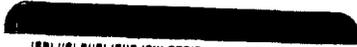


1304092

FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0076
Expires:	May 31, 2005
Estimated average burden hours per response.....	16.00

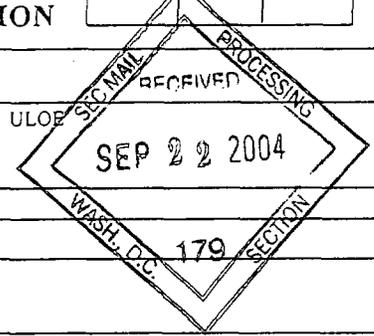


04043589

FORM D

NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY	
Prefix	Serial
DATE RECEIVED	



Name of Offering (check if this is an amendment and name has changed, and indicate change.)

HRC HOTELS, L.L.C.

Filing Under (Check box(es) that apply): Rule 504 Rule 505 Rule 506 Section 4(6) ULOE

Type of Filing: New Filing Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (check if this is an amendment and name has changed, and indicate change.)

HRC HOTELS, L.L.C.

Address of Executive Offices (Number and Street, City, State, Zip Code)

3495 COOLIDGE ROAD

Telephone Number (Including Area Code)

(517) 337-8900

Address of Principal Business Operations (if different from Executive Offices) (Number and Street, City, State, Zip Code)

Telephone Number (Including Area Code)

Brief Description of Business

ACQUISITION AND OPERATION OF HOTELS

Type of Business Organization

- corporation
- limited partnership, already formed
- other (please specify):
- business trust
- limited partnership, to be formed

LIMITED LIABILITY COMPANY

Actual or Estimated Date of Incorporation or Organization: Month Year Actual Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State:)

CN for Canada; FN for other foreign jurisdiction) MI

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual) HRC PROPERTIES, L.L.C., A MICHIGAN L.L.C., TERRY L. HALL, MEMBER

Business or Residence Address (Number and Street, City, State, Zip Code) 3495 COOLIDGE ROAD EAST LANSING, MI 48823

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual) HRC PROPERTIES, L.L.C., A MICHIGAN L.L.C., JOE A. ROMKEMA, MEMBER

Business or Residence Address (Number and Street, City, State, Zip Code) 3495 COOLIDGE ROAD EAST LANSING, MI 48823

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual) HRC PROPERTIES, L.L.C., A MICHIGAN L.L.C., JOE A. ROMKEMA, MEMBER

Business or Residence Address (Number and Street, City, State, Zip Code) 3495 COOLIDGE ROAD EAST LANSING, MI 48823

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes No
 Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? \$ 100,000.00
3. Does the offering permit joint ownership of a single unit? Yes No
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$ _____	\$ _____
Equity	\$ <u>27,526,123</u>	\$ <u>—</u>
<input type="checkbox"/> Common <input type="checkbox"/> Preferred		
Convertible Securities (including warrants)	\$ _____	\$ _____
Partnership Interests	\$ _____	\$ _____
Other (Specify _____)	\$ _____	\$ _____
Total	\$ <u>27,526,123</u>	\$ <u>—</u>

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	_____	\$ _____
Non-accredited Investors	_____	\$ _____
Total (for filings under Rule 504 only)	<u>NIA</u>	\$ <u>NIA</u>

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	_____	\$ _____
Regulation A	_____	\$ _____
Rule 504	_____	\$ _____
Total	<u>NIA</u>	\$ <u>NIA</u>

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input type="checkbox"/>	\$ _____
Printing and Engraving Costs	<input type="checkbox"/>	\$ _____
Legal Fees	<input type="checkbox"/>	\$ _____
Accounting Fees	<input type="checkbox"/>	\$ _____
Engineering Fees	<input type="checkbox"/>	\$ _____
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/>	\$ _____
Other Expenses (identify) _____	<input type="checkbox"/>	\$ _____
Total	<input type="checkbox"/>	\$ <u>NIA</u>

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the “adjusted gross proceeds to the issuer.”

