive the requirement for the customer to provide such insurance. Even in cases where customers remain contractually obligated to maintain insurance for the Issuer's benefit it is possible that when a loss occurs the necessary insurance will not be in place or will deny coverage. Historically, the Issuer self-insured those Debit Terminals and cash that the Issuer had responsibility for. The Issuer also self-insures risks associated with network/system fraud and intrusions. the Issuer does carry insurance for cash in transit. As a result, not all risks facing the Issuer are now or will be covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Issuer. In particular, damage caused by an accidental or natural disaster to any or all of the Issuer's office/warehouse facilities, including the the Issuer Switch, may have a material adverse affect on the Issuer's operations.

Dependency on Networks and Other Counterparties for a Number of Contracts and Business Arrangements

The Issuer depends (directly or indirectly) on a number of Networks and counterparties in the conduct of the Issuer's Business, including Interac, MasterCard, Visa, Plus, Cirrus, Moneris Solutions Corp. and equipment vendors. There can be no assurance that any of these counterparties will be able to continue to perform their respective obligations and contracts or that the Issuer will be allowed to continue its memberships with applicable Networks. An interruption in or the termination of any contract or business arrangement by any counterparty, including, in relation to the Issuer's access to Networks, the Issuer's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the Issuer's Business, financial condition and operating results. In addition, the Issuer periodically negotiates renewal terms for these contracts, business arrangements and memberships and there can be no assurance that such renewal terms will remain acceptable to the Issuer or any such counterparty or Network. An interruption in the Issuer's relationship with certain of these counterparties could materially adversely affect the Issuer's ability to process Debit Terminal and Cash Card transactions. If the Issuer were to lose the Issuer's access to Interac or MasterCard memberships, this would immediately result in a material adverse effect to the Issuer's business. There can be no assurance that the Issuer would be able to find alternate supplies or sources of distribution in a timely manner.

Clients, Contracts & Market Saturation

The Issuer may be unable to maintain and expand the Issuer's customer base and may not be able to renew the Issuer's contracts on the same or similar terms and conditions as that which presently exist. The Debit Terminal Markets may reach saturation and organic growth may be limited to market size. As well, profitability may be affected by a number of factors including the expiry or termination of existing Placement Contracts, Processing Contracts or card management contracts. the Issuer may not be able to enforce the terms of certain of the Issuer's contracts depending on the laws of the applicable jurisdiction. Certain large clients (for example large chain operations that subscribe to the Issuer's prepaid Cash Card system) represent significant portions of the Issuer's revenue. The loss of only a small number of these large clients could significantly and negatively affect the Issuer's revenue, profitability and cash flow.

Competition and Technological Change

The Debit Terminal and prepaid products businesses are highly competitive. The Issuer's competitors include some of the major financial institutions in Canada who have greater financial and human resources and greater name recognition than the Issuer. As well, if existing or new competitors gain market share, the Issuer's business and operating results could be adversely affected. The Issuer's future and existing competitors could also introduce products with superior features and functionality at lower prices than the the Issuer's products, and could potentially bundle existing or new products with other more established products in order to compete with the Issuer. The introduction of new technologies, and any potential limitations or changes to the Issuer's network or changes to security requirements could all have a materially adverse impact on the Issuer's Business. Competitors could also gain market share by acquiring or forming strategic alliances with other competitors. If existing or future competitors seek to gain or retain market share by reducing margin on products sold, the Issuer may also be required to reduce the Issuer's margins or the Issuer's fee structure or increase amounts payable to third parties, retailers, sales agents and resellers, which may reduce the Issuer's revenue and Distributable Cash.

Telecommunications Infrastructure

The Issuer's business relies on the telecommunications network, and Internet network of certain major telephone and telecommunication suppliers in Canada. Any prolonged disruption of the telecommunications network, or Internet that provides the backbone or connection to the Issuer's business would have an adverse effect on the Issuer's business as the Issuer would be unable to process Debit Terminal, Cash Card and PrePaid Product transactions.

Requirement for Additional Capital

Actual expenses may exceed the Issuer's projected amounts and/or actual revenues may be less than the Issuer currently projects, in which case the Issuer may need to raise additional funds from lenders and equity markets in the future. In addition, the Issuer may choose to raise additional financing in order to capitalize on perceived opportunities in the marketplace that may accelerate the Fund's growth objectives. the Issuer's (and the Fund's) abilities to arrange such financing in the future will depend in part on the prevailing capital market conditions as well as the Issuer's business performance. There can be no assurance that the Issuer or the Fund will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Issuer. If additional equity or debt financing is raised by the issuance of Participating Trust Units,

control of the Fund may change and Fund Unitholders may experience dilution to their equity interest in the Fund.

Liabilities from Acquisitions

Part of the Issuer's business strategy includes pursuing acquisition opportunities in the Debit Terminal and prepaid products industries. While the Issuer's acquisition process typically includes extensive due diligence on the business or assets to be acquired, and the Issuer's acquisition agreements typically include detailed representations and warranties respecting the business or assets being acquired, there can be no assurance that the Issuer would not become subject to certain undisclosed liabilities in proceeding with such transactions. The Issuer has also completed a number of acquisitions and there may exist liabilities associated with the acquired assets that the Issuer failed or was unable to discover in the Issuer's due diligence prior to the consummation of these acquisitions. To the extent that prior owners of businesses failed to comply with or otherwise violated applicable laws, the Issuer, as a successor-owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on the Issuer's Business, financial condition and future prospects.

Credit Risk

The Issuer's ability to collect amounts due or realize the Issuer's security on the Issuer's clients may affect distributions.

Alternative Payments

Alternative payment options could be developed that change individuals' requirements to make purchases with debit cards or credit cards. Some new payment technologies that have emerged in the past few years include paypass systems and payment systems that utilize features built into cellular phones. To date these alternative technologies have not had a measurable impact. However, these technologies and new technologies developed in the future could become more prevalent and thereby negatively impact the Issuer's Business.

Need to Manage Growth Effectively

If the Issuer fails to manage the Issuer's growth effectively, the Issuer's business and operating results could be adversely affected, which could cause the market price of the Participating Trust Units to fall. The Issuer expects to continue to grow the operations of the Issuer domestically and internationally, and to hire additional employees. The growth in the Issuer's operations and staff has placed, and will continue to place, a strain on existing management systems and resources. If the Issuer fails to manage the Issuer's future anticipated growth, the Issuer may experience higher operating expenses, and the Issuer may be unable to meet the expectations of Fund Unitholders, securities analysts or prospective investors with respect to future operating results.

Proprietary Information

the Issuer relies on a combination of copyright, trademark and trade secret laws, confidentiality procedures, contractual provisions and other measures to protect its proprietary information. All of these measures afford only limited protection. These measures may be invalidated, circumvented or challenged. Despite the Issuer's efforts to protect proprietary rights,

unauthorized parties may attempt to obtain or use information that the Issuer regards as proprietary.

Additional Financing Requirements and Access to Capital

Since incorporation, Freeport has raised funds from the sale of equity securities to the public. The Resulting Issuer anticipates ongoing requirements for funds to support business development. The Resulting Issuer may seek to obtain additional funds for these purposes through public or private equity or debt financing. There can be no assurance that additional funding will be available at all or on acceptable terms to the Resulting Issuer.

Market for Securities and Volatility of Share Price

A public trading market in Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which presence is dependent on the individual decisions of investors over which the Resulting Issuer has no control.

There can be no assurance that an active trading market in securities of the Resulting Issuer will be established and sustained. The market price for the resulting Issuer's securities could be subject to wide fluctuations, which could have an adverse affect on the market price of the Resulting Issuer. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Limited History

The Resulting Issuer is a newly-formed entity and has no prior operating history upon which an investor can base its prediction of future success or failure. The Resulting Issuer will be subject to all of the business risks and uncertainties associated with any new enterprise, including the risk that it will not achieve its growth objective. Although the Resulting Issuer anticipates achieving its objectives in the next twelve-month period, it may take several years to achieve a positive cash flow from operations.

Dependence on Key Personnel

The success of the Resulting Issuer depends in substantial part upon the skill and expertise of its management and its ability to attract and retain key personnel. The loss of service to the Resulting Issuer of one or more of its executives could have a material adverse effect on the Resulting Issuer. The Resulting Issuer competes with numerous other companies for the recruitment and retention of qualified employees and contractors.

18. Promoters

- 18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer state
- (a) the person or company's name;

Brad Romoff and Scott Pritchard would be considered promoters of the Issuer within the past 2 years.

- (b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;

600,000 shares, representing 16.7% of the 3,600,000 issued and outstanding shares.

- (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer; and

N/A.

- (d) for an asset acquired within the two years before the date of the Listing Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter

- (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,

N/A.

- (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and

N/A.

- (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

N/A.

- 18.2 If a promoter or past promoter referred to in paragraph (1) has been a director, officer or promoter of any person or company during the 10 years ending on the date of Listing Statement, that

- (a) was the subject of a cease trade or similar order, or an order that denied the person or company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

N/A.

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise

with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

N/A.

- 18.3 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter or past promoter referred to in paragraph (1) has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

N/A.

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

N/A.

- 18.4 If a promoter or past promoter referred to in paragraph (1), or a personal holding company of such promoter, has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

N/A.

19. Legal Proceedings

- 19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

No items to report.

20. Interest of Management and Others in Material Transactions

- 20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:

- (a) any director or executive officer of the Issuer.

No material transactions with any director or executive officer.

- (b) a security holder disclosed in the Listing Statement as a principal shareholder.

No material transactions with principal shareholders.

- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs 1 or 2.

No material transactions with associates or affiliates.

21. Auditors, Transfer Agents and Registrars

21.1 *The auditor of the Issuer is WSBG LLP, 1155, Rene-Levesque Blvd. West, Suite 2010, Montreal, Quebec, H3B 2J8.*

21.2 *The registrar and transfer agent for the common shares of the Issuer is CIBC Mellon Trust and its office is situated at 320 Bay Street, P.O. Box 1, Toronto, Ontario M5H 4A6.*

22. Material Contracts

22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business, that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer.

License agreement between SmartCard Marketing Systems Inc. and First Equity

22.2 If applicable, attach a copy of the co-tenancy, unitholder's or limited partnership agreement.

Operating agreement attached

23. Interest of Experts

23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

WSBG LLP, Feldman Rolland Sauvé LLP, Burnet Duckworth and Palmer LLP and Evans & Evans Inc.

23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in Item 23.1 of any securities of the issuer or any Related Person of the issuer.

No such beneficial ownership exists.

- 23.3 For the purpose of Item 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.

No such beneficial ownership exists.

- 23.4 If a person, or a director, officer or employee of a person or company referred to in Item 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or of any associate or affiliate of the issuer, disclose the fact or expectation.

No such person described in Item 23.1 is expected to be elected, appointed or employed as a director, officer or employee of the Issuer.

24. Other Material Facts

- 24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

No other facts exist.

25. Financial Statements

- 25.1 Provide the following audited financial statement for the Issuer:

- (a) Copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the issuer were subject to such law; and

See attached.

- (b) a copy of financial statements for any completed interim period of the current fiscal year.

See attached.

- 25.2 For Issuers re-qualifying for listing following a fundamental change provide

- (a) the information required in Items 5.1 to 5.3 for the target;

See Item 5.1 and 5.3.

- (b) financial statement for the target prepared in accordance with the requirements of Parts 4, 5, 6, 7, 8 and 9 of OSC Rule 41-501 as if the target were the Issuer;

N/A

- (c) pro forma consolidated financial statements for the New Issuer giving effect to the

transaction for:

- (i) the last full fiscal year of the Issuer and

See attached

- (ii) any completed interim period of the current fiscal year.

See attached.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Montreal

This 23 day of November, 2009

"Bruce Donald Baillio"

Bruce Donald Baillio, Chief Executive Officer
and Director

"Michael Tasillo"

Michael Tasillo, Chief Financial Officer
and Director

"Anthony Barone"

Anthony Barone, Director

APPENDIX A

Operating Agreement

**OPERATING AGREEMENT
FIRST EQUITY LLC**

MARCH 17TH 2009

ARTICLE I	6
Introductory Matters	6
1.1 FORMATION AND PURPOSES	6
1.2 REGULATION OF INTERNAL AFFAIRS BY OPERATING AGREEMENT	7
1.3 LAWS GOVERNING OPERATING AGREEMENT	7
1.4 TERM OF OPERATING AGREEMENT	7
1.5 USE OF FULL LEGAL NAME REQUIRED	7
1.6 NO INDIVIDUAL AUTHORITY FOR A MEMBER	8
1.7 LIMITATIONS ON POWER TO CONTRACT DEBTS	8
1.8 TITLE TO ALL PROPERTIES IN NAME OF COMPANY	9
1.9 MAINTENANCE OF REGISTERED OFFICE AND AGENT FOR SERVICE OF PROCESS IN DELAWARE	9
1.10 REQUIRED MAINTENANCE OF RECORDS IN DELAWARE OFFICE	9
1.11 RECORDS OF COMPANY SUBJECT TO INSPECTION	10
1.12 PLACES OF BUSINESS OUTSIDE STATE OF DELAWARE	10
1.13 FILING OF FICTITIOUS BUSINESS NAME STATEMENT	10
1.14 OTHER FORMATION MATTERS	10
A. Maintenance of Company Minute Book	10
B. Establishment of Bank Accounts	11
C. Reimbursement of Expenses of Organization	11
D. Signature Requires	11
1.15 MINIMUM OF TWO MEMBERS	11
1.16 DEFINITIONS OF TERMS	11
ARTICLE II	14
Members, Capital Contributions and Withdrawals	14
Membership Interests, Admissions, Certificates and	14
Limitations on Liabilities and Responsibilities of Members	14
2.1 NAMES, ADDRESSES OF INITIAL MEMBERS AND INITIAL CAPITAL CONTRIBUTIONS	14
2.2 FORM OF CAPITAL CONTRIBUTION	15
2.3 ACCEPTANCE OF ADDITIONAL CAPITAL CONTRIBUTIONS	15
2.4 PERCENTAGE INTEREST OF MEMBER	15
2.5 ADMISSION OF ADDITIONAL MEMBER	15
2.6 CERTIFICATE OF MEMBERSHIP INTEREST	16
2.7 CANCELLATION OF CERTIFICATE OF MEMBERSHIP INTEREST	16
2.8 REPLACEMENT OF LOST, STOLEN, OR DESTROYED CERTIFICATE	16
2.9 LIMITATIONS ON LIABILITY OF MEMBERS	16
2.10 LIABILITY OF MEMBERS TO COMPANY	17
A Liability of Members to Company	17
B Member as Trustee for Company	17
C Waiver of Liability of Member	17
2.11 NO RESPONSIBILITY FOR PRE-FORMATION COMMITMENTS	17
2.12 INITIAL LOAN	18
2.13 ADDITIONAL LOANS	18
2.14 TIME CONTRIBUTION AND MEMBER REMUNERATION	18

2.15	CONFIDENTIALITY COVENANT	19
2.16	NON-COMPEITION AND NON-SOLICITATION COVENANT	19
A	Covenants	19
B	Acknowledgement of Covenants	20
C	Reformation	20
 ARTICLE III		 20
Management and Control of Business Including Meetings		20
3.1	MANAGEMENT OF COMPANY AND ELECTION OF MANAGERS	20
A	Management of Company by Managers	20
B	Election of Managers by Members	21
C	Term of Managers	21
3.2	SPECIFIC DUTIES OF MANAGERS	21
A	Duty of Manager to Quality to do Business in Delaware and Other States	21
B	Duty of Managers to Determine Time and Place of Annual Meetings of Members	21
C	Duty of Manager to Call Meetings of Members	22
D	Managers to Safekeep Funds of Company	22
E	Managers to Hire Employee for Record Keeping	22
F	Warranted Reliance by Managers on Others	22
G	Other Activities of Managers Permitted	23
3.3	POWERS OF MANAGERS	23
A	Powers of Managers	23
B	Limitations on Power of Managers in Extraordinary Matters	25
C	Manager as Agent of Company	26
3.4	LIMITATIONS ON LIABILITY OF MANAGERS	26
3.5	ANNUAL MEETINGS OF MEMBERS	26
A	Annual Meeting of Members	26
B	Date, Time and Place of Annual Meeting of Members	26
3.6	SPECIAL MEETINGS OF MEMBERS	26
A	Power to Call Special Meeting	26
B	Date, Time and Place of Special Meeting	27
3.7	NOTICES, VOTING AND PROCEDURES AT MEETINGS	27
A	Required Notification of Meetings of Members	27
B	Record Date for Eligibility of Members to Vote	27
C	Voting by Members at Meeting	27
D	Relative Weight of Votes of Members at Meeting	28
E	Telephonic Participation by Member at Meeting	28
F	Appointment of Secretary for Meeting	28
G	Consent by Members in Lieu of Meeting	28
3.8	OFFICERS OF COMPANY	29
A	Election of Officers	29
B	Term, Removal and Filling of Vacancy of Officers	29
C	Salaries of Officers	29
D	Duties and Powers of President	30
E	Duties and Powers of Vice-President	30
F	Duties and Powers of Secretary	30
G	Duties and Powers of Treasurer	30
 ARTICLE IV		 31