\$ 27,526,123

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase of real estate	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase, rental or leasing and installation of machinery and equipment	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Construction or leasing of plant buildings and facilities	<input type="checkbox"/> \$ _____	<input checked="" type="checkbox"/> \$ 27,526,123
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Repayment of indebtedness	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Working capital	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Other (specify): _____	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
_____	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Column Totals	<input type="checkbox"/> \$ NONE	<input checked="" type="checkbox"/> \$ 27,526,123
Total Payments Listed (column totals added)	<input checked="" type="checkbox"/> \$ 27,526,123	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) HRC HOTELS, L.L.C.	Signature <i>Terry J. Hall</i>	Date 9-21-04
Name of Signer (Print or Type) HRC PROPERTIES, L.L.C.	Title of Signer (Print or Type) MANAGING MEMBER	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

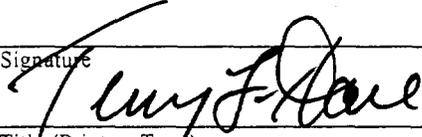
E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes No

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type) HRC HOTELS, L.L.C.	Signature 	Date 9-21-04
Name (Print or Type) H.R.C. PROPERTIES, L.L.C. TERRY L. HALL, MEMBER	Title (Print or Type) MANAGING MEMBER	

Instruction:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1 State	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL		X	0	0	0	0	0		X
AK		X	0	0	0	0	0		X
AZ		X	0	0	0	0	0		X
AR		X	0	0	0	0	0		X
CA		X	0	0	0	0	0		X
CO		X	0	0	0	0	0		X
CT		X	0	0	0	0	0		X
DE		X	0	0	0	0	0		X
DC		X	0	0	0	0	0		X
FL		X	0	0	0	0	0		X
GA		X	0	0	0	0	0		X
HI		X	0	0	0	0	0		X
ID		X	0	0	0	0	0		X
IL		X	EQUITY 27,526,123	0	0	0	0		X
IN		X	EQUITY 27,526,123	0	0	0	0		X
IA		X	0	0	0	0	0		X
KS		X	0	0	0	0	0		X
KY		X	0	0	0	0	0		X
LA		X	0	0	0	0	0		X
ME		X	0	0	0	0	0		X
MD		X	0	0	0	0	0		X
MA		X	0	0	0	0	0		X
MI		X	EQUITY 27,526,123	0	0	0	0		X
MN		X	0	0	0	0	0		X
MS		X	0	0	0	0	0		X

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)			Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
MO		X	0	0	0	0	0		X
MT		X	0	0	0	0	0		X
NE		X	0	0	0	0	0		X
NV		X	0	0	0	0	0		X
NH		X	0	0	0	0	0		X
NJ		X	0	0	0	0	0		X
NM		X	0	0	0	0	0		X
NY		X	0	0	0	0	0		X
NC		X	0	0	0	0	0		X
ND		X	0	0	0	0	0		X
OH		X	EQUITY 27,526,123	0	0	0	0		X
OK		X	0	0	0	0	0		X
OR		X	0	0	0	0	0		X
PA		X	0	0	0	0	0		X
RI		X	0	0	0	0	0		X
SC		X	0	0	0	0	0		X
SD		X	0	0	0	0	0		X
TN		X	0	0	0	0	0		X
TX		X	0	0	0	0	0		X
UT		X	0	0	0	0	0		X
VT		X	0	0	0	0	0		X
VA		X	0	0	0	0	0		X
WA		X	0	0	0	0	0		X
WV		X	0	0	0	0	0		X
WI		X	0	0	0	0	0		X

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)			Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
WY		X	0	0	0	0	0		X
PR		X	0	0	0	0	0		X

STATE OF OHIO

Telephone:
(614) 644-7381

Department of Commerce, Division of Securities
77 South High Street, Columbus, Ohio 43215-6131

File No. _____

Form 3-W
REPORT OF PROPOSED SALE OF SECURITIES
1707.03(W)

Claimant Must Not Fill In. Division Record --	Date	Checked By	Notation
Fee (\$100) received _____			
Prior registrations checked _____			
Examined as to form _____			
Amendment requested _____			
Record made _____			
Examination requested _____			
Exemption 3-W (Claimant Must Not Fill In.)			
(File)	(Date)	(Amount)	(Description) (Price)

Instructions

This form is to be used only for any offer or sales to be made in reliance on the exemptions provided by Rule 505 of Regulation D made pursuant to the Securities Act of 1933. This form and the one hundred dollar filing fee should be submitted to the Ohio Division of Securities, 77 South High Street, Columbus, Ohio 43215. Five business days after receipt by the Division, offers may begin.

- Issuer's full name HRC HOTELS, L.L.C.
- Issuer's address 3495 COOLIDGE ROAD EAST LANSING, MI 48823 (517) 337-8900
(Street, City, State, Zip Code) (Phone No.)
- State of incorporation/formation MI Type of entity LIMITED LIABILITY COMPANY
(Corporation, Partnership, etc.)
- Correspondence regarding this report should be sent to:
HRC PROPERTIES, L.L.C. 3495 COOLIDGE RD EAST LANSING, MI 48823 (517) 337-8900
(Name) (Street) (City, State, Zip Code) (Phone No.)
- Securities to be offered in Ohio under Section 1707.03(W)

Type of Securities	Price Per Unit	Number of Units	Total Offering
<u>MEMBER INTEREST</u>	<u>\$ 50.00</u>	<u>550,522</u>	<u>\$ 27,526,123.00</u>
_____	_____	_____	_____
_____	_____	_____	_____

- Briefly describe the issuer's business.
HOTEL DEVELOPMENT AND MANAGEMENT

7. List any commission, discounts, or other remuneration paid or to be paid or given to any person, directly or indirectly, for sales in Ohio of the securities to be offered under this exemption.

Name and address of persons receiving commissions, etc.	Amount of commission, etc.	Percentage of the Initial Offering Price	Ohio Dealer License #
NONE	NONE	NONE	NONE

8. Does the issuer know or in the exercise of reasonable care could know that any of following apply to any person described in Rule 252(c) to (f) of Regulation A under the Securities Act of 1933:

(i) The person has filed an application for registration or qualification that is the subject of an effective order entered against the issuer, its officers, directors, general partners, controlling persons or affiliates thereof, pursuant to the law of any state within five years before the filing of notice required under Section 1707.03(W)(3) denying effectiveness to, or suspending or revoking the effectiveness of, the registration statement. YES NO

(ii) The person has been convicted of any offense in connection with the offer, sale, or purchase of any security or franchise, or any felony involving fraud or deceit, including but not limited to forgery, embezzlement, fraud, theft, or conspiracy to defraud. YES NO

(iii) The person is subject to an effective administrative order or judgment entered by a state securities administrator within five years before the filing of a notice required under Section 1707.03(W)(3), that prohibits, denies, or revokes the use of any exemption from securities registration, that prohibits the transaction of business by the person as a broker or dealer, or that is based on fraud, deceit, an untrue statement of a material fact or an omission to state a material fact. YES NO

(iv) The person is subject to any order, judgment or decree of any court entered within five years before the filing of a notice required under Section 1707.03(W)(3), temporarily, preliminarily, or permanently restraining or enjoining the person from engaging in or continuing any conduct or practice in connection with the offer, sale, or purchase of any security, or making of any false filing with any state. YES NO

If any of the above questions were answered yes, explain: _____

9. Incorporated issuers not domiciled in this state or unincorporated issuers having a situs of its principal place of business outside this state must file a Form 11 or Form U-2 (See Section 1707.11, R.C.)

10. Will an offering circular be used in connection with this offering? YES NO
If yes, attach a copy.

SIGNATURE

The issuer represents that the foregoing information is true as of the date hereof and agrees that this report shall be considered a written statement used for the purpose of selling securities in Ohio within the meaning of Section 1707.44(B) of the Ohio Revised Code. The individual signing this report on behalf of the issuer further represents that he is duly authorized by the issuer to execute and file this report.

Issuer HRC HOTELS, L.L.C.
(Full Name)
By Terry L. Hall 9-21-04
(Signature) (Date)
TERRY L. HALL MANAGING MEMBER
(Please Print or type Name) (Official Capacity)

The Division suggests Form 3-W be sent certified mail for verification of receipt, or send a copy of this form together with a self-addressed, stamped envelope.

Form U-2 Uniform Consent to Service of Process

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned HRC HOTELS, L.L.C. (A LIMITED LIABILITY COMPANY) organized under the laws of MICHIGAN or (an individual), [strike out inapplicable nomenclature] for purposes of complying with the laws of the States indicated hereunder relating to either the registration or sale of securities, hereby irrevocably appoints the officers of the States so designated hereunder and their successors in such offices, its attorney in those States so designated upon whom may be served any notice, process or pleading in any action or proceeding against it arising out of, or in connection with, the sale of securities or out of violation of the aforesaid laws of the States so designated; and the undersigned does hereby consent that any such action or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within the States so designated hereunder by service of process upon the officers so designated with the same effect as if the undersigned was organized or created under the laws of that State and have been served lawfully with process in that State.