Capital Accounts	31
4.1 CAPITAL ACCOUNT FOR EACH MEMBER	31
4.2 CAPITAL ACCOUNT DETERMINATION	31
4.3 TECHNICAL DESCRIPTION OF CAPITAL ACCOUNT	32
4.4 DEFINITIONS USED IN TECHNICAL DESCRIPTION	32
4.5 CAPITAL ACCOUNT ADJUSTMENTS FOR SPECIAL EVENTS	34
4.6 POWER TO MODIFY CAPITAL ACCOUNTS TO COMPLY WITH REGULATIONS	35
4.7 SUCCESSION TO CAPITAL ACCOUNTS BY TRANSFEREE OF INTEREST	35
4.8 MAINTENANCE OF INCOME (DRAWING) ACCOUNTS	35
ARTICLE V	36
Allocations of Net Profits and Net Losses and Distributions	36
5.1 ALLOCATION OF PROFIT OR LOSSES	36
5.2 ALLOCATIN OF NET PROFITS AND NET LOSSES GENERALLY	36
A Allocation of Net Profits	36
B Allocation of Net Losses	36
C Allocation of Company Minimum Gain	37
D Allocation of Member's Share of Minimum Gain	37
E Allocation of Net Profits and Gains Under Qualified Income Offset	37
F Allocation of Nonrecourse Deductions	38
G Allocation of Income, Gains and Losses Related to Contributed Property	38
H Allocation of Gain and Loss from Sale or Other Disposition of Property not Revalued	38
I Allocation of Gains and Losses Related to Adjustments in Tax Basis	39
J Allocations to Avoid Adjusted Capital Account Deficit	39
K Allocation of Gross Income to Restore Capital Account Deficit	39
L Allocation of Capital Event Adjustments and Subsequent Effects	40
M Allocation of Net Profits and Net Losses Consistent with Distributions	40
N Allocations of Income, Gain, Losses, and Deductions to Comply with Regulations and Intentions of Members	40
O Order for Applying Allocation Provisions	41
5.3 DEFINITIONS OF TECHNICAL TERMS USED FOR ALLOCATION PURPOSES	42
5.4 DISTRIBUTIONS OF NET CASH FLOW BY COMPANY	45
5.5 ALLOCATION OF NET PROFITS AND LOSSES AND DISTRIBUTIONS IN RESPECT OF A TRANSFERRED INTEREST	46
5.6 DISTRIBUTION OF ASSETS BY COMPANY	46
5.7 LIMITATION ON RIGHTS TO DISTRIBUTIONS	46
5.8 IMPAIRMENT OF CAPITAL LIMITATIONS ON DIVISION AND DISTRIBUTION OF NET PROFITS	47
5.9 ORDER OF APPLYING DISTRIBUTION PROVISIONS	47
ARTICLE VI	48
Accounting, Records, and Reporting by Members	48
6.1 ACCOUNTING DECISIONS AND RELIANCE ON OTHERS	48
6.2 RECORDS AND ACCOUNTING MAINTAINED	48
6.3 ACCESS FOR MEMBERS TO ACCOUNTING RECORDS	48

6.4	ANNUAL TAX INFORMATION FOR MEMBERS	48
6.5	FEDERAL INCOME TAX ELECTIONS MADE BY MANAGERS	49
6.6	ANNUAL FILING OF LIST OF MANAGERS AND DESIGNATION OF AGENT FOR SERVICE OF PROCESS	49
ARTICLE VII		50
Transfer and Assignment of Interests		50
7.1	TRANSFER AND ASSIGNMENT OF INTERESTS	50
7.2	FURTHER RESTRICTIONS ON TRANSFER OF INTERESTS	50
7.3	SUBSTITUTION OF MEMBERS AFTER TRANSFER OF INTEREST	50
7.4	NO EFFECT TO TRANSFERS IN VIOLATION OF AGREEMENT	51
7.5	PLEDGE OR GRANT OF SECURITY INTEREST	51
ARTICLE VIII		51
Dissolution and Winding Up		51
8.1	CONDITIONS OF DISSOLUTION	51
8.2	STATEMENT OF INTENT TO DISSOLVE	52
8.3	WINDING UP	52
8.4	RESPONSIBILITIES FOR WINDING UP	52
8.5	ORDER OF PAYMENT OF LIABILITIES UPON DISSOLUTION	53
8.6	COMPLIANCE WITH REGULATIONS	53
8.7	LIMITATIONS ON PAYMENTS MADE IN DISSOLUTION	53
ARTICLE IX		53
Consequences of Death, Dissolution, Retirement or Bankruptcy of Member or Transfer of Membership Interest		53
9.1	CONSENT TO CONTINUE BUSINESS OF COMPANY	53
9.2	PURCHASE OF MEMBER'S INTEREST	54
9.3	FAILURE TO SUBMIT NOTICE OF PURCHASE	54
9.4	ELECTION TO PURCHASE LESS THAN ALL OF AN INTEREST	54
9.5	VALUATION OF INTEREST OF MEMBER	55
9.6	PAYMENT OF PURCHASE PRICE	55
9.7	PURCHASE TERMS VARIED BY AGREEMENT	55
9.8	DEMAND BY HEIRS	56
ARTICLE X		56
Indemnification		56
10.1	INDEMNIFICATION OF MEMBERS AND MANAGERS	56
10.2	ADVANCE UNDERTAKINGS FOR INDEMNIFICATION	56
10.3	ADVANCEMENT OF EXPENSES	57
10.4	INDEMNIFICATION OF OTHERS	57
10.5	STANDARDS OF CONDUCT FOR INDEMNIFICATION	57
10.6	PROCEDURES TO DETERMINE INDEMNIFICATION	58
10.7	COURT ORDER OF INDEMNIFICATION	58
10.8	INDEMNIFICATION WITH RESPECT TO EMPLOYEE BENEFIT PLANS	58

10.9	DESCRIBED INDEMNIFICATION RIGHTS NON-EXHAUSTIVE	58
10.10	CONSTRUCTION OF INDEMNIFICATION RIGHTS	58
10.11	DEFINITIONS FOR INDEMNIFICATION PROVISIONS	59
10.12	INSURANCE FOR INDEMNIFICATION	59
ARTICLE XI		60
Special Condition		60
11.1	REIMBURSEMENT OF INITIAL LOAN UPON WITHDRAWAL	60
11.2	ENFORCEMENT OF NON-COMPETITION, NON SOLICITATION AND CONFIDENTIALITY COVENANTS	60
ARTICLE XII		61
Required Arbitration of Disputes		61
12.1	DISPUTES REQUIRING ARBITRATION	61
12.2	SELECTION OF ARBITRATORS	61
A	Initial Selection of Two Arbitrators	61
B	Selection of Third Arbitrator	62
C	Default Selection of Arbitrators	62
D	Optional Use of One Arbitrator	62
12.3	RULES FOR ARBITRATION	62
A	Time and Place of Proceedings	62
B	Hearing Procedure	63
C	Award	63
D	Applicable Law	63
E	Notices	63
12.4	AWARD OF ATTORNEYS' FEES AND COSTS TO PREVAILING PARTY	64
12.5	COURT ENFORCEMENT OF ARBITRATION AWARD	64
12.6	CONSOLIDATION OF PROCEEDINGS	64
ARTICLE XIII		65
Miscellaneous		65
13.1	ADDITIONAL DOCUMENTS AND ACTS	65
13.2	AMENDMENTS	65
13.3	BINDING EFFECT	65
13.4	COMPLETE AGREEMENT	65
13.5	EXHIBITS	65
13.6	GENDER AND NUMBER IN NOUNS AND PRONOUNS	66
13.7	HEADINGS	66
13.8	MULTIPLE COUNTERPARTS	66
13.9	NO THIRD PARTY BENEFICIARY	66
13.10	NOT FOR BENEFIT OF CREDITORS	67
13.11	NOTICES	67
13.12	PUBLICITY	67
13.13	REFERENCES IN THE AGREEMENT	67
13.14	RELIANCE ON AUTHORITY OF PERSON SIGNING AGREEMENT	68
13.15	SEVERABILITY	68

EXHIBIT A

70

EXHIBIT B

71

OPERATING AGREEMENT FOR CELEBRITY BABYLON.COM, LLC

Recital

This Operating Agreement is entered into effective as of April 10th 2009, among the persons who are signatories to this Agreement and shall govern the relationship among Members of Company and between Company and Members, pursuant to the Act and the Articles, as either may be amended from time to time. In consideration of their mutual promises, covenants, and agreements, the parties hereto as signatories to this Agreement do hereby promise, covenant, and agree as follows:

ARTICLE I

Introductory Matters

1.1 FORMATION AND PURPOSES

Pursuant to the Act, Michele Tasillo, Donald Bruce Baillio and Variance Strategy LLC acknowledge that they are managing Members of the limited liability Company, organized under the laws of the State of Delaware, known as First Equity Strategy LLC, whose certificate was filed effective July 11th 2008 (A copy of the Certificate of Formation is attached). The purposes for the organization of the Company shall primarily be, without limitation, to:

- I) Operate a business which shall provide solutions to small and home-based retailers with regards to financial transactions, which shall, among other things consist of the following three segments:
 - a) POS in a Box – A retail package containing everything a small retailer needs to start accepting debit cards for payment.
 - b) Prepaid Debit Cards – Prepaid MasterCard and Visa cards will be marketed to businesses and co-branded with check processors and payday loan companies.
 - c) Short-term Cash Services for Money Lending Businesses – the Company will provide loan capital to small, independent short-term loan businesses, like payday loan, car title loan and pawn loan companies.

Company affairs shall be regulated and governed by the laws and statutes governing the state of Delaware.

1.2 REGULATION OF INTERNAL AFFAIRS BY OPERATING AGREEMENT

Consistent with the Articles and the Act, the internal affairs of Company and the conduct by its business shall be regulated by this Agreement as it shall be amended by Members from time to time.

1.3 LAWS GOVERNING OPERATING AGREEMENT

The Agreement is subject to, and governed by, the mandatory provisions of the Act and the Articles filed with the Secretary of State, as both are amended from time to time. In the event of a direct conflict between the provisions of the Agreement and the mandatory provisions of the Act or the provisions of the Articles, such provisions of the Act or the Articles, as the case may be, will be controlling.

1.4 TERM OF OPERATING AGREEMENT

The term of the Agreement shall commence on March 17th 2008 and shall continue as provided by law, unless the Company is earlier terminated upon its voluntary or involuntary dissolution.

1.5 USE OF FULL LEGAL NAME REQUIRED

All business of Company shall be conducted under the name First Equity Strategy LLC until such time as Members shall designate otherwise and file amendments to the Articles in accordance with applicable laws. The phrase "LLC" shall always appear as part of the name of Company on all correspondence, stationary, checks, invoices and any and all documents and papers executed by Company and as otherwise required by the Act.

1.6 NO INDIVIDUAL AUTHORITY FOR A MEMBER

No Member that is not a Manager, acting alone, shall have any authority to act for, or to undertake or assume, any obligation, debt, duty or responsibility on behalf of the Company.

1.7 LIMITATIONS ON POWER TO CONTRACT DEBTS

Except as otherwise provided in this Agreement including Subparagraph 3.3.B, no

debt shall be contracted or liability incurred by or on behalf of Company, except by one (1) or more of its Managers if management of Company has been vested by the Members in a Manager or Managers and is within the scope of the powers described in Paragraph 3.3 or, if management of Company is retained by Members, then by any Member as provided in the Articles.

1.8 TITLE TO ALL PROPERTIES IN NAME OF COMPANY

Real and personal property owned or purchased by Company shall be held and owned, and conveyance made, in the name of Company. Instruments and documents providing for the acquisition, mortgage or disposition of property of Company shall be valid and binding upon Company, except as otherwise limited in the Agreement including Subparagraph 3.3.B., if executed by one (1) or more Managers of Company or one (1) or more Members of the Company if management has been retained in the Members of Company.

1.9 MAINTENANCE OF REGISTERED OFFICE AND AGENT FOR SERVICE OF PROCESS IN DELAWARE

Company shall have an agent for service of process in Delaware who may be either a natural person or a corporation meeting the qualifications of Section §18-104 of the Limited Liability Company Act of Delaware. Every agent for service of process must have a street address for the service of process in Delaware. Within 30 days after changing the location of his office from one address to another in this state, an agent for service of process must file a certificate with the Secretary of State setting forth the names of the limited liability companies represented by him, the address at which he, she, or it has maintained the office for each of the limited liability companies, and the new address to which the office is transferred. Initially, Agent for service of process shall be Caroline Quigley, having her office at Trolley Square, suite 20C, Wilmington, Delaware, 19806.

1.10 REQUIRED MAINTENANCE OF RECORDS IN DELAWARE

Company shall continuously maintain a registered office in the State of Delaware which may but need not be a place of its business in this state, at which it shall keep:

- a. A current list of the full name and last known business address of each Member and of each holder of an economic interest in the Company in alphabetical order together with the Capital Contribution and Percentage Share in net profits and net losses of each such person;
- b. If the Articles provide Company is to be managed by one or more managers and not by all of its members, a current list of the full name and business or residence address of each manager;

- c. A copy of the filed Certificates of Formation and all amendments thereto, together with any powers of attorney pursuant to which the Certificates of Formation or any amendments thereto were executed;
- d. Copies of Company's federal, state and local income tax returns or information returns and reports, if any, for the six (6) most recent taxable years;
- e. A copy of the Agreement and any amendments thereto, together with any powers of attorney pursuant to which any written operating agreement or amendments were executed; and
- f. Copies of financial statements of Company for the six (6) most recent taxable years; and

1.11 RECORDS OF COMPANY SUBJECT TO INSPECTION

Records kept pursuant to this section are subject to inspection and copying at the reasonable request, and at the expense, of any Member during ordinary business hours.

1.12 PLACES OF BUSINESS OUTSIDE STATE OF DELAWARE

Members may identify other places of business of Company outside the State of Delaware, appoint agents for service of process and make filings as may be required or desirable under the laws of such other places.

1.13 FILING OF FICTITIOUS BUSINESS NAME STATEMENT

Members shall file such Fictitious Business Name Statements as may be required or desirable under the laws of such places outside the State of Delaware in which it holds assets or conducts business activities.

1.14 OTHER FORMATION MATTERS

A. Maintenance of Company Minute Book

Members shall authorize the maintenance of a Company Minute Book to include the Certificate of Formation, the Operating Agreement and any amendments thereto and the minutes of meetings (or consents in lieu of meetings) of Members and Managers and other important documents of Company.

B. Establishment of Bank Accounts

Members shall authorize the establishment of one or more depository accounts for the funds of Company and designate persons authorized to draw against such accounts on behalf of Company (more specifically described elsewhere in the Agreement).

C. Reimbursement of Expenses of Organization

Members shall authorize Company to pay its expenses of organization and to reimburse any person advancing funds for this purpose.

D. Signature required

At any given time, and for any disbursement by the Company, the signature of Michele Tasillo and either one of Donald Bruce Baillio or a duly authorized manager of Variance Strategy LLC shall be required.

1.15 MINIMUM OF TWO MEMBERS

The Company shall at all times have at least two members.