It is requested that a copy of any notice, process or pleading served hereunder be mailed to:

HRC PROPERTIES, L.L.C. (Name)
3495 COOLIDGE ROAD EAST LANSING, MI 48823 (Address)

Place an "X" before the names of all the States for which the person executing this form is appointing the designated Officer of each State as its attorney in that State for receipt of service of process:

- AL Secretary of State
AK Administrator of the Division of Banking and Corporations, Department of Commerce and Economic Development
AZ The Corporation Commission
AR The Securities Commissioner
CA Commissioner of Corporations
CO Securities Commissioner
CT Banking Commissioner
DE Securities Commissioner
DC Dept. of Insurance & Securities Regulation
KY Director, Division of Securities
LA Commissioner of Securities
ME Administrator, Securities Division
FL Dept. of Banking and Finance
GA Commissioner of Securities
GUAM Administrator, Department of Finance
HI Commissioner of Securities
ID Director, Department of Finance
IL Secretary of State
IN Secretary of State
IA Commissioner of Insurance
KS Secretary of State
OH Secretary of State
OR Director, Department of Insurance and Finance
OK Securities Administrator

<input type="checkbox"/> MD	Commissioner of the Division of Securities	<input type="checkbox"/> PA	Pennsylvania does not require filing of a Consent to Service of Process
<input type="checkbox"/> MA	Secretary of State	<input type="checkbox"/> PR	Commissioner of Financial Institutions
<input checked="" type="checkbox"/> MI	Commissioner, Office of Financial and Insurance Services	<input type="checkbox"/> RI	Director of Business Regulation
<input type="checkbox"/> MN	Commissioner of Commerce	<input type="checkbox"/> SC	Securities Commissioner
<input type="checkbox"/> MS	Secretary of State	<input type="checkbox"/> SD	Director of the Division of Securities
<input type="checkbox"/> MO	Securities Commissioner	<input type="checkbox"/> TN	Commissioner of Commerce and Insurance
<input type="checkbox"/> MT	State Auditor and Commissioner of Insurance	<input type="checkbox"/> TX	Securities Commissioner
<input type="checkbox"/> NE	Director of Banking and Finance	<input type="checkbox"/> UT	Director, Division of Securities
<input type="checkbox"/> NV	Secretary of State	<input type="checkbox"/> VT	Commissioner of Banking, Insurance, Securities & Health Administration
<input type="checkbox"/> NH	Secretary of State	<input type="checkbox"/> VA	Clerk, State Corporation Commission
<input type="checkbox"/> NJ	Chief, Securities Bureau	<input type="checkbox"/> WA	Director of the Department of Licensing
<input type="checkbox"/> NM	Director, Securities Division	<input type="checkbox"/> WV	Commissioner of Securities
<input type="checkbox"/> NY	Secretary of State	<input type="checkbox"/> WI	Department of Financial Institutions, Division of Securities
<input type="checkbox"/> NC	Secretary of State	<input type="checkbox"/> WY	Secretary of State
<input type="checkbox"/> ND	Securities Commissioner		

Dated this 21st day of Sept, 2004
 (SEAL)

By HRC HOTELS, L.L.C.
Terry F. Hall
 MANAGING MEMBER
 Title

CORPORATE ACKNOWLEDGMENT

State or Province of _____)
County of _____) ss.

On this _____ day of _____, 20____ before me _____ the undersigned officer, personally appeared _____ known personally to me to be the _____ of the above named corporation and (Title)

acknowledged that he, as an officer being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as an officer.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public/Commissioner of Oath

My Commission Expires _____

(SEAL)

INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

State or Province of Michigan
County of Washtenaw) ss.

On this 21st day of September, 2004, before me, Terry L. Hall, the undersigned officer, personally appeared _____ to me personally known and known to me to be the same person(s) whose name(s) is (are) signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

In WITNESS WHEREOF I have hereunto set my hand and official seal.

Pamela J. Muenchen

Notary Public/Commissioner of Oaths

My Commission Expires 12/26/2007

PAMELA J. MUENCHEN
Notary Public, Ingham Co., MI
My Comm. Expires Dec. 26, 2007

(SEAL)



UNIFORM CONSENT TO SERVICE OF PROCESS

State Form 40845R/Form U-2

INDIANA SECURITIES DIVISION

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, HRC HOTELS, L.L.C.

(a corporation organized under the laws of the State of MICHIGAN

(a partnership) (an individual) (other LIMITED LIABILITY COMPANY) for the purpose of complying with

the laws of the State of Indiana relating to either the registration or sale of securities, hereby irrevocably appoints the Secretary of State of Indiana and the successors in such office, its attorney in the State of Indiana upon whom may be served any notice, process, or pleading in any action or proceeding against it arising out of or in connection with the sale of securities or out of violation of the aforesaid laws of said state; and the undersigned does hereby consent that any such action, or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within said state by service of process upon said officer with the same effect as if the undersigned was organized or created under the laws of said state and had lawfully been served with process in said state.

Copies of any notice, process, or pleading served hereunder should be mailed to:

Name <u>HRC HOTELS, L.L.C.</u>	
Address (Street, City and State) <u>3495 COOLIDGE EAST LANSING, MI</u>	Zip <u>48823</u>

Applicant's Name <u>TERRY L. HALL, MEMBER</u>	Date <u>9-21-04</u>
--	------------------------

By: Terry L. Hall

Signature	<u>Terry L. Hall</u>
Title	<u>MEMBER</u>
Signature	
Title	

(Seal)

CORPORATE ACKNOWLEDGEMENT

State of _____

SS.

County of _____

On this _____ day of _____, 19 _____, before me _____

the undersigned officer, personally appeared _____

and _____ known personally to me to be the

_____ President and _____ Secretary,

respectively, of the above named corporation, and that they, as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by themselves as such officers.

In witness whereof I have hereunto set my hand and official seal.

(notarial seal)

Notary's Signature

County of Residence

Expiration Date

Notary's Name (type or Print)

INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

State of Michigan

SS

County of Ingham

On this 2/15 day of September, 2007, before me, Jerryl Hall

the undersigned officer, personally appeared _____

to me personally known and known to me to be the same person(s) whose name(s) is (are) signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

In witness whereof I have hereunto set my hand and official seal.

(notarial seal)

PAMELA J. MUENCHEN
Notary Public, Ingham Co., MI
My Comm. Expires Dec. 26, 2007

Notary's Signature

Notary's Name

County of Residence

Expiration Date

Ingham

12/26/2007

Pamela J Muenchen
Pamela J Muenchen

This form is issued under Act 265, PA 1964, as amended. You must complete this form if you wish to claim exemption under Rule 803.7

MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
CORPORATION, SECURITIES AND LAND DEVELOPMENT BUREAU
SECURITIES DIVISION

UNIFORM LIMITED OFFERING EXEMPTION
Consent to Service of Process and Undertaking

KNOW ALL MEN BY THESE PRESENTS:

That HRC HOTELS, L.L.C. a/an LIMITED LIABILITY COMPANY
(Issuer) (designate whether Issuer is an individual or an organization)
of 3495 COOLIDGE ROAD EAST LANSING, MI 48823
(number, street, city, state and zip code)

for the purpose of complying with the laws of the state of Michigan, hereby irrevocably appoints the Administrator of the Corporation, Securities and Land Development Bureau of the Michigan Department of Consumer and Industry Services, or the Administrator's successor in office, to be the applicant's attorney to receive service of any lawful process in any noncriminal suit, action or proceeding against applicant, its successor, executor or administrator, which may arise under the Michigan Uniform Securities Act (being Act 265 of the Public Acts of 1964, as amended) or any rule or order thereunder after the filing hereof: and the applicant does hereby consent that any such suit, action or proceeding against applicant may be commenced in any court of competent jurisdiction and proper venue within the State of Michigan by service of process upon the said Administrator with the same force and validity as if served upon the applicant by service personally on its president or other chief officer, if a corporation, or one of its members if a limited liability company, or on one of its partners, if a partnership, or on one of its trustees, if a trust, or on the individual, if an individual.

Pursuant to the provisions of Michigan Securities Rule 803.7 (R 451.803.7) HRC HOTELS
(Issuer)

L.L.C. hereby agrees that upon written request of the Administrator, it will furnish to the Administrator the information furnished by the Issuer to offerees.