1.16 DEFINITIONS OF TERMS

The terms used in the Agreement with their initial letters capitalized, shall, unless the context otherwise requires, have the meanings specified in this Paragraph 1.16 or, if not defined in this Paragraph 1.16, elsewhere in the Agreement. When used in the Agreement, the following terms shall have the meanings set forth below:

A. "Act" shall mean the Limited Liability Company Act as amended from time to time.

B. "Affiliate" shall mean any individual, partnership, corporation, trust, or other entity or association, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member. The term "control," as used in the immediately preceding sentence, means, with respect to a corporation the right to exercise, directly or indirectly, more than 50 percent of the voting rights attributable to the controlled corporation, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

C. "Agreement" shall mean this Operating Agreement between all Members of Company regulating the affairs of Company and the conduct of its business, as originally executed and as amended or restated from time to time, and shall refer to the Agreement as a whole, unless the context otherwise requires.

D. "Articles" shall mean the Articles of Organization for Company originally filed with the Secretary of State of Delaware, including all amendments thereto or restatements thereof and shall mean the Articles as a whole unless the context otherwise requires.

E. "Bankruptcy" shall mean, (i) the entry of a decree or order for relief against Member by a court of competent jurisdiction in any involuntary case brought against the Member under any bankruptcy, insolvency or other similar law (collectively, "Debtor Relief Laws") generally affecting the rights of creditors and relief of debtors now or hereafter in effect; (ii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar agent under applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property; (iii) the ordering of the winding up or liquidation of a Member's affairs; (iv) the filing of a petition in any such involuntary bankruptcy case, which petition remains not dismissed for a period of 180 days or which is not dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law); (v) the commencement by a Member of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect; (vi) the consent by a Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or the taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar agent under any applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property; or (vii) the making by a Member of any general assignment for the benefit of its creditors.

F. "Capital Account" shall mean the amount of the capital interest of a Member determined in accordance with Article IV of the Agreement.

G. "Capital Contribution" shall mean the value of any money, property, other than loans, (including promissory notes or other binding obligation to contribute money or property), as a Member, as shown in Exhibit A, as the same may be amended from time to time.

H. "Code" shall mean the Internal Revenue Code of 1986, as amended. All references herein to sections of the Code shall include any corresponding provision or provisions of succeeding law.

I. "Company" shall mean FIRST EQUITY STRATEGY LLC.

J. "Distribution" means a transfer of money or property by Company to its Members without consideration.

K. "Disassociation Event" for Company means with respect to any Member one

or more of the following:

- i. When the period fixed for the duration of the Company expires;
- ii. By the unanimous written agreement of all Members; or
- iii. Upon the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member, or occurrence of any other event which terminates his/her continued membership in the Company, including but not limited to, the desire to transfer their Membership Interest to a third party, unless the business of the Company is continued by the consent of the remaining Members under a right to do so stated in the Articles of the Company.

L. "Economic Interest" shall mean the right to share in the net profits, net losses, deductions, credits or similar items and to receive distributions from Company but such term shall include neither Management and Voting Rights nor Information Rights except as provided in Subchapter VI of the Act.

M. "Information Rights" means the right to inspect, copy or obtain information and documents concerning the affairs of Company as provided in Section §18-305 of the Act and in Paragraphs 6.3 and 6.4 of the Agreement.

N. "Interest" means singly or collectively as the context indicates any or all of the rights of ownership of a Membership Interest in Company including Economic Interest, Voting and Management Rights and Information Rights.

O. "Management and Voting Rights" shall be those rights of a Member described in Article III of the Agreement as they may be limited in the Agreement, the Articles and the Act.

P. "Manager" shall be a person elected by Members of Company to manage Company and is qualified under the Agreement as an owner of an Interest in Company.

Q. "Member" shall mean each person (other than any person who has withdrawn, been expelled, died, retired or dissolved) who has been admitted to Company as a Member in accordance with the Articles and the Agreement.

R. "Membership Interest" in Company shall mean the entire ownership interest of a Member in Company at any particular time, including collectively Economic Rights, Management and Voting Rights and Information Rights of such Member as provided in the Agreement and under the Act, together with the obligations of such Member to comply with all terms and provisions of the Agreement. A Membership Interest constitutes personal property. A Member or assign of any Economic Interest of a Member has no interest in specific property of Company.

S. "Officer" means any person elected or appointed pursuant to Paragraph 3.7.

T. "Percentage Interest" shall mean the percentage of a Member set forth opposite the name of such Member under the column "Member's Percentage Interest" in Exhibit A hereto, as such percentage may be adjusted from time to time pursuant to the terms of the Agreement. Percentage Interests shall be determined, unless otherwise provided herein, in accordance with the relative proportions of the Capital Accounts of Members, effective as of the first day of the Company's fiscal year but with all distributions under Paragraphs 5.3, 5.4, 5.5, 5.6, and 5.7 hereof to be deemed to have occurred on such day immediately prior to determination of Percentage Interest of a Member.

U. "Person" includes individuals, general partnerships, limited partnerships, other limited liability companies, corporations, trusts, estates, real estate investment trusts and any other association.

V. "Regulations" shall, unless the context clearly indicates otherwise, mean the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Internal Revenue Code of 1986, as amended.

W. "Return of Capital" means any distribution to a Member to the extent of the positive balance in the Capital Account of the Member immediately before the distribution.

X. "Secretary of State" shall mean the Secretary of State of Delaware division of Corporations or his or her duly appointed delegate unless another state is mentioned in the same context.

Y. "Registered Office" shall mean the office maintained at the street address of the agent for service of process of the Company in Delaware.

ARTICLE II

Members, Capital Contributions and Withdrawals,

Membership Interests, Admissions, Certificates and

Limitations on Liabilities and Responsibilities of Members

2.1 NAMES, ADDRESSES OF INITIAL MEMBERS AND INITIAL CAPITAL CONTRIBUTIONS

The initial Members are the persons executing the Agreement each of whom is

admitted as a Member effective as of the beginning of the term of the Agreement. Members, their respective addresses, their respective aggregate Capital Contributions to Company, and their respective Percentage Interests in profits and losses of Company are set forth on Exhibits A and B, as they may be amended from time to time.

2.2 FORM OF CAPITAL CONTRIBUTION

In exchange for a 10% interest in the Company (100 units), Michele Tasillo shall contribute an amount of \$100.00. In exchange for a 10% interest in Company (100 units), Donald Bruce Baillio shall contribute an amount of \$100.00. In exchange for 80% interest in the Company (800 units), Variance Strategy LLC shall make a monetary contribution of \$800.00.

2.3 ACCEPTANCE OF ADDITIONAL CAPITAL CONTRIBUTIONS

As provided in the Articles, in order to obtain additional funds or for other business purposes, a Member may contribute additional capital to Company, but only upon the written consent of all other Members. The Members intend to take out a bank loan, in order to develop the business of the Company and all Members will co-sign on that loan. The Members shall be responsible for such loan, as and between themselves, to the extent of their respective Membership Interest.

2.4 PERCENTAGE INTEREST OF MEMBER (UNITS)

The Membership Interest of Company held by each Member may be divided into a Percentage Interest (Units) to represent the amount of capital contributed by the Member as reflected on Exhibit A as it may be amended from time to time.

2.5 ADMISSION OF ADDITIONAL MEMBER

As provided in the Articles, Members may admit to Company additional Member(s) who will participate in the profits, losses, available cash flow, and ownership of the assets of Company on such terms as are determined by all Members. Admission of any such additional Member(s) shall require the written consent of all Members then having any Interest in Company. Admission of such additional Member(s) may result in a dilution of the Percentage Interests of the then Members.

2.6 CERTIFICATE OF MEMBERSHIP INTEREST

The Membership Interest in Company may be represented by a certificate of membership. The exact contents of a certificate of membership may be determined by action of the Members but shall be issued substantially in conformity with the following requirements. The certificates of membership shall be respectively numbered serially, as they are issued, and shall be signed by the Managers of Company. Each certificate of membership shall state the name of Company, the fact that Company is organized under the laws of the State of Delaware as a limited liability Company, the name of the person to whom issued, the date of issue, and the Percentage Interest represented thereby. A statement of the designations, preferences, qualifications, limitations, restrictions, and special or relative rights of the Interests shall be set forth in full or summarized on the face or back of the certificates which Company shall issue, or in lieu thereof, the certificate may set forth that such a statement or summary will be furnished to any holder of the Interests upon request without charge. Each certificate of membership shall be otherwise in such form as may be adjusted by the Members.

2.7 CANCELLATION OF CERTIFICATE OF MEMBERSHIP INTEREST

All certificates of membership surrendered to Company for transfer shall be cancelled and no new certificates of membership shall be issued in lieu thereof until the former certificates for a like number of Membership Interests shall have been surrendered and canceled, except as herein provided with respect to lost, stolen, or destroyed certificates.

2.8 REPLACEMENT OF LOST, STOLEN, OR DESTROYED CERTIFICATE

Any Member claiming that his certificate of membership is lost, stolen, or destroyed may make an affidavit or affirmation of that fact and lodge the same with a Manager of Company, accompanied by a signed application for a new certificate. Thereupon, and upon the giving of a satisfactory bond of indemnity to Company not exceeding an amount double the value of the membership Interests as represented by such certificate (the necessity for such bond and the amount required to be determined by a Manager of Company), a new certificate may be issued of the same tenor and representing the same Percentage Interest as were represented by the certificate alleged to be lost, stolen, or destroyed.

2.9 LIMITATIONS ON LIABILITY OF MEMBERS

Except as provided in the Delaware Limited Liability Company Act relating to distributions by Company and relating to responsibility of Members for certain unsatisfied debts or obligations of Company, no Member shall be liable under a judgment, decree or order of a court, or in any other manner, for a debt, obligation or liability of the Company whether that liability or

obligation arises in contract or tort.

2.10 LIABILITY OF MEMBERS TO COMPANY

A. Liability of Members to Company

A Member is liable to Company: (i) for the difference between his or its contribution to capital as actually made and that stated in the Articles, the Agreement, subscription for contribution or other document executed by the Member as having been made by the Member; and (ii) for any unpaid contribution to capital which he or it agreed in the Articles, the Agreement or other document executed by the Member to make in the future at the time and on the conditions stated in the Articles of Organization, Operating Agreement or other document evidencing such agreement.

B. Member as Trustee for Company

A Member holds as trustee for Company (i) specific property stated in the Articles of Organization, Operating Agreement or other document executed by the Member as contributed by such Member, but which was not contributed or which has been wrongfully or erroneously returned; and (ii) money or other property wrongfully paid or conveyed to such Member on account of his or its contribution.

C. Waiver of Liability of Member

The liabilities of a Member as set out in this Paragraph 2.1 can be waived or compromised only by the consent of all Members; but a waiver or compromise shall not affect the right of a creditor of Company who extended credit or whose claim arose after the filing and before a cancellation or amendment of the Articles of Organization, to enforce its rights.

2.11 NO RESPONSIBILITY FOR PRE-FORMATION COMMITMENTS

In the event that any Member (or Affiliates) has incurred any indebtedness or obligation prior to the date hereof that related to or otherwise affects Company, neither Company nor any other Member shall have any liability or responsibility for or with respect to such indebtedness or obligation unless such indebtedness or obligation is assumed by Company pursuant to a written instrument signed by all Members. Furthermore, neither Company nor any Member shall be responsible or liable for any indebtedness or obligation that is hereafter incurred by any other Member. In the event that a Member, (the "liable Member"), whether prior to or after the date hereof, incurs (or has incurred) any debt or obligation that neither Company nor the other Members

has any responsibility or liability for, the liable Member shall indemnify and hold harmless, Company and the other Members, from any liability or obligation they may incur in connection therewith.

2.12 INITIAL LOAN

n/a

2.13 ADDITIONAL LOANS

Notwithstanding the provisions of article 2.12, the Members shall have no obligation to make additional outlays of capital in the form of loans to the Company. To the extent that the financial situation or the affairs of the Company so require, the Members hereby undertake, to use their best efforts to secure any loans, or capital for financing in favour of the Company from third party banking institutions. In the event that the financial situation of the Company requires additional capital outlays in the form of loans exceeding \$50,000.00 per month for a period of six (6) months at any time, and the Members at any time thereafter have neither unanimously voted:

- 1) to contribute the Additional Capital Outlays themselves according to their respective Percentage Interests or such other percentages as they may have otherwise agreed,
- 2) re-invest profits from the Company, or
- 3) managed to secure financing from a bona fide financial lending institution;

then shall the Members upon unanimous vote,:

(i) be entitled to cancel the present agreement, cause the voluntary winding down of the Company, distribute the remainder of the assets among the Members and restore the parties hereto to their respective positions prior to them having executed the present agreement; or

(ii) be entitled to explore any other remedy which shall be negotiated between the parties at the time of such event.

2.14 TIME CONTRIBUTION AND MEMBER REMUNERATION

Except as otherwise provided in this Agreement, no Member is entitled to any remuneration for acting on Company business except for reasonable compensation under Act for winding up of affairs of Company. The Members shall be entitled to receive their respective share of profits generated by the Company in accordance with their Percentage Interest as stated in

Exhibit B.

2.15 CONFIDENTIALITY COVENANT

The Members acknowledge that any information which they may receive from the Company represents confidential information communicated to them for their exclusive benefit. The Members undertake to be discrete and, at not time, to disclose or communicate, directly or indirectly, to any person whatsoever, information in connection with the operations of the Company, its clients, procedures or processes, policies or techniques. In the event that a Member be under a duty to disclose confidential information pursuant to a statute or other order of a court, they shall notify the other Members of such fact as soon as he/she shall become aware thereof and shall co-operate with them in order to attempt to prevent or to minimize such disclosure.

2.16 NON-COMPETITION AND NON-SOLICITATION COVENANT

A. Covenants

Michele Tasillo and Donald Bruce Baillio undertake and agree that throughout the term of this agreement and for a period of one (1) year following their withdrawal from the Company, not to hold, directly or indirectly, a position as principal, officer, manager, director, consultant, agent, employee, money lender, investor, proprietor, partner, or otherwise in any other entity or agency or any other type of group, competing directly or indirectly with the Company within a Restricted Territory as defined hereunder.

Michele Tasillo and Donald Bruce Baillio each hereby agree and covenant that for a period of one (1) year following their withdrawal from the Company, each, individually or together shall not:

- (i) directly or indirectly solicit, encourage or take any other action which is intended to induce or encourage, or has the effect of inducing or encouraging any other employee of the Company to terminate their employment; or
- (ii) knowingly and intentionally interfere in any manner with the contractual or employment relationship between the Company and any other employee or client of the Company.

As used hereinabove and throughout the present Agreement, the term “Restricted Territory” shall mean each and every country, province, state, city or other political subdivision of the world in which the Company is engaged in business or otherwise sells its products, now or in the future.

B. Acknowledgment of Covenants

Michele Tasillo and Donald Bruce Baillio each represent and warrant to the Company that

- (a) they are familiar with the covenants not to compete, not to solicit and not to disclose or use confidential information, save and except in accordance with in this agreement and in the best interests of the Company;
- (b) they are fully aware of their obligations hereunder, including, without limitation, the length of time, scope and geographic coverage of these covenants;
- (c) agree that the length of time, scope and geographic coverage of these covenants are reasonable because, among other things, the Company is engaged in a highly competitive industry, they are receiving significant consideration in connection with their services being rendered to the Company, and in the event of such Member's withdrawal from the Company, they shall be able to obtain suitable and satisfactory employment without violation of the present covenants.

C. Reformation

In the event that the provisions of this article are deemed to exceed the scope, time or geographic limitations of applicable law regarding covenants not to compete, then such provisions shall be reformed to the maximum scope, time or geographic limitations, as may be, permitted by applicable laws.

ARTICLE III

Management and Control of Business Including Meetings

3.1 MANAGEMENT OF COMPANY AND ELECTION OF MANAGERS

A. Management of Company by Managers

As provided in the Articles, all powers of Company shall be exercised by or under the authority of, and the business and affairs of Company shall be managed under the direction of, the Managers, unless otherwise provided in the Act, the Articles, or the Agreement.

Management of Company shall be vested in three (3) or more Managers who shall be elected solely by the Members. A Member, unless also appointed (or hired) as a Manager, officer or other employee, shall not participate in the day to day operation of the business affairs of Company and if so appointed (or hired), shall participate only within the scope of authority of such position as defined in the Agreement or elsewhere. A Manager need not be a Member, an individual, a resident of the State of Delaware, or a citizen of the United States.

B. Election of Managers by Members

Company shall have one (1) or more Managers. Each Member shall necessarily exercise their voting rights to elect the remaining Members as Manager. Each Manager shall be elected at each annual Members' meeting. Managers which are not Members shall serve for a term expiring at the earlier of (i) the following annual Members' meeting (ii) the date on which a successor is elected and qualifies or (iii) the date on which he or she resigns or becomes disabled and unable to serve.

C. Term of Managers

A Manager whose term has expired continues to serve until a successor is elected and qualifies. Any Manager who is not a member may be removed with or without cause by Members holding a Majority-In-Interest at a meeting called expressly for that purpose. Any Manager elected to fill a vacancy shall serve as a Manager until the next annual meeting of the Members and until a successor is elected and qualifies. Any Manager may resign at any time upon written notice to Company.

3.2 SPECIFIC DUTIES OF MANAGERS

A. Duty of Manager to Qualify to Do Business in Delaware and Other States

If required by law, a Manager shall be qualified to do business in Delaware by obtaining a certificate of authority to do so from the Secretary of State of the State of Delaware and other states as required.

B. Duty of Managers to Determine Time and Place of Annual Meetings of Members

The annual meeting of the Members shall be held each year at such place as the Managers may determine as provided in Paragraph 3.4.

C. Duty of Manager to Call Meetings of Members

Upon written request to a Manager by any person entitled to call a meeting of Members, Manager shall immediately cause notice to be given to the Members entitled to vote that a meeting will be held at a time requested by the person calling the meeting, not less than ten (10) days nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person entitled to call the meeting may give the notice or, upon the application of that person, the superior court of the county in which the principal executive office of the limited liability Company is located, or if the principal executive office is not in this state, the county in which the limited liability Company's address in this state is located, shall summarily order the giving of the notice, after notice to the limited liability Company affording it an opportunity to be heard. The procedure provided in applicable laws shall apply to the application. The court may issue any order as may be appropriate, including, without limitation, an order designating the time and place of the meeting, the record date for determination of Members entitled to vote, and the form of notice.

D. Managers to Safekeep Funds of Company

Managers shall have fiduciary responsibility for the safekeeping and use of all funds and assets of Company, whether or not in their immediate possession or control. The funds of Company shall not be commingled with the funds of any other person and the Manager shall not employ, or permit any other person to employ, such funds in any manner except for the benefit of Company. The bank accounts of Company shall be maintained in such banking institutions as are approved by Managers and withdrawals shall be made only in the regular course of Company business and as otherwise authorized in the Agreement on such signature or signatures as Managers may determine.

E. Managers to Hire Employee for Record Keeping

Managers shall employ a competent person to be an employee of Company who shall be responsible for: authenticating the records of Company, including keeping correct and complete books of account which show accurately at all times the financial condition of Company, safeguarding all funds, notes, securities, and other valuables which may from time to time come into possession of Company, depositing all funds of Company with such depositories as Managers shall designate. Such employee shall have such other duties as Managers may from time to time prescribe, but under no circumstance shall such employee have any of the rights, powers, responsibilities or duties of a Manager or Member of Company as prescribed herein or by law.

F. Warranted Reliance by Managers on Others

In performing their duties, Managers shall be entitled to rely on information,

opinions, reports, or statements of the following persons or groups unless they have knowledge concerning the matter in question that would cause such reliance to be unwarranted:

- (a) one or more employees or other agents of Company whom the Manager reasonably believes to be reliable and competent in the matters presented;
- (b) any attorney, public accountant, or other person as to matters which the Manager reasonably believes to be within such person's professional or expert competence; or
- (c) a committee upon which he does not serve, duly designated in accordance with a provision of the Articles or the Agreement, as to matters within its designated authority, which committee the Manager reasonably believe to merit competence.

G. Other Activities of Managers Permitted

Managers may engage in other business activities and shall be obliged to devote only as much of their time to the business of Company as shall be reasonably required in light of the purposes of Company. A Manager shall perform his duties as a Manager in good faith, in a manner he reasonably believes to be in the best interests of Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A person who so performs his duties shall not have any liability by reason of being or having been a Manager of Company.

3.3 POWERS OF MANAGERS

A. Powers of Managers

Managers shall have all necessary powers to carry out the purposes, business, and objectives of Company, including, but not limited to, the right to enter into and carry out contracts of all kinds; to employ employees, agents, consultants and advisors on behalf of Company; to lend or borrow money and to issue evidences of indebtedness; to bring and defend actions in law or at equity; to buy, own, manage, sell, lease, mortgage, pledge or otherwise acquire or dispose of Company property. Managers may deal with any related person, firm or corporation on terms and conditions that would be available from an independent responsible third party that is willing to perform. Each Manager shall have the authority to sign agreements and other documents on behalf of Company without joinder of any other Manager provided that if the Manager is appointed as an officer he shall act within the customary scope of the authority of his office, unless he obtains the consent of the other Manager or Managers. Without limiting the generality of this Subparagraph 3.3.A., each Manager shall have power and authority, to act on behalf of Company and subject to the limitations of the Act and the limitations set forth hereinafter.

(a) To acquire property from any Person as Managers may determine. The fact that a Member is directly or indirectly affiliated or connected with any such Person shall not prohibit a Manager from dealing with that Person or Entity;

(b) To borrow money for Company from banks, other lending institutions, the Members, or Affiliates of the Members or Manager on such terms as they deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of Company to secure repayment of the borrowed sums. Except as otherwise provided in the Act, no debt shall be contracted or liability incurred by or on behalf of Company, except by the Managers;

(c) To purchase liability and other insurance to protect the property and business of Company;

(d) To hold and own any Company real and personal properties in the name of Company;

(e) To invest any funds of Company temporarily (by way of example but not limitation) in time deposits, short-term governmental obligations, commercial paper or other investments;

(f) To execute on behalf of Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of property of Company; assignments; bills of sale; leases; partnership agreements; and any other instruments or documents necessary, in the opinion of the Manager, to the business of Company;

(g) To employ accountants, legal counsel, managing agents or other experts to perform services for Company and to compensate them from Company funds;

(h) To retain and compensate employees and agents generally, and to define their duties;

(i) To enter into any and all other agreements on behalf of Company, with any other Person or Entity for any purpose necessary or appropriate to the conduct of the business of Company;

(j) To pay reimbursement from Company of all expenses of Company reasonably incurred and paid by the Manager on behalf of Company; and

(k) To do and perform all other acts as may be necessary or appropriate to the conduct of the business of Company;

B. Limitations on Power of Managers in Extraordinary Matters

Managers shall not have authority hereunder to cause Company to engage in extraordinary transactions as set forth in this Subparagraph 3.3.B. Certain extraordinary transactions shall require the affirmative vote of the Members in addition to the concurrence of Managers including, but not limited to, the following:

(a) The sale, exchange or other disposition of all, or substantially all, of Company's assets occurring as part of a single transaction or plan shall require the affirmative vote of Members holding at least Eighty percent (80%) of all Percentage Interests in Company.

(b) The merger of Company with any other limited liability Company or limited partnership shall require the affirmative vote of Members holding at least Eighty percent (80%) of all Percentage Interests in Company, and the merger of Company with another corporation shall require the Eighty percent (80%) vote of all Members of Company.

(c) Notwithstanding any other provisions of the Agreement, no debt or liability of more than \$25 000.00 may be contracted on behalf of Company except by the written consent of all Managers.

(d) Managers shall neither change the amount nor character of Capital Contributions Members Percentage Interest, Initial Loan or Additional Loans, nor change the character of the business of Company without the written consent of Members having at least Eighty percent (80%) of all Percentage Interests in Company.

(e) Managers shall not make a false or erroneous statement in the Articles.

(f) The amendment of the Agreement shall require the unanimous agreement of all Members and as otherwise provided in Paragraph 12.12 hereof.

(g) Managers shall not allocate and pay any share of Company profit without the written consent of all Managers.

(h) Any other transaction described in the Agreement as requiring a vote of Members.

(i) Managers shall not vote to increase their salaries or bonuses or any other like remuneration or those of employees without the written consent of Members having at least eighty (80) percent of all Percentage Interest in the Company or of all Managers.

C. Manager as Agent of Company

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

3.4 LIMITATIONS ON LIABILITY OF MANAGERS

A Manager shall not be liable to Company or Members for any loss or damage resulting from any mistake of fact or judgment or any act or failure to act unless the mistake, act or failure to act is the result of fraud, bad faith, gross negligence or willful misconduct.

3.5 ANNUAL MEETINGS OF MEMBERS

A. Annual Meeting of Members

The annual meeting should be for the purposes of election (or re-electing) a Manager or Managers and for transacting any other business that may properly come before the meeting.

B. Date, Time and Place of Annual Meeting of Members

The annual meeting of Members shall be held at such date, time and place within or without the State of Delaware as Managers may fix from time to time, or if there are two or more Managers and they are unable to agree at such time and place, Members holding more than 50 percent of the Percentage Interests shall determine the time and place.

3.6 SPECIAL MEETINGS OF MEMBERS

A. Power to Call Special Meeting

Special meetings of Members for any purpose or purposes of addressing any matters on which Members may vote, unless otherwise proscribed by the Act or by the Articles, may be called by any Manager, or upon written demand of any Member or Members representing

ten percent (10%) or more of the Percentage Interest on any issue proposed to be considered.

B. Date, Time and Place of Special Meeting

Special meetings of Members for any purpose other than the election of Managers may be held at such date, time and place within or without the State of Delaware as shall be stated in the notice of the meeting or in a duly executed and delivered waiver of notice, provided notice of the meeting is given not less than ten (10) days nor more than sixty (60) days before the date of the meeting.

3.7 NOTICES, VOTING AND PROCEDURES AT MEETINGS

A. Required Notification of Meetings of Members

Managers shall deliver or mail written notice stating the date, time, and place of any meeting of Members and, in the case of a special meeting of Members or when otherwise required by law, a description of the purposes for which the meeting is called, to each Member of record entitled to vote at the meeting, at such address as appears in the records of Company, such notice to be mailed at least ten (10), but not more than sixty (60), days before the date and time of the meeting. A Member may waive notice of any meeting, before or after the date of the meeting, by delivering a signed waiver to Company for inclusion in the minutes of Company. A Member's attendance at any meeting, in person or by proxy (a) waives objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

B. Record Date for Eligibility of Members to Vote

The record date for the purpose of determining the Members entitled to notice of a meeting of members, for demanding a special meeting of members, for voting, or for taking any other action shall be the tenth (10th) day prior to the date of the meeting or other action.

C. Voting by Members at Meeting

A Member may appoint a proxy to vote or otherwise act for the Member pursuant to a written appointment form executed by the Member or the Member's duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the

Managers of Company. The general proxy of a fiduciary is given the same effect as the general proxy of any other Member. A proxy appointment is valid for twelve (12) months unless otherwise expressly stated in the appointment form.

D. Relative Weight of Votes of Members at Meeting

At any meeting of Members, each Member entitled to vote shall have a number of votes equal to the product of (i) his or her Percentage Interest as set forth on Exhibit A hereto, as the same may be amended from time to time, times (ii) one hundred (100). At any meeting of Members, presence of Members entitled to cast at least Eighty (80) percent of the total votes of all Members entitled to vote at such meeting constitutes a quorum. Except for matters relating to the continuation of the business of Company upon the occurrence of an Event of Dissolution, action on a matter is approved if it receives approval by at least 51 percent of the total number of votes entitled to be cast by all Members in Company entitled to vote at such meeting or such greater number as may be required by law, the Articles or this Agreement for the particular matter under consideration. Upon the occurrence of a Dissolution Event (as defined herein), a Former Member shall not be entitled to any vote in determining whether Company shall purchase the interest of such Former Member as permitted in Paragraph 7.2 hereof. Also, any assignee of a Member's Interest shall not be entitled to vote or participate on any matters at any meeting unless such assignee become a substitute Member as contemplated in Paragraph 8.3 hereof.

E. Telephonic Participation by Member at Meeting

Any or all Members may participate in any annual or special Members' meeting by, or through the use of, any means of communication by which all Members participating may simultaneously hear each other during the meeting. A Member so participating is deemed to be present in person at the meeting.

F. Appointment of Secretary for Meeting

At any annual or special Members' meeting the Managers shall appoint a person to preside at the meeting and a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be placed in the minute books of Company.

G. Consent by Members in Lieu of Meeting

Subject to Subparagraph 3.7D hereof and the applicable laws of the State of

Delaware any action required or permitted to be taken at a Members' meeting may be taken without a meeting if the action is taken by all of the Members entitled to vote on the action. The action must be evidenced by one or more written consents describing the action to be taken, signed by all the Members entitled to vote on the action, and delivered to Company for inclusion in the minutes. The record date for determining Members entitled to take action with a meeting is the first date a Member signs the consent to such action.

3.8 OFFICERS OF COMPANY

A. Election of Officers

Members may elect officers at an annual or special Members' meeting of members. The officers of Company, if deemed necessary by the Members, shall be president, vice president, secretary, and treasurer. Only a Manager may be elected president or vice- president. Each officer shall hold office of the term for which he is elected until his successor has been elected. Any individual may hold any number of offices. No officer need be a resident of the State of Delaware or citizen of the United States. If a Manager is a corporation, such corporation's officers may serve as officers of Company if elected by the Members. The officers shall exercise such powers and perform such duties as specified in the Agreement and as shall be determined from time to time by the Members. At its first meeting after each annual meeting of Members, the Members by resolution shall choose a president, one or more vice-presidents, a secretary and a treasurer.

B. Term, Removal and Filling of Vacancy of Officers

The officers of Company shall hold office until their successors are chosen and qualify. Any officer, other than an officer who is also a Manager, elected or appointed by the Members may be removed at any time by the affirmative vote of Members holding a majority of the Percentage Interests. An officer who is also a Manager may not be removed as an officer unless and until he or she is removed as a Manager or his or her term as Manager expires. Any vacancy occurring in any office of Company shall be filled by a resolution of the Members holding a majority of the Percentage Interests provided only a person who is a Manager may be elected as president or vice president.

C. Salaries of Officers

The salaries of all officers and agents of Company shall be fixed by a resolution of the Members holding Eighty (80) percent of the votes.

D. Duties and Powers of President

The president shall be the chief executive officer of Company, shall preside at all meetings of the Members and Managers, shall have general and active management of the business of Company and shall see that all orders and resolutions of the Members and Managers are carried into effect.

E. Duties and Powers of Vice-President

The vice-president, or if there shall be more than one, the vice-presidents in the order determined by a resolution of the Members, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the Members by resolution may from time to time prescribe.

F. Duties and Powers of Secretary

The secretary shall attend all meetings of the Managers and all meetings of the Members, and shall record all the proceedings of the meetings in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. The secretary shall give, or cause to be given, notice of all meetings of the Members and special meetings of the Members, and shall perform such other duties as may be prescribed by the Managers or president, under whose supervision the secretary shall be.

G. Duties and Powers of Treasurer

The treasurer shall have the custody of the funds and securities of Company, and shall keep full and accurate accounts of receipts and disbursements in books belonging to Company, and shall deposit all moneys and other valuable effects in the name and to the credit of Company in such depositories as may be designated by the Members.

The treasurer shall disburse the funds of Company as may be ordered by the Managers, taking proper vouchers for such disbursements, and shall render to the president and the Managers, at their regular meetings, or when Members so require, at a meeting of the members an account of all his or her transactions as treasurer and of the financial condition of Company.

If required by a resolution of the Members, the treasurer shall give Company a bond in such sum and with such surety or sureties as shall be satisfactory to the Members for the faithful performance of the duties of his office and for the restoration to Company, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and

other property of whatever kind in his possession or under his or her control, belonging to Company.

ARTICLE IV

Capital Accounts

4.1 CAPITAL ACCOUNT FOR EACH MEMBER

Manager shall maintain a separate Capital Account as defined below generally and in simplified form in Paragraph 4.2 and technically and in a controlling way in Paragraphs 4.3, 4.4 and 4.5 for each member strictly in accordance with the requirements of Internal Revenue Code (“IRC”) Section 704(b) and applicable regulations promulgated thereunder. The Members intend that the Capital Accounts of the Members be maintained strictly in accordance with the rules of Internal Revenue Regulations Section 1.704-1(b)(2)(iv), as amended from time to time. In this connection, to the extent the results determined under a literal application of this Paragraph vary from the results that would be obtainable under the rules described in Regulations Section 1.704-1(b)(2)(iv), the rules set forth in Regulations Section 1.704-1(b)(2)(iv) shall be used and govern the maintenance of capital accounts under the Agreement.