Signature <u>Terry J. Hall</u>	Title <u>MANAGING MEMBER</u>	Date <u>9-21-04</u>
-----------------------------------	---------------------------------	------------------------

State of Michigan

County of Ingham

Subscribed and sworn to before me this 21st day of September A.D. 2004

PAMELA J. MUENCHEN
Notary Public, Ingham Co., MI
My Comm. Expires Dec. 26, 2007

Pamela J. Muenchen Notary Public
County of Ingham State of Michigan

IF CORPORATION, EXECUTE RESOLUTION AUTHORIZING
CONSENT TO SERVICE OF PROCESS ON BACK

UNIFORM FORM OF CORPORATE RESOLUTION OF

HRC HOTELS, L.L.C.
(Name of Corporation)

RESOLVED, that it is desirable and in the best interest of this Corporation that its securities be qualified or registered for sale in various states; that the President or any Vice President and the Secretary or an Assistant Secretary hereby are authorized to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of the securities of this Corporation as said officers may deem advisable; that said officers are hereby authorized to perform on behalf of this Corporation any and all such acts as they may deem necessary or advisable in order to comply with the applicable laws of any such states and rules thereunder, and in connection therewith to execute and file all requisite papers and documents including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; undertakings; and the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matter shall conclusively establish their authority therefor from this Corporation and the approval and ratification by this Corporation of the papers and documents so executed and the action so taken.

CERTIFICATE

The undersigned hereby certifies that he/she is the MEMBER Secretary of HRC HOTELS, L.L.C., a corporation organized and existing under the laws of the State of MICHIGAN; that the foregoing is a true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of said corporation held on the 21st day of SEPT, 2004, at which meeting a quorum was at all times present and acting; that the passage of said resolution was in all respects legal; and that said resolution is in full force and effect.

Signature of Secretary

Tony J. [Signature]

Date

9-21-04

HRC HOTELS, L.L.C.
A MICHIGAN LIMITED LIABILITY COMPANY

Hilton Hotels Corporation and the Marcus Corporation are not affiliated with and have not participated in the preparation of this Confidential Private Offering Circular.

CONFIDENTIAL PRIVATE OFFERING CIRCULAR

This Confidential Private Offering Circular (the "Circular") for HRC Hotels, L.L.C. ("the Company") organized in the State of Michigan is being furnished on a confidential basis solely for the purpose of considering the investment described herein. The information contained in this Circular has been provided by HRC Properties, L.L.C., a Michigan Limited Liability Company, the Promoter of the Company ("HRC" and/or "the Promoter") and the Managing Member of all of the eleven existing hotel partnerships. The estimates and projections contained herein have been prepared by the Management of HRC Properties, L.L.C. in good faith and on a basis believed reasonable; such estimates and projections involve significant elements of subjective judgment and analysis and no representations are made as to their attainability. No representation or warranty, expressed or implied, is made as to the accuracy or completeness of such information, and nothing contained in this Circular is or shall be relied upon as a promise or representation as to the past or the future. This Circular is submitted in connection with the proposed transaction that is the subject of this Memorandum and may not be reproduced or used, in whole or in part, for any other purpose.

HRC HOTELS, L.L.C.

A Michigan Limited Liability Company

3495 Coolidge Road
East Lansing, Michigan 48823
(517) 337-8900

**PRIVATE OFFERING CIRCULAR
AND DISCLOSURE MATERIALS**

Offering Date: September 20, 2004
Offeree: _____
Circular Number: _____
Voting to Commence: September 20, 2004
Termination Date: October 10, 2004

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), THE MICHIGAN CORPORATION SECURITIES AND LAND DEVELOPMENT BUREAU, THE MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES, NOR ANY OTHER STATE REGULATORY AUTHORITY HAS PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR HAVE THEY PASSED ON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR, OTHER SELLING LITERATURE OR THIS PRIVATE OFFERING CIRCULAR. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION AND THE BUREAU; HOWEVER, NEITHER THE COMMISSION NOR THE BUREAU HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Distribution Spread

	<u>Offering Price</u>	<u>Discounts and Commissions</u>	<u>To Issuer</u>
Per Member Interests Interest	\$ 50	-0-	\$ 50
Per Unit 1	\$ 100,000	-0-	\$ 100,000
Total 2	\$27,526,123	-0-	\$ 27,526,123

1 - Each unit shall consist of 2,000 Member Interests Interests.