4.2 CAPITAL ACCOUNT DETERMINATION

Subject to the other paragraphs in this Article, "Capital Account" generally means:

The amount of money contributed by the Member to Company,

increased (credited) by:

- (i) The fair market value of property other than money contributed by the Member to Company as determined by the contributing Member and Company, and
- (ii) The Net Profits allocated to the Member, and
- (iii) The amount of any liabilities of Company assumed by Member or which are secured by property distributed to Member by Company, and

decreased (debited) by:

- (i) The amount of money distributed to the Member,

- (ii) The fair market value of property distributed to the Member by Company as determined by recipient Member and Company,
- (iii) The Member's share of expenditures of Company described in IRC Section 705(a)(2)(B) (including, for this purpose, losses which are nondeductible under IRC Section 267(a)(1) or Section 707(b)),
- (iv) The Member's share of amounts paid or incurred by Company to organize Company or to promote the sale of (or to sell) an interest in Company (except to the extent properly amortizable for income tax purposes),
- (v) The Net Losses allocated to the Member, and
- (vi) The amount of any liabilities of the Member assumed by Company or secured by property contributed by Member of Company.

4.3 TECHNICAL DESCRIPTION OF CAPITAL ACCOUNT DETERMINATION

Subject to the other paragraphs of this Article, "Capital Account" of any Member is the account maintained for such Member in accordance with the following provisions:

A. To each Member's Capital Account there shall be credited such Capital Contributions of the Member, such Member's distributive share of Net Profits and any items in the nature of income or gains which are specially allocated, and the amount of any liabilities of Company assumed by the Member or which are secured by any property distributed to the Member.

B. To each Capital Account there shall be debited the amount of cash and the Gross Asset Value of any property distributed to the Member pursuant to any provision of the Agreement, the Member's distributive share of Net Losses and any items in the nature of expenses or losses which are specially allocated, and the amount of any liabilities of the Member assumed by Company or which are secured by any property contributed by the Member to Company.

4.4 DEFINITIONS USED IN TECHNICAL DESCRIPTION

A. "Capital Contribution" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to Company with respect to the Interest held by such Member. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to Company by the maker of the note (or a Member related to the maker of the note within the meaning of Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of

any Member until Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

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

a. The initial Gross Asset Value of any asset contributed by a Member to Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Managers, provided that the initial Gross Asset Values of the assets contributed to Company pursuant to Paragraphs 2.1 and 2.2 hereof shall be as set forth in such Paragraphs, and provided further that, if the contributing Member is a Manager, the determination of the fair market value of any other contributed asset shall require the consent of a majority of the Members;

b. The Gross Asset Values of all assets of Company shall be adjusted to equal their respective gross fair market values, as determined by the Managers, as of the following times: (a) the acquisition of an additional Interest by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) the distribution by Company to a Member of more than a de minimis amount of property as consideration for an Interest; and (c) the liquidation of Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Managers reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in Company;

c. The Gross Asset Value of any asset of Company distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution, as determined by the distributee and the Managers, provided that, if the distributee is a Manager, the determination of the fair market value of the distributed asset shall require the consent of a majority of the Members; and

d. The Gross Asset Values of assets of Company shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph to the extent the Managers determine that an adjustment pursuant to Subparagraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to any of the subparagraphs above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

C. "Net Profits" refers to all items of income (including all items of gain and including income exempt from tax) as properly determined for "book purposes", and "Net Losses" refers to all items of loss (including deductions) as properly determined for "book purposes". Net Profits and Net Losses shall be determined based on the value of the assets of Company as set forth on the books of Company in accordance with the principles of Regulations Section 1.704-1(b)(2)(iv)(g). Otherwise, income and loss shall be determined strictly in accordance with federal income tax principles (including rules governing depreciation and amortization), applied hypothetically based on values of Company assets as set forth on the books of Company.

4.5 CAPITAL ACCOUNT ADJUSTMENTS FOR SPECIAL EVENTS

A. Succession to Capital Account

In the event all or a portion of a Membership Interest is transferred in accordance with the terms of the Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

B. Assumption of Liability

An assumption of unsecured liability by Company shall be treated as a distribution of money to the Member. An assumption of the unsecured liability of Company by a member shall be treated as a cash contribution to Company. In determining the amount of any liability for this purpose, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

C. Adjustment for Noncash Distribution

In the event that assets of Company other than cash are distributed in kind to a Member, Capital Accounts shall be adjusted for the hypothetical "book" gain or loss that would have been realized by Company if the distributed assets had been sold for their fair market values in a cash sale (in order to reflect unrealized gain or loss).

D. Adjustment to Fair Market Upon Transfer of Interest

Capital Accounts shall be adjusted to reflect fair market value of all properties in the event of acquisition of Membership Interest by an existing or new Member.

E. Adjustment for Constructive Termination of Company

Capital Accounts also shall be adjusted upon the constructive termination of Company as provided under Code Section 708 in accordance with the method set forth in the

immediately preceding paragraph (as required by Regulations Section 1.704-1(b)(2)(iv)(b)).

F. Adjustment for Recapture of Certain Credits

Capital Accounts shall be adjusted appropriately on account of investment tax credit and investment tax credit recapture in accordance with the principles of Code Section 48(q).

4.6 POWER TO MODIFY CAPITAL ACCOUNTS TO COMPLY WITH REGULATIONS

The foregoing provisions and the other provisions of the Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Managers determine that it is necessary to modify the manner in which the Capital Accounts are computed in order to comply with such Regulations and to reflect the agreed upon allocation of the distribution of cash, the Manager may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any member upon the dissolution of Company. The Managers also shall make any appropriate modifications in the event unanticipated events occur that might otherwise cause the Agreement not to comply with Regulations Section 1.704-1(b).

4.7 SUCCESSION TO CAPITAL ACCOUNTS BY TRANSFEREE OF INTEREST

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

4.8 MAINTENANCE OF INCOME (DRAWING) ACCOUNTS

A separate individual income account shall be maintained for each Member. At the end of each fiscal year, each Member's share of the Net Profits and Net Losses of Company shall be credited or debited to, and his withdrawals during the fiscal year deducted from, his income account. After such amounts have been credited or debited to and deducted from the income account of a Member, any balance or deficit remaining in such account shall be transferred to or charged against the individual Capital Account of such Member.

ARTICLE V

Allocations of Net Profits and Net Losses and Distributions

5.1 ALLOCATION OF PROFITS OR LOSSES

While the detailed provisions for allocation of profits and losses set out at 5.2 below shall apply, as far as practicable, to the profits realized upon the ongoing operations of the Company, those provisions shall only apply insofar as the following allocation of the profits, after payment of the general expenses and salaries of the Company, has first been made.

5.2 ALLOCATION OF NET PROFITS AND NET LOSSES GENERALLY

A. Allocation of Net Profits

Except as otherwise provided elsewhere under the Agreement and after first giving effect to the special allocations in Subparagraphs 5.1, 5.2.C. through 5.2.L., Net Profits for any fiscal year shall be allocated to each Member in accordance with his or her Percentage Interest as set forth in Exhibit B. Subject to any limitations described elsewhere in the Agreement including but not limited to Subparagraphs 5.2.M. and 5.2.N., the above allocation of Net Profits may be modified by subsequent agreement to conform to adjustments made to the Percentage Interest because of loans converted to Capital Contributions, any distributions of cash and any liquidating distribution. If a Member's Percentage Interest is not the same throughout a given fiscal year, the Managers shall determine the allocation of Net Profit by taking into account this varying Percentage Interest during the year but such determination shall be in conformity with the requirements of Code Section 706(d) and the regulations thereunder.

B. Allocation of Net Losses

Except as otherwise provided under the Agreement and after giving effect to the special allocations in Subparagraphs 5.1 (a), 5.2.C. through 5.2.L., Net Losses for any fiscal year shall be allocated to each Member accordance with his or her Percentage Interest set forth in Exhibit B. Subject to any limitations described elsewhere in the Agreement including but not limited to Subparagraphs 5.2.M. and 5.2.N., the above allocation of Net Losses may be modified by subsequent agreement to conform to adjustments made to the Percentage Interest because of loans converted to Capital Contributions, any distributions of cash and any liquidation distributions. If a Member's Percentage Interest is not the same throughout a given fiscal year, the Managers shall determine the allocation of Net Losses to the Member by taking into account his varying Percentage Interest during the year but such determination shall be in conformity with the requirements of Code Section 706(d) and the regulations thereunder.

C. Allocation of Company Minimum Gain

Notwithstanding any other provision of the Agreement, if there is a net decrease in Company Minimum Gain for a Company taxable year, then each Member shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) in proportion to, and to the extent of, an amount equal to the greater of (a) the portion of such Member's share of the net decrease in Company Minimum Gain during such year that is allocable to the disposition of Company property subject to one or more Non-recourse Liabilities of Company and (b) the deficit balance in such Member's capital account at the end of such year. Such allocations shall be made before any other allocation of Company items for the year. For the purpose of this Paragraph 5.2, the balance in a Member's capital account at the end of such year shall be determined with the adjustments prescribed by Regulations Section 1.704-2. Such allocations shall be made in accordance with the provisions of Regulations Section 1.704-2.

D. Allocation of Member's Share of Minimum Gain

Notwithstanding any other provision of the Agreement, if there is a net decrease during a Company taxable year in the Member's Share of Minimum Gain, then any Member with a share of the Minimum Gain at the beginning of such year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) in proportion to, and to the extent of, an amount equal to the greater of (a) the portion of such Member's share of the net decrease in the Minimum Gain that is allocable to the disposition of Company property subject to such Member Non-recourse Debt, and (b) the deficit balance in such Member's capital account at the end of such year. The items of Company income and gain allocated by this Paragraph 5.2 shall not include any items of income or gain allocated pursuant to the Paragraph above. The allocations under this Paragraph 5.2 shall be made before any other allocation (except any allocations made pursuant to this Paragraph 5.2 above) of Company items for the year. For the purpose of this Paragraph 5.2, the balance in a Member's capital account at the end of such year shall be determined with the adjustments prescribed by, and the allocations hereunder shall be made in accordance with, the provisions of Regulations Section 1.704-2.

E. Allocation of Net Profits and Gains Under Qualified Income Offset

Items of Net Profits and gain shall be specially allocated to each Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of the Member as quickly as possible in the event any Member unexpectedly receives any (i) distributions that, as of the end of such year, reasonably are expected to be made to a Member to the extent they exceed offsetting increases to such Member's capital

account that reasonably are expected to occur during (or prior to) Company taxable years in which such distributions reasonably are expected to be made (other than increases pursuant to a minimum gain chargeback of the Agreement) or (ii) adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6). This subparagraph is intended to comply with Regulation Section 1.704-1(b)(2)(ii)(d) and should be so interpreted.

F. Allocation of Non-recourse Deductions

Member Non-recourse Deductions shall be allocated to the Member, if any, that bears the economic risk of loss for the Member Non-recourse Debt to which the Member Non-recourse Deductions are attributable. If more than one Member bears the economic risk of loss for a Member Non-recourse Debt, the Non-recourse Deduction attributable to such Member Non-recourse Debt shall be allocated among such Members in accordance with the ratios in which the Members share the economic risk of loss for such Non-recourse Debt. Otherwise, Non-recourse Deductions shall be allocated in the same manner as, and be subject to the same restrictions imposed upon Net Losses.

G. Allocation of Income, Gains and Losses Related to Contributed Property

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

H. Allocation of Gain and Loss from Sale or Other Disposition of Property not Revalued

If, in connection with the admission of an additional Member to Company or

the liquidation of a Member's Interest in Company, Company property is not revalued pursuant to Regulations Section 1.704-1(b)(2)(iv)(f) and the Members' capital accounts are not adjusted accordingly, then, upon any subsequent sale or other disposition of Company property, gain or loss recognized upon the sale or other disposition shall be allocated among the Members so as to take into account the variation between the adjusted basis of such property and its fair market value as of the date the additional Member was admitted or the date the Member's Interest was liquidated, as the case may be, in the same manner as under Code Section 704(c).

I. Allocation of Gains and Losses Related to Adjustments in Tax Basis

To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 734(b) or 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

J. Allocations to Avoid Adjusted Capital Account Deficit

Notwithstanding any other provision of this Article, no Member shall receive an allocation of Net Losses, Net Capital Loss, Non-recourse Deductions, or any other item of loss or deduction that would create or increase an Adjusted Capital Account Deficit of the Member. Any loss, or item thereof, that cannot be allocated to a Member as a result of the foregoing limitation shall be allocated to all Members. Any loss, or item thereof, allocated to all Members pursuant to the preceding sentence shall be taken into account in computing subsequent allocations of Net Profits or Losses or Net Capital Gain or Loss so that the net amount of any items so allocated and the profits, losses and all other items allocated to each Member shall, to the extent possible, be equal to the net amount that would have been allocated to each Member if the allocations required by the preceding sentence had not been made.

K. Allocation of Gross Income to Restore Capital Account Deficit

In the event any Member has a distribution in his Capital Account at the end of any fiscal year which is in excess of the sum of (i) the amount the Member is obligated to restore pursuant to any provision of the Agreement, and (ii) the amount the Member is deemed to be obligated to restore pursuant to the penultimate sentences of Section 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, such Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this subparagraph shall be made only if and to the extent that such Member would have a Capital Account with a deficit balance in excess of such sum after all other allocations provided for in this

Paragraph 5 have been made as if Subparagraph 5.2E relating to allocations under a qualified income offset hereof and this subparagraph were not in the Agreement.

L. Allocation of Capital Event Adjustments and Subsequent Effects

To the extent the Gross Value of any asset of Company is increased or decreased for a "capital event" as described in Paragraph 4.5 relating to Capital Account adjustments for special events, any resulting book gain or loss shall be allocated as required for capital account purposes and subsequent allocations of income, gain, loss or deduction with respect to such asset shall take into account any difference between the adjusted basis of such asset for Federal income tax purposes and its Gross Asset Value.

M. Allocation of Net Profits and Net Losses Consistent with Distributions

Notwithstanding any other provision of the Agreement, the Net Profits and Net Losses shall be allocated in a manner that is consistent with the requirements for distributions of cash described elsewhere in the Agreement, the requirements for distribution of assets of Company upon its dissolution and winding up strictly in accordance with capital account balances determined in accordance with these procedures described below and the requirements for the allocations to comply with applicable Regulations under Code Section 704(b).

N. Allocations of Income, Gain, Losses, and Deductions to Comply with Regulations and Intentions of Members

The allocations of income, gains, losses, and deductions set forth in the Agreement are intended to comply strictly with Regulations Section 1.704-1(b), and Regulations Section 1.704-2, and are intended to have "substantial economic effect" within the meaning of those Regulations. The allocations may not be consistent with the manner in which Members intend to divide Company distributions. Accordingly, Managers are hereby authorized to divide allocations of Net Profits, Net Losses, and other items among Members so as to prevent the allocations from distorting the manner in which Company distributions will be divided among Members pursuant to this Article. In general, Members anticipate that this will be accomplished by specially allocating other Net Profits, Net Losses, and items of income, gain, loss, and deduction among the Members so that the net amount of the allocations and such special allocations to each such Member is zero. If, for whatever reason, Managers determine that the allocation provisions of the Agreement are unlikely to be respected for federal income tax purposes, the Managers are granted the authority to amend the allocation provisions of the Agreement, to the minimum extent necessary to effect the plan of allocations and distributions provided in the Agreement. The Managers shall have the discretion to adopt and revise rules, conventions and procedures as they believe appropriate in any reasonable manner with respect to the admission of Members to reflect the Members' Interests in

Company at the close of the year.

O. Order for Applying Allocation Provisions

The allocation provisions of this Paragraph 5.2 shall be applied in the following order from first to last:

- (i) Allocation of Company minimum gain chargeback as required by Subparagraph C;
- (ii) Allocation of member minimum gain chargeback as required by Subparagraph D;
- (iii) Allocation of qualified income offset as required by Subparagraph E;
- (iv) Allocation of non-recourse deductions as required by Subparagraph F;
- (v) Allocation of Income, Gains or Losses related to contributed property as required by Subparagraph G;
- (vi) Allocation of gain and loss from sale or other disposition of property not revalued as required by Subparagraph H;
- (vii) Allocation of Net Profits as required by Subparagraph A;
- (viii) Allocation of Net Losses as required by Subparagraph B;
- (ix) Allocation of gains and losses related to adjustment in tax basis as required by Subparagraph I;
- (x) Allocations to avoid adjusted capital account deficit as required by Subparagraph J;
- (xi) Allocation of gross income to restore capital account deficit as required by Subparagraph K;
- (xii) Allocation of a capital account adjustment and subsequent effects as required by Subparagraph L;
- (xii) Allocation of net profits and net losses consistent with distributions as required by Subparagraph M;

- (xiii) Allocation of income, gains, losses and deductions to comply with regulations and intentions of Members as required by Subparagraph N.

5.3 DEFINITIONS OF TECHNICAL TERMS USED FOR ALLOCATION PURPOSES

A. "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

- (i) Credit to such Capital Account means any amounts which such Member is obligated to restore (pursuant to the terms of such Member's Promissory Note or otherwise) or is deemed to be obligated to restore pursuant to the penultimate sentence of Regulations Section 1.704-1(b)(4)(iv)(f); and

- (ii) Debit to such Capital Account means the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

B. "Company Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(f). "Company Minimum Gain" refers to the concept that the disposition of an item of Company property encumbered by a Non-recourse Liability the amount of which exceeds the adjusted tax basis of the property (or book value of the property if the property is properly reflected on the books of Company at a value that differs from its adjusted tax basis) will generate gain in an amount that is at least equal to such excess. The amount of Company Minimum Gain is determined by computing, with respect to each Non-recourse Liability of Company, the amount of gain (of whatever character), if any, that would be realized by Company if it disposed of (in a taxable transaction) Company property subject to such liability in full satisfaction thereof (and for no other consideration), and by then aggregating the amounts so computed. The determination of the amount of Company Minimum Gain shall be made pursuant to Regulations Section 1.704-2(g). A Member's share of Company Minimum Gain at the end of any Company taxable year shall be determined pursuant to Regulations Section 1.704-2(g).

C. "Member's Share of Minimum Gain" is determined by computing the amount of gain (of whatever character), if any, that would be realized by Company if it disposed of (in a taxable transaction) Company property subject to the Member Non-recourse Debt in full satisfaction thereof (and for no other consideration). The determination of the amount of Member's Share of Minimum Gain shall be made pursuant to the principles contained in Regulations Section 1.704-2(g). A Member's Share of Minimum Gain at the end of any Company taxable year shall be

determined pursuant to Regulations Section 1.704-2(g).

D. "Member Non-recourse Debt" means any Non-recourse Debt of Company for which any Member bears the economic risk of loss within the meaning of Treasury Regulation 1.704-2(b)(4). "Non-recourse Debt" means any Company liability that is considered non-recourse for purposes of Regulations Section 1.1001-2 and any Company liability for which the creditor's right to repayment is limited to one or more assets of Company.

E. "Member Non-recourse Deduction" means any item of Company Non-recourse Deduction that is attributable to a Member Non-recourse Debt. The amount of a Member Non-recourse Deduction with respect to the Member Non-recourse Debt for a Company taxable year equals the excess, if any, of the amount of the net increase during such year in the amount of Minimum Gain Attributable to such Member Non-recourse Debt, over the aggregate amount of any distributions during such year to the Member that bears the economic risk of loss for the Member Non-recourse Debt of the proceeds of the Member Non-recourse Debt that are allocable to an increase in the Minimum Gain Attributable to such Member Non-recourse Debt, and shall be determined in accordance with Regulations Section 1.704-2(i)(2).

F. "Company Non-recourse Deduction" means any item of loss, deduction or Code Section 705(a)(2)(B) expenditure attributable to Non-recourse Liabilities of Company. The amount of Non-recourse Deductions for a Company taxable year equals the excess, if any, of the net increase in the amount of Company Minimum Gain during such taxable year, over the aggregate amount of any distributions during such year of proceeds of a Non-recourse Liability that are allocable to an increase in Company Minimum Gain, and shall be determined in accordance with Regulations Section 1.704-2(g). "Non-recourse Liabilities" means liabilities of Company (or portion thereof) for which no Member bears the economic risk of loss.

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

(i) Any income of Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this Paragraph, shall be added to such taxable income or loss;

(ii) Any expenditures of Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this Subparagraph, shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Company asset is adjusted

pursuant to Subparagraph 4.4B, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits or Net Losses;

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

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account depreciation for such fiscal year or other period, computed in accordance with Subparagraph (D) of this Paragraph hereof; and

(vi) Notwithstanding any other provision of this Paragraph, any items that are specially allocated pursuant to Article V of the Agreement shall not be taken into account in computing Net Profits or Net Losses.

H. "Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year or other period, except that, if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis.

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

(i) The initial Gross Asset Value of any asset contributed by a Member to Company shall be the gross fair market value of such asset, as determined by the contributing Member and Company;

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Managers, as of the following times: (a) the acquisition of an additional interest in Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) the distribution by Company to a Member of more than a de minimis amount of Company property as consideration for an interest in Company if the Managing Member reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members in Company; and (c) the liquidation of Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g);

(iii) The Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution; and

(iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to IRC Section 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and other provisions of the Agreement, provided, however, that Gross Asset Values shall not be adjusted pursuant to this Paragraph to the extent the Managers determine that an adjustment pursuant to Item (ii) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Paragraph.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to this Paragraph hereof, such Gross Asset Value shall thereafter be adjusted by the depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

5.4 DISTRIBUTIONS OF NET CASH FLOW BY COMPANY

Subject to any limitations found elsewhere in the Agreement and under law including that the assets of Company after the distribution be in excess of all liabilities except for liabilities owed to Members for their capital Contributions as described in Paragraph 5.6, Managers may, but are not required to, upon unanimous vote, distribute any Net Cash Flow as defined below among Members in accordance with their respective Percentage Interest (i.e. Michele Tasillo 10%, Donald Bruce Baillio 10%, Variance Strategy LLC 80%), but only to those persons or entities recognized on the books of Company as Members or as assignees of interests on the day of the distribution. With respect to any fiscal period, Net Cash Flow means all cash revenues of Company during that period (including interest or other earnings on the funds of Company), less the sum of reserves for the following amounts:

- (i) All payments of principal and interest on any indebtedness of Company;
- (ii) All payments for carrying costs or operating costs incurred incident to the operation of the business of Company and in accordance with the terms of the Agreement; and
- (iii) Reasonable working capital funds for contingencies incident to the conduct of the business of Company.

5.5 ALLOCATION OF NET PROFITS AND LOSSES AND DISTRIBUTIONS IN RESPECT OF A TRANSFERRED INTEREST

If any Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any fiscal year of Company, each item of income, gain, loss, deduction, or credit of Company for such fiscal year shall be assigned pro rata to each day in the particular period of such fiscal year to which such item is attributable (i.e., the day on or during which it is accrued or otherwise incurred) and the amount of each such item so assigned to any such day shall be allocated to the Member based upon its respective Interest at the close of such day.

For the purpose of accounting convenience and simplicity, Company shall treat a transfer of, or an increase or decrease in, an Interest in Company which occurs at any time during a semi-monthly period (commencing with the semi-monthly period including the date hereof) as having been consummated on the first day of such semi-monthly period, regardless of when during such semi-monthly period such transfer, increase, or decrease actually occurs (*i.e.*, sales and dispositions made during the first 15 days of any month will be deemed to have been made on the 16th day of the month).

Notwithstanding any provision above to the contrary, gain or loss of Company realized in connection with a sale or other disposition of any of the assets of Company shall be allocated solely to the parties owning Interests in Company as of the date such sale or other disposition occurs.

5.6 DISTRIBUTION OF ASSETS BY COMPANY

Distributions of assets with respect of an Interest in Company shall be made only to the Members who, according to the books and records of Company, are the holders of record of the Interests in respect of which such distributions are made on the actual date of distribution. Neither Company nor any Member shall incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not Company or the Member has knowledge or notice of any transfer or purported transfer of ownership of Interest in Company which has not been approved by unanimous vote of the Members.

5.7 LIMITATION ON RIGHTS TO DISTRIBUTIONS

No Member shall be entitled to any distribution from Company until Company actually makes the distribution. No Member shall have the right to demand that any distribution be paid in any form other than cash.

5.8 IMPAIRMENT OF CAPITAL LIMITATIONS ON DIVISION AND DISTRIBUTION OF NET PROFITS

Company may, from time to time, divide the net profits of its business and distribute the same to the Members of Company upon the basis stipulated in this Article V; provided that after distribution is made, the assets of Company are in excess of all liabilities of Company except liabilities to Members on account of their Capital Contributions after giving effect to all distributions, revaluations and allocations.

5.9 ORDER OF APPLYING DISTRIBUTION PROVISIONS

Subject to Paragraph 2.5 relating to limitations on withdrawal of capital contributions by Members, Paragraph 5.6 relating to distributions of assets by Company, and Paragraph 5.7 relating to impairment of capital limitations on division and distribution of net profits, the provisions of the Agreement relating to cash distribution shall be applied in the following order:

- (i) Distribution of cash from operations as permitted under Paragraph 5.4;
- (ii) Distribution of cash from the Purchase of a Member's Interest as provided in Paragraph 9.2;
- (iii) Distribution of cash from the liquidation of Company as provided in Paragraphs 8.5, 8.6 and 8.7.

In exercising any discretion permitted under the Agreement concerning the distribution of assets, the Managers shall not be required to make any distribution under a given paragraph of the Agreement assigned a higher order before making a distribution under a lower priority paragraph of the Agreement.

ARTICLE VI

Accounting, Records, and Reporting by Members

6.1 ACCOUNTING DECISIONS AND RELIANCE ON OTHERS

All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Managers. The Managers may rely upon the advice of the independent accountants of the Company as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes.

6.2 RECORDS AND ACCOUNTING MAINTAINED

The books and records of Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for federal income tax purposes. The books and records of Company shall reflect all Company transactions and shall be appropriate and adequate for Company's business. The fiscal year of Company for financial reporting and for federal income tax purposes shall be the calendar year.

6.3 ACCESS FOR MEMBERS TO ACCOUNTING RECORDS

All books and records of Company shall be maintained at any office of Company or at Company's principal place of business, and each Member or holder of an Economic Interest, and his duly authorized representative, shall have access to them at such office of Company and the right to inspect and copy them at reasonable times.

6.4 ANNUAL TAX INFORMATION FOR MEMBERS

Company shall use its best efforts to deliver to each Member within 90 days after the end of each fiscal year all information necessary for the preparation of such Member's federal income tax return. Company shall also use its best efforts to prepare, within 120 days after the end of each fiscal year, a financial report of Company for such fiscal year, containing a balance sheet as of the last day of the year then ended, an income statement for the year then ended, a statement of cash flows, and a statement of reconciliation of the Capital Accounts of Members.

6.5 FEDERAL INCOME TAX ELECTIONS MADE BY MANAGERS

The Managers on behalf of Company may make all elections for federal income tax purposes, including but not limited to, the following:

A. Use of Accelerated Depreciation Methods

To the extent permitted by applicable law and regulations, Company may elect to use an accelerated depreciation method on any depreciable unit of the assets of Company; and

B. Adjustment of Basis of Assets

In case of a transfer of all or part of the Interest of any Member, Company may elect, pursuant to Code Sections 734, 743, and 754 of the Code, as amended (or corresponding provisions of future law) to adjust the basis of the assets of Company.

C. Accounting Method

For financial reporting purposes, the books and records of Company shall be kept on the accrual method of accounting applied in a consistent manner and shall reflect all transactions of Company and be appropriate and adequate for the purposes of Company.

6.6 ANNUAL FILING OF LIST OF MANAGERS AND DESIGNATION OF AGENT FOR SERVICE OF PROCESS

Managers on behalf of Company shall, within ninety (90) days after filing the original Articles and annually thereafter on or before the last day of the month which the anniversary date of the filing of the original Articles occurs in each year, file with the Secretary of State an annual statement on a form prescribed by the Secretary of State and enclose any required filing fee. The statement required to be filed must contain all of the information required by Act.

ARTICLE VII

Transfer and Assignment of Interests

7.1 TRANSFER AND ASSIGNMENT OF INTERESTS

No Member shall be entitled to assign, convey, sell, encumber or in any way alienate all or any part of his Membership Interest in Company and as a Member except with the prior written consent of all the other Members, which consent may be given or withheld, conditioned or delayed (as allowed by the Agreement or the Act), as the other Members may determine in their sole discretion. Transfers in violation of this Paragraph 7.1 shall only be effective to the extent set forth in Paragraph 7.4, below.

7.2 FURTHER RESTRICTIONS ON TRANSFER OF INTERESTS

In addition to other restrictions found in the Agreement, no Member shall assign, convey, sell, encumber or in any way alienate all or any part of his Membership Interest in Company: (i) without registration under applicable federal and state securities laws, or unless he delivers an opinion of counsel satisfactory to Company that registration under such laws is not required; or (ii) if the Interest to be sold or exchanged, when added to the total of all other Interests sold or exchanged in the preceding twelve (12) consecutive months prior thereto, would result in the termination of Company under Code Section 708.

7.3 SUBSTITUTION OF MEMBERS AFTER TRANSFER OF INTEREST

A transferee of a Membership Interest shall have the right to become a substitute Member only if (i) the requirements of Paragraph 7.1 relating to the consent of other Members and 7.2 relating to securities and tax requirements hereof are met, (ii) such Person executes an instrument satisfactory to the Remaining Members accepting and adopting the terms and provisions of the Agreement, and (iii) such person pays any reasonable expenses in connection with his or her admission as a new Member. An assignee who becomes a substituted Member has, to the extent assigned, the rights and powers of a Member under the Articles, the Agreement and the Act. An assignee who becomes a substituted Member is also liable for obligations to contribute to capital and to return any unlawful distributions made to assignee.

7.4 NO EFFECT TO TRANSFERS IN VIOLATION OF AGREEMENT

Upon any transfer of Membership Interest in Company in violation of the Agreement, the transferee shall have no right to participate in the management of the business and affairs of Company or to become a Member, but such transferee shall only be entitled to receive the share of profits or other compensation by way of income and the return of contributions to which the transferor of such Interest in Company would otherwise be entitled. Until the assignee of a Membership Interest in Company becomes a Member, the assignor continues to be a Member and to have the power to exercise any rights and powers of a Member, including the right to vote.

7.5 PLEDGE OR GRANT OF SECURITY INTEREST

A Member shall not be entitled to pledge or grant a security interest, lien or other encumbrance in or against any or all of the Membership Interest of a Member, without the prior written consent of the other Members, in their sole discretion.

ARTICLE VIII

Dissolution and Winding Up

8.1 CONDITIONS OF DISSOLUTION

Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

- (i) The expiration of the period fixed for the duration of Company term as stated in its Articles;
- (ii) A determination by the unanimous written agreement of all Members that Company shall be dissolved and wound up;
- (iii) The occurrence of a Disassociation Event and the failure of either (a) Company or the Remaining Members to purchase the Interest of the Former Member as provided in Paragraph 9.2, (b) the other Members to provide consent for a transfer resulting in the occurrence of the Dissolution Event;
- (iv) The sale of all or substantially all of the assets of Company; or

(v) The entry of a decree of judicial dissolution by a court of competent jurisdiction providing for the dissolution of Company filed by any Manager or any Member or Members.

8.2 STATEMENT OF INTENT TO DISSOLVE

As soon as possible following the occurrence of any of the events specified in Paragraph 8.1, Managers on behalf of Company shall file a certificate of dissolution and form prescribed by the Secretary of State as required by the Act. The Managers shall deliver two signed copies of the Statement of Intent to Dissolve to the Secretary of State. Upon the filing by the certificate of dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence continues until the certificate of cancellation of articles of organization Dissolution have been filed with the Secretary of State or until a decree dissolving the Company has been entered by a court of competent jurisdiction. .

8.3 WINDING UP

Upon the occurrence of any of the events specified in Paragraph 8.1, Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, disposing of and conveying its property, collecting and dividing its assets, satisfying the claims of its creditors and prescribing and defending actions by or against Company in order to collect and discharge obligations. Members and no Member shall take any action that is inconsistent with, or not necessary to or appropriate for, winding up the business and affairs of Company. To the extent not inconsistent with the foregoing, all covenants and obligations in the Agreement shall continue in full force and effect until such time as the assets have been distributed and Company has terminated.

8.4 RESPONSIBILITIES FOR WINDING UP

Managers who have not wrongly dissolved Company or if none, the Members shall be responsible for overseeing the winding up and liquidation of Company, shall take full account of the liabilities of Company and assets, shall cause its assets to be liquidated as promptly as is consistent with obtaining the fair market value thereof, and shall cause the proceeds therefrom, to the extent sufficient therefore, to be applied and distributed as next provided. The persons responsible for winding up the affairs of Company shall give written notice of the commencement of winding up by mail for all known creditors and claimants whose addresses appear on the records of Company.

8.5 ORDER OF PAYMENT OF LIABILITIES UPON DISSOLUTION

In settling accounts of Company after dissolution, the Managers shall settle the liabilities of Company with payments in the following order, as required by the Act:

(i) To creditors other than Members, in the order of priority as provided by law, except those to Members of Company on account of their contributions;

(ii) To creditors who are Members (i.e. Member loans) in order of priority except amounts owed to Members on account of their contributions;

(iii) To Members of Company in respect of their share of the Net Profits and other compensation by way of income on their Membership Percentage Interest;

(v) To Members of Company in accordance with the respective positive account capital balances after giving effect to all Capital Contributions, distributions, revaluations and allocations required under this Agreement.

8.6 COMPLIANCE WITH REGULATIONS

All payments to the Members upon the winding and dissolution of Company shall be strictly in accordance with the positive capital account balance limitation and other requirements of Regulations Section 1.704-1(b)(2)(ii)(b).

8.7 LIMITATIONS ON PAYMENTS MADE IN DISSOLUTION

Except as otherwise specifically provided in the Agreement, each Member shall only be entitled to look solely at the assets of Company for the return of his positive capital account balance. Managers or Members winding up the affairs of Company shall be entitled to reasonable compensation.

ARTICLE IX

Consequences of Death, Dissolution, Retirement or Bankruptcy of Member or Transfer of Membership Interest

9.1 CONSENT TO CONTINUE BUSINESS OF COMPANY

Upon the occurrence of any Dissolution Event, Company shall dissolve unless the remaining Members consent to the continuation of the business of Company. If the Member whose actions or conduct result in the Dissolution Event ("Former Member") rightfully demands the

purchase of his/her Membership Interest, the Company (with the unanimous consent in writing of the Remaining Members) shall, within six (6) months following such written notice, purchase the Former Member's Interest as provided in Paragraph 9.2 to avoid dissolution of Company.

9.2 PURCHASE OF MEMBER'S INTEREST

Upon the occurrence of any Dissolution Event and the unanimous consent by the remaining Members to continue the business of Company, the other members (the "Remaining Members") shall have the option to purchase such Former Member's Membership Interest. Within ninety (90) days of the Unanimous Consent or within ninety (90) days of the receipt of the rightful demand for the purchase of his/her Membership Interest by such Former Member, the Remaining Members shall notify the Managers in writing of their desire to purchase a portion of the Former Member's Interest in the place and stead of the Company.

9.3 FAILURE TO SUBMIT NOTICE OF PURCHASE

The failure of any Remaining Member to submit a notice within the applicable period shall constitute an election on the part of the Member not to purchase any of the Former Member's Interest. Each Remaining Member shall thereafter be entitled to purchase a portion of the Former Member's Interest based on the Remaining Member's Pro Rata Part on the date of the Unanimous Consent or the date of receipt of the rightful demand for purchase of his/her Interest by the Former Member.

9.4 ELECTION TO PURCHASE LESS THAN ALL OF AN INTEREST

In the event any Remaining Member elects to purchase none or less than all of its pro rata part of the Former Member's Interest, then, at its election, those Remaining Members can elect to purchase more than their pro rata part, i.e., the proportion that the Percentage Interest of the Former Member bears to the aggregate of the Percentage Interests of all Members and the Former Member. If the Remaining Members fail to purchase the entire interest of the Former Member, Company may elect to purchase the former Member's Interest unpurchased portion. If none of the above elects to purchase, the same shall pass by operation of law to any assignee (such as a third party arm's length purchaser in good faith) or shall remain in the hands of the Former Member, subject to any right of the holder of such interest to demand payment therefore according to Delaware law. Notwithstanding any provision of the Agreement to the contrary, the remaining Members may mutually agree to any alternate allocation of the Former Member's Interest to be purchased by each of them.

9.5 VALUATION OF INTEREST OF MEMBER

The Former Members Interest shall be valued according to its book value for federal income tax purposes, provided, however, if the Former Member deems the book value to vary from fair market value by more than ten percent (10%), such person shall be entitled to require an appraisal. In such event, the Former value of the Former Member's Interest shall equal the fair market value of the Interest as determined by agreement within ninety (90) days after the notice to remaining Members or, in case of a failure to agree within such ninety (90) day period, as determined by three appraisers, one selected by the Former Member, one selected by the Remaining Members, and one selected by the two appraisers so named. The fair market value of the Former Member's interest in Company shall be the average of the two appraisals closest in amount to each other. In the event the fair market value is determined to be within ninety-five percent (95%) of book value, the Former Member requesting such appraisal shall pay all expense of the same otherwise incurred by the parties offering to enter into the transaction at the book valuation.

9.6 PAYMENT OF PURCHASE PRICE

The purchase price shall be paid by Company or the Remaining Member, as the case may be, either: (i) in five (5) equal annual installments of principal together with interest, commencing to accrue from the date of closing, at the then current Applicable Federal Rate (the "AFR") under Section 1274(d) of the Code for the month in which the first payment is made (or a rate per annum equal to what the AFR would be for such month under IRC Section 1274(d) of the Code if the AFR is no longer published) to fully amortize such purchase price over such ten (10) payments with the first payment being due and payable 60 days after the determination of the fair market value of the Former Member's Interest in Company, or (ii) within 60 days after the determination of the fair market value of the Former Member's Interest in Company, as Company or the Remaining Member, as the case may be, may elect in their sole discretion, .

9.7 PURCHASE TERMS VARIED BY AGREEMENT

Nothing contained herein is intended to prohibit Members from agreeing upon terms and conditions for the purchase by Company or any Member of the Interest of any Member in Company desiring to retire, withdraw or resign, in whole or in part, as a Member (on such terms and conditions as may be agreed upon by the selling Member and Company or the remaining Members as the case may be), nor is anything herein intended to limit or otherwise affect the ability of a Member to demand a return of his or its contribution to Company as provided in the Act.

9.8 DEMAND BY HEIRS

As concerns this article IX, demand for purchase of a deceased, dissolved or bankrupt Former Member's Interest, may be made by the latter's trustee or heirs.

ARTICLE X

Indemnification

10.1 INDEMNIFICATION OF MEMBERS AND MANAGERS

To the greatest extent not inconsistent with the Act and the other laws and public policies of the State of Delaware, Company shall indemnify against expenses and liabilities any Member or Manager made a party or who was threatened to be made a party to any proceeding by Company or another because such party is or was a Member or Manager, as a matter of right, against all liability incurred by such individual in connection with any action, suit, or proceeding or any threatened, pending or complete action of suit or proceeding; whether civil, criminal, administrative, or investigative provided that it shall be determined in the specific case in accordance with Paragraph 10.5 of this Article X that indemnification of such individual is permissible in the circumstances because the individual has met the standard of conduct for indemnification set forth in this Article X.

10.2 ADVANCE UNDERTAKINGS FOR INDEMNIFICATION

To the greatest extent not inconsistent with the Act and other laws and public policies of the State of Delaware, Company shall pay for or reimburse the reasonable expenses incurred by a Member or Manager in connection with any such proceeding as incurred in advance of final disposition of the action, suit, or proceeding thereof if (i) the individual furnishes Company a written affirmation of the individual's good faith belief that he or she has met the standard of conduct for indemnification described in Paragraph 10.6, (ii) the individual furnishes Company a written undertaking, executed personally or on such individual's behalf, to repay the advance if it is ultimately determined by a court of competent jurisdiction that such individual did not meet such standard of conduct and that he is not entitled to be indemnified, and (iii) a determination is made in accordance with Paragraph 10.7 that based upon facts then known to those making the determination, indemnification would not be precluded under this Article.

The undertaking described above must be a general obligation of the individual, subject to such reasonable limitations as Company may permit, but need not be secured and may be accepted without reference to financial ability to make repayment. Company shall indemnify a Member or Manager who is wholly successful, on the merits or otherwise, in the defense of any

such proceeding, as a matter of right, against reasonable expenses incurred by the individual in connection with the proceeding without the requirement of a determination as set forth in Paragraph 10.7.

10.3 ADVANCEMENT OF EXPENSES

Upon demand by a Member or Manager for indemnification or advancement of expenses incurred in defending a civil or criminal suit or proceeding, as the case may be, Company shall expeditiously determine whether the Member or Manager is entitled thereto in accordance with this Article X. The indemnification and advancement of expenses provided for under this Article X shall be applicable to any proceeding arising from acts or omissions occurring before or after the adoption of this Agreement.

10.4 INDEMNIFICATION OF OTHERS

Company shall be empowered, but shall not be obligated, to indemnify any individual who is or was an employee or agent of Company to the same extent as if such individual was a Member or Manager.

10.5 STANDARDS OF CONDUCT FOR INDEMNIFICATION

Indemnification of a Manager or Member is permissible under this Article X only if (i) he conducted himself in good faith, and (ii) he reasonably believed that his conduct was in or at least not opposed to Company's best interests; and (iii) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent is not, of itself, determinative that the individual did not meet the standard of conduct described in this Paragraph 10.5.

10.6 PROCEDURES TO DETERMINE INDEMNIFICATION

A determination as to whether indemnification of or advancement of expenses is permissible shall be made by any one of the following procedures:

(i) By the Members by a majority vote consisting of Members not at the time parties to the proceedings; or

(ii) By special legal counsel selected by the Members in the manner prescribed in Subparagraph 10.7(i) below.

10.7 COURT ORDER OF INDEMNIFICATION

A Member or Manager of Company who is a party to a proceeding may apply for indemnification from Company to the court, if any, conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court may order indemnification if it determines:

(i) In a proceeding in which the Member or Manager is wholly successful, on the merits or otherwise, the Member or Manager is entitled to indemnification under this section, in which case the court shall order Company to pay the Member or Manager his or her reasonable expenses incurred to obtain such court ordered indemnification; or

(ii) The Member or Manager is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the Member or Manager met the standard of conduct set forth in Paragraph 10.6 above.

10.8 INDEMNIFICATION WITH RESPECT TO EMPLOYEE BENEFIT PLANS

To the greatest extent not inconsistent with the Act and other laws and public policies of the State of Delaware, indemnification shall also be provided for an individual's conduct with respect to an employee benefit plan if the individual reasonably believed his conduct to be in the interests of the participants in and beneficiaries of plan.

10.9 DESCRIBED INDEMNIFICATION RIGHTS NON-EXHAUSTIVE

Nothing contained in this Article shall limit nor preclude the exercise or be deemed exclusive of any right under the law, by contract or otherwise, relating to indemnification of or advancement of expenses to any individual who is or was a Member or Manager of Company or is or was serving at Company's request as a director, officer, partner, manager, trustee, employee, or agent of another foreign or domestic Company, partnership, association, limited liability Company, corporation, joint venture, trust, employee benefit plan, or other enterprise, whether for profit or not.

10.10 CONSTRUCTION OF INDEMNIFICATION RIGHTS

Nothing contained in this Article X shall limit the ability of Company to otherwise indemnify or advance expenses to any individual. It is the intent of this Article to provide indemnification to Members and Managers to the fullest extent now or hereafter permitted by the law consistent with the terms and conditions of this Article X. Indemnification shall be provided in accordance with this Article X irrespective of the nature of the legal or equitable theory upon which

a claim is made including without limitation negligence, breach of duty, mismanagement, waste, breach of contract, breach of warranty, strict liability, violation of federal or state securities law, violation of the Employee Retirement Income Security Act of 1974, as amended, or violation of any other state or federal law.

10.11 DEFINITIONS FOR INDEMNIFICATION PROVISIONS

A. "Expenses" mean all direct and indirect costs (including without limitation counsel fees, retainers, court costs, transcripts, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or out-of-pocket expenses) actually incurred in connection with the investigation, defense, settlement or appeal of a proceeding or establishing or enforcing a right to indemnification under this Section, applicable law or otherwise.

B. "Liabilities" mean the obligations (including one incurred by way of settlement) to pay a judgment, settlement, penalty, fine, excise tax (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses incurred with respect to a proceeding.

C. "Party" means an individual who was, is or is threatened to be made a named defendant or respondent in a proceeding.

D. "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

10.12 INSURANCE FOR INDEMNIFICATION

To the greatest extent not inconsistent with the Act and other laws and public policies of the State of Delaware, Company may purchase and maintain insurance or other financial arrangement for the benefit of any individual who is or was a Member or Manager, employee or agent, against any liability asserted against or expenses incurred by such individual in any capacity or arising out of such individual's service with Company, whether or not Company would have the power to indemnify such individual against such liability. The other financial arrangements made by Company may include:

- (i) The creation of a trust fund;
- (ii) The establishment of a program of self-insurance;
- (iii) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the Company;

- (iv) The establishment of a letter of credit, guaranty or surety.

No financial arrangement may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud, or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

Any insurance or other financial arrangement made on behalf of a person pursuant to this section may be provided by the Company or other person approved by Managers, if any, or by Members, if no Managers exist, even if all or part of the other person's member's interest in the Company is owned by the Company.

ARTICLE XI

Special Condition

11.1 Reimbursement of Loans Upon Withdrawal

N/A

11.2 Enforcement of Non-competition, Non-solicitation and Confidentiality Covenants

The parties agree that the Company and/or the Remaining Members shall have the benefit of and the right to enforce the covenants contained in article 2.15 and 2.16 of the present Agreement even after the parties have ceased to be Members of the Company which rights of enforcement shall include but not be limited to, seeking injunctive relief in order to prevent or obtain the cessation of the breach as well as a suit in damages for any loss of revenue or other prejudice cause to the Company as a result of such breach.

ARTICLE XII

Required Arbitration of Disputes

12.1 DISPUTES REQUIRING ARBITRATION

no party to this Agreement shall initiate any legal action in the courts with respect to any dispute that relates to performance of the Agreement including but not limited to the acts or omissions of any Member or Company relating to performance of the Agreement, the rights, duties, and liabilities under the Agreement of any Member with respect to any other Member or Company, or any claims or controversies that relate in any way to performance of the Agreement (an "Arbitral Dispute"), unless and until the party (or Company) provides written notification of the dispute (a "Dispute Notice") to Members and Company submits the dispute to the arbitrators to render a decision in accordance with this Article. Specifically, in this respect, Members and Company shall submit any Arbitral Dispute as defined in the preceding sentence to an arbitration panel composed of three (3) individuals not affiliated with any Member or Company to be selected in the fashion described below in the event the Members and Company between or among themselves are unable to resolve the Arbitral Dispute within thirty (30) days of the date upon which written notification of the dispute ("Dispute Notice") is deemed received by Members and Company.

12.2 SELECTION OF ARBITRATORS

A. Initial Selection of Two Arbitrators

(a) The person or persons seeking a remedy in an Arbitral Dispute (the "Complaining Party," or if more than one person the "Complaining Parties"), who may be the Company, a Member, more than one Member or any combination thereof, shall select one arbitrator. In the event two or more persons are seeking remedies as the Complaining Parties with respect to a given Arbitral Dispute and the Complaining Parties cannot agree upon a single arbitrator within thirty (30) days of the deemed receipt of the Dispute Notice, Managers shall select an arbitrator for the Complaining Parties from among a list of candidates provided separately or collectively by the Complaining Parties. In the event Managers cannot agree within forty-five (45) days of the deemed receipt of the Dispute Notice, Manager then serving as President shall select an arbitrator for the Complaining Parties from the submitted list.

(b) The other Members and Company who are parties but are not the Complaining Parties in an Arbitral Dispute (the "Defending Parties") shall select one arbitrator. If more than one Defending Party, and the Defending Parties cannot agree within thirty (30) days of the deemed receipt of the Dispute Notice, the Managers shall select an arbitrator from among a list

of candidates provided separately or collectively by the Defending Parties. In the event Managers cannot agree within forty-five (45) days of the deemed receipt of the Dispute Notice, the Manager then serving as President shall select an arbitrator for the Defending Parties from the submitted list.

B. Selection of Third Arbitrator

Within ten (10) days of their selection, the two arbitrators selected as described above shall select a third arbitrator to complete the three person panel and to serve as presiding arbitrator and provide notice to all Members and Company.

C. Default Selection of Arbitrators

If (i) either the Complaining Party (or the Complaining Parties as a group) or the Defending Party (or the Defending Parties as a group) fail in a timely fashion to nominate an arbitrator or (ii) in the case of multiple moving or defending parties, a multiple party fails in a timely fashion to provide a list of candidates for Managers or Manager to select an arbitrator for them, or the two arbitrators appointed by the parties are unable to appoint a third arbitrator within the stated periods, then the arbitrator shall be appointed by the American Arbitration Association according to its own rules.

D. Optional Use of One Arbitrator

In lieu of the above procedure for selecting three arbitrators for an Arbitral Dispute, the parties may, initially or at any time, agree upon only one arbitrator.

12.3 RULES FOR ARBITRATION

A. Time and Place of Proceedings

All arbitrations of an Arbitral Dispute under the Agreement shall occur in Santa Monica, Delaware at a place or places selected by majority vote of the arbitrators at a time no sooner than ten (10) days after the receipt of notice of selection of the third arbitrator and at a place selected by majority vote of the arbitrators. The arbitrators by majority vote shall promptly select the time and place for the hearings and shall give each party written notice of the time and place at least ten (10) days before the date selected for the hearings.

B. Hearing Procedure

The panel of arbitrators shall proceed to hear the parties to the Arbitral Dispute in accordance with the Rules of the American Arbitration Association except as otherwise varied by this Agreement or by majority vote of the arbitrators. At the hearing, any relevant evidence may be presented by either party, and the formal rules of evidence applicable to judicial proceedings shall not govern. Evidence submitted by the parties may be admitted or excluded in the sole discretion of the arbitrators. In the discretion of and within the limits specified by the arbitrators, a party may be permitted to pose questions or cross examine a witness for an opposing party. All rules of the hearing procedures within the discretion of the arbitrators in an Arbitral Dispute shall be determined by a majority vote.

C. Award

The panel of arbitrators for an Arbitral Dispute shall render a decision with respect to the matters in the Arbitral Dispute in writing with copies to each of the parties (stating any cash award to be payable in United States dollars through a U.S. Federal or state licensed bank), provide supporting reasons in writing for its decision and award, and specifying the amount of attorneys' fees and costs to be borne by the parties, within ninety (90) days of the date of provision of the Dispute Notice or as soon thereafter as is practicable. If there are three arbitrators, the decision of any two arbitrators shall be binding and conclusive. If no two arbitrators in a three person panel are able to reach a decision, the entire panel of arbitrators shall resign and the parties shall appoint a new panel under the selection procedure described above and the process shall be repeated until a decision is rendered by at least two arbitrators.

D. Applicable Law

The panel of arbitrators in an Arbitral Dispute shall treat all questions concerning the validity, interpretation, performance, termination or breach of the Agreement as governed by and to be decided in accordance with the laws of the State of Delaware, not including laws and principles relating to the conflict of laws.

E. Notices

All notices and other documents required or permitted in connection with an Arbitral Dispute shall be sent (dispatched) to the parties (all Members and the Company), their designated representatives, and the American Arbitration Association by registered United States airmail or a commercial courier service that provides proof of delivery. Notice including a Dispute Notice shall be deemed received ten (10) days after dispatch. The addresses of the parties and their representatives are set forth in Exhibit A (subject to change by any party through written notices to

the other parties).

12.4 AWARD OF ATTORNEYS' FEES AND COSTS TO PREVAILING PARTY

The prevailing party or parties in an Arbitral Dispute as determined by the panel of arbitrators shall be entitled to recover from the losing party, all of the costs including fees charged by the arbitrators, attorneys' fees for the prevailing parties, and other expenses incurred by the prevailing parties therein. For these purposes, the award of attorneys' fees and costs and any designation of the prevailing party by the panel of arbitrators in its decision shall be conclusive. If a Complaining Party does not prevail on all of its major claims, only the arbitrators may, in their discretion, appropriately adjust the award of attorneys' fees and costs.

12.5 COURT ENFORCEMENT OF ARBITRATION AWARD

The decision of the arbitrators with respect to an Arbitral Dispute and any award thereunder including award of costs and attorneys' fees shall be binding upon all Members and the Company. The award of the arbitration in an Arbitral Dispute shall be final and enforceable, without appeal, and may be confirmed by the judgment of a court of competent jurisdiction. The prevailing party in an Arbitral Dispute shall be entitled to recover its costs and attorneys' fees in any subsequent legal proceedings required to enforce the award.

12.6 CONSOLIDATION OF PROCEEDINGS

If Dispute Notices are sent with respect to more than one Arbitral Dispute involving some or all of the same parties and arising from the same transactions or series of similar transactions, the Complaining Parties shall consolidate all arbitration proceedings for which hearings have not yet commenced through a Notice of Consolidation sent to all Members and the Company. The Complaining Parties in the consolidated disputes shall proceed to select their own arbitrators for the consolidated proceedings, and request the Defending Parties in the consolidated disputes to select one arbitrator. The two arbitrators shall then proceed to select a third arbitrator. The time periods for the above selection process shall be the same as that provided for the separate disputes except the various time periods shall run from the date of the deemed receipt of the Notice of Consolidation. In the event the Complaining Parties in the circumstances just described do not consolidate their proceedings, any Member or the Company may petition the court for a consolidation of the separate arbitration proceedings in accordance with relevant laws of the State of Delaware.

ARTICLE XIII

Miscellaneous

13.1 ADDITIONAL DOCUMENTS AND ACTS

Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of the Agreement and the transactions contemplated hereby.

13.2 AMENDMENTS

All amendments to the Agreement will be in writing and signed by all the Members holding a Majority-In-Interest.

13.3 BINDING EFFECT

Subject to the provisions of the Agreement relating to transferability, the Agreement will be binding upon and inure to the benefit of Members, and their respective distributees, successors and assigns, but only to the extent that assignment and approval by all Members in accordance with the Act, the Articles and the Agreement.

13.4 COMPLETE AGREEMENT

The Agreement and the Articles constitute the complete and exclusive statement of agreement among Members. The Agreement and the Articles replace and supersede all prior agreements by and among Members or any of them. The Agreement and the Articles supersede all prior written and oral statements and no representation, statement, or condition or warranty not contained in the Agreement or the Articles will be binding on the Members or have any force or effect whatsoever.

13.5 EXHIBITS

All Exhibits attached to the Agreement are incorporated and shall be treated as if set forth herein.

13.6 GENDER AND NUMBER IN NOUNS AND PRONOUNS

Common nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person or persons, firm or corporation may in the context require. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, as the context requires. Any reference to the Code, Regulations, the Act, Delaware Statutes or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

13.7 HEADINGS

All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of the Agreement.

13.8 MULTIPLE COUNTERPARTS

The Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument. However, in making proof hereof it will be necessary to produce only one copy hereof signed by the party to be charged.

13.9 NO THIRD PARTY BENEFICIARY

The Agreement is made solely and specifically among and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of the Agreement as a third party beneficiary or otherwise.

13.10 NOT FOR BENEFIT OF CREDITORS

The provisions of the Agreement are intended only for the regulation of relations among Members and Company. The Agreement is not intended for the benefit of a creditor who is not a Member and does not grant any rights to or confer any benefits on any creditor who is not a Member or any other person who is not a Member, a Manager, or an officer.

13.11 NOTICES

Any notice to be given or to be served upon Company or any party hereto in connection with the Agreement must be in writing and will be deemed to have been given and received at the earlier of a) the time when personally delivered to the address specified by the party to receive the notice or b) five (5) days after deposited in the United States Mail for First Class delivery. Such notices will be given to a Member at the address specified in Exhibit A hereto. Any Member or Company may, at any time by giving 5 days' prior written notice to the other Members and Company, designate any other address in substitution of the foregoing address to which such notice will be given. A writing includes a facsimile transmission followed by deposit of the original communication in the United States Mail for First Class Delivery.

13.12 PUBLICITY

Neither of the parties will make any disclosure of the transactions contemplated by the Agreement or the other agreements, or any discussions in connection therewith, without the prior written consent of each of the other parties. The preceding sentence shall not apply to any disclosure required to be made by the Act or other applicable law as reasonably determined by counsel to the party determining that such disclosure is required, except that such party, whenever practicable, shall be required to consult with the other party concerning the timing and content of such disclosure before making it.

13.13 REFERENCES IN THE AGREEMENT

Numbered or lettered articles, paragraphs and subparagraphs herein contained refer to articles, paragraphs and subparagraphs of the Agreement unless otherwise expressly stated.

13.14 RELIANCE ON AUTHORITY OF PERSON SIGNING AGREEMENT

In the event that a Member is not a natural person, neither Company nor any Member will (a) be required to determine the authority of the individual signing the Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be required to see to the application or distribution of proceeds paid or credited to individuals signing the Agreement on behalf of such entity.

13.15 SEVERABILITY

If any provision of the Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term of the Agreement, such provision will be fully severable; the Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of the Agreement; and the remaining provisions of the Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance from the Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of the Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

IN WITNESS WHEREOF, all of the Members of FIRST EQUITY STRATEGY LLC, a Delaware Limited Liability Company, have executed the Agreement, effective the 17th day of March, 2009.

MEMBER:

(S) Michael Tasillo

Michele Tasillo

MEMBER:

(S) Bruce Donald Baillio

Bruce Donald Baillio

MEMBER

Varriance Strategy LLC

(s) Massimo Barone

Per: Massimo Barone

EXHIBIT A

CAPITAL CONTRIBUTION OF MEMBERS AS OF APRIL 10th, 2009

First Equity Strategy LLC

MEMBER'S NAME	MEMBER'S ADDRESS	MEMBER'S CAPITAL CONTRIBUTION	MEMBER'S PERCENTAGE INTEREST
Michele Tasillo	6244, 29 th Avenue, Montreal, Quebec, Canada, H1T 3H2	\$ 100.00	10%
Donald Bruce Baillio	2530, Louetree, San Antonio, Texas, USA, 78232	\$100.00	10%
Variance Strategy LLC	20CTrolley Square Wilmington, Delaware, 19806	\$800.00	80%
	TOTALS:		100%

EXHIBIT B

**PERCENTAGE INTERESTS IN
NET PROFITS AND NET LOSSES**

NAME OF MEMBER	NET PROFITS PERCENTAGE	NET LOSSES PERCENTAGE
Michele Tasillo	10	10
Donald Bruce Baillio	10	10
Variance Strategy LLC	80	80
TOTALS:	100%	100%

APPENDIX B

Proforma Financial Statements

FREEPORT CAPITAL INC.
UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
AS AT JUNE 30, 2009

[illegible]

[illegible]

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated pro forma financial statements as at June 30, 2009 have been prepared by management of Freeport Capital Inc. ("Freeport") from information derived from the following financial statements and documents:

- a) The unaudited financial statements of Freeport as at June 30, 2009 and for the six-month period then ended;
- b) The unaudited financial statements of First Equity Strategy, LLC ("First Equity") as at June 30, 2009 and for the six-month period then ended;
- c) The Acquisition Agreement dated June 23, 2009 between Freeport and First Equity; and
- d) The Comprehensive Valuation Report of First Equity dated July 22, 2009 prepared by Evans & Evans ("Valuation Report").

The unaudited consolidated pro forma financial statements should be read in conjunction with the financial statements referred to above and the related Form 2A Listing Statement which have been prepared to demonstrate the result of the adjustments of the financial situation of Freeport and reflects the following proposed qualifying transaction ("Qualifying Transaction"):

The acquisition by Freeport of all the 1,000 issued and outstanding membership interest units ("units") of First Equity on the basis of 5,500 common shares of Freeport for each First Equity unit by the issuance of 5,500,000 common shares of Freeport at a deemed price of \$0.05 per share, subject to Canadian securities escrow holding requirements.

The pro forma adjustments are based on available information, estimates and assumptions which are described in the notes accompanying the unaudited consolidated pro forma financial statements.

The underlying pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the Qualifying Transaction discussed herein.

These consolidated pro forma financial statements may not reflect the financial performance of Freeport. Nevertheless, management of Freeport believes that these consolidated pro forma financial statements reflect in every manner the adjustments

to fairly represent the Qualifying Transaction of Freeport according to Generally Accepted Accounting Principles in Canada.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS WITH RESPECT TO THE QUALIFYING TRANSACTION

a) Acquisition of the 1,000 units of First Equity for an amount of \$275,000 payable by the issuance 5,500,000 common shares of Freeport.

b) Allocation of purchase price based on the Valuation Report:

	Accounts receivable			\$	26,200	
	Inventory				63,000	
	Licenses				52,000	
	Intangible assets				202,800	
					344,000	
	Liabilities assumed					
	Accounts payable				69,000	
	Net assets acquired			\$	275,000	

c) Concurrent with the acquisition of the First Equity units and the issuance of the 5,500,000 common shares of Freeport, Freeport intends to enter into a private placement (the "Private Placement") by the issuance of a minimum of 400,000 units to a maximum of 4,000,000 units of Freeport at a subscription price of \$0.25 per unit for minimum gross proceeds of \$100,000 to a maximum gross proceeds of \$1,000,000. Furthermore, each unit will be comprised of one common share and one common share warrant of Freeport, where each warrant entitles the holder to acquire one additional common share of Freeport at a price of \$0.40 per common share at any time prior to the earlier of (i) eighteen months from the Closing Date, and (ii) in the event that the closing share price (last trade) on a recognized

stock exchange as the common shares may be listed, is equal to or greater than \$0.40 per common share for any consecutive five trading day period commencing six months from the Closing date.

The agent of the Private Placement will receive a cash commission of 8% based on the number of units sold for a minimum of \$8,000 to a maximum of \$80,000.

The value ascribed to the common share warrant is a minimum of \$3,000 to a maximum of \$27,000 ("equity component") determined using the Black-Scholes pricing model by applying the following assumptions:

- Exercise price of \$0.40;
- Volatility of 31.0%;
- Dividend yield of nil;
- Interest-free rate of 1.20%; and
- Stock price of \$0.25 per common share.

This equity component has been accounted for in contributed surplus as described in note 3 b)(iii).

d) Estimated professional fees of \$43,000 related to the Qualifying Transaction have been accrued.

e) Deferred reactivation expenses which represent professional fees related to the Qualifying Transaction were written off as share issue costs.

f) The carrying value of the software development was deemed nil as its value was reflected as part of the intangible assets of \$202,800.

g) Freeport will issue, upon closing of the Qualifying Transaction and without consideration, 225,000 common shares to a director with a deemed value of \$11,250.

h) Pursuant to an escrow agreement dated May 16, 2005 among Freeport, CIBC Mellon Trust Corporation and certain shareholders of Freeport, there currently exist 800,000 escrowed shares that will be cancelled upon closing of the Qualifying Transaction. The value of these escrowed shares, previously recorded in the accounts of Freeport, is \$100,000.

i) Freeport must receive, concurrent with the closing of the Qualifying Transaction, approval from the Canadian National Stock Exchange (“CNSX”) to list its common shares on the CNSX.

3. A) RECONCILIATION OF CAPITAL STOCK WITH RESPECT TO THE QUALIFYING TRANSACTION				
A continuity of Freeport's issued and outstanding common shares giving effect to the pro forma adjustments are as follows:				
		minimum	minimum	maximum
		#	\$	#
				maximum
				\$
Shareholders' equity of Freeport:				
Issued and outstanding number of common shares, June 30, 2009		3,600,000	277,643	3,600,000
i.	Issuance of common shares to First Equity shareholders - refer to Note 2(a)	5,500,000	275,000	5,500,000
ii.	Valuation of comon share warrants - refer to Note 2 (c)	-	(3,000)	-
iii.	Share-based compensation to a director of Freeport - refer to Note 2(g)	225,000	11,250	225,000
iv.	Balance of Freeport escrowed shares to be cancelled - refer to Note 2(h)	(800,000)	(100,000)	(800,000)
v.	Common shares re-issued to Freeport shareholders as a result of the cancellation of the original escrowed Freeport shares - refer to Note 2(h)	1,200,000	60,000	1,200,000
vi.	Private Placement - refer to Note 2 (c)	400,000	100,000	4,000,000
				1,000,000
		10,125,000	620,893	13,725,000
				1,496,893