THESE SECURITIES ARE OFFERED BY THE OFFEROR THROUGH A PROMOTER AND NOT BY UNDERWRITERS. ALL ASSETS AND LIABILITIES OF THE EXISTING ELEVEN HOTELS WILL BE EXCHANGED FOR MEMBER INTERESTS IN HRC HOTELS, L.L.C. THE VALUATION OF ASSETS AND LIABILITIES EXCHANGED TO WHICH THIS CIRCULAR RELATES HAS NOT BEEN DETERMINED BY ANY NEGOTIATIONS BETWEEN THE COMPANY AND HRC PROPERTIES, L.L.C. AND PRIMARILY IS BASED ON FORMULAS USED IN THE PUBLIC MARKETS FOR VALUATIONS OF HOTELS AND DOES NOT NECESSARILY BEAR ANY RELATIONSHIP TO THE ASSETS OR BOOK VALUE OR POTENTIAL EARNINGS OF THE INDIVIDUAL HOTEL PARTNERSHIP.

THE MEMBER INTERESTS OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS PRIVATE PLACEMENT CIRCULAR, INCLUDING THE "RISK FACTORS."

THERE IS CURRENTLY NO PUBLIC MARKET FOR ANY OF THE MEMBER INTERESTS OF HRC HOTELS, L.L.C. ("COMPANY"). ALTHOUGH THE COMPANY HAS THE INTENT TO HAVE ITS MEMBER INTERESTS LISTED ON THE NEW YORK STOCK EXCHANGE THROUGH AN INITIAL PUBLIC OFFERING AS A REAL ESTATE INVESTMENT TRUST (REIT) UNTIL SUCH LISTING OCCURS, HOLDERS OF MEMBER INTERESTS MAY NOT BE ABLE TO LIQUIDATE THEIR INVESTMENTS IN THE EVENT OF AN EMERGENCY OR FOR ANY OTHER REASON.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933 ("THE 1933 ACT"), AS AMENDED, AND THE APPLICABLE STATES' SECURITIES LAWS, PURSUANT TO REGISTRATION UNDER THE 1933 ACT OR EXEMPTION THEREFROM. IN ADDITION TO THIS LIMITATION, ANY TRANSFER OR REDEMPTION OF MEMBER INTERESTS MUST BE APPROVED BY THE MANAGER, HRC MANAGEMENT CO., L.L.C., WHICH MAY DENY APPROVAL FOR ANY REASON.

FURTHER, THE RESTRICTIONS ON TRANSFERABILITY ARE CONTAINED IN THE SUBSCRIPTION AGREEMENT. INVESTORS SHOULD BE AWARE THAT THEY WOULD BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. IN MAKING ANY INVESTMENT DECISION,

INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFER INCLUDING THE MERITS AND RISKS INVOLVED.

THIS PRIVATE OFFERING CIRCULAR HAS BEEN PREPARED FOR DISTRIBUTION TO THE CURRENT OWNERS OF THE EXISTING ELEVEN HOTEL PARTNERSHIPS TO ASSIST THEM IN EVALUATING THE EXCHANGE OF THE ASSETS AND LIABILITIES OF THE ELEVEN HOTEL PARTNERSHIPS INTO HRC HOTELS, L.L.C. "THE COMPANY", FOR MEMBER INTERESTS IN THE COMPANY.

AN INTERESTED INVESTOR HAS THE OPPORTUNITY TO ASK THE COMPANY QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING. THE COMPANY WILL PROVIDE ADDITIONAL INFORMATION THAT IT POSSESSES OR THAT IT CAN ACQUIRE WITH REASONABLE EFFORT OR EXPENSE NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION FURNISHED IN THIS PRIVATE OFFERING CIRCULAR.

THIS CIRCULAR INCLUDES FORWARD-LOOKING STATEMENTS AND INFORMATION, WHICH ARE BASED ON ASSUMPTIONS AS TO FUTURE EVENTS THAT ARE INHERENTLY UNCERTAIN AND SUBJECTIVE. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY AS TO THE ATTAINABILITY OF SUCH ASSUMPTIONS OR AS TO WHETHER FUTURE RESULTS WILL OCCUR AS PROJECTED. IT MUST BE RECOGNIZED THAT THE STATEMENTS AS TO THE COMPANY'S FUTURE PERFORMANCE ARE NECESSARILY SUBJECT TO A HIGH DEGREE OF UNCERTAINTY, THAT ACTUAL RESULTS CAN BE EXPECTED TO VARY FROM THE RESULTS PROJECTED AND THAT SUCH VARIANCES MAY BE MATERIAL AND ADVERSE. PROSPECTIVE INVESTORS ARE EXPECTED TO CONDUCT THEIR OWN INVESTIGATION WITH REGARD TO THE COMPANY AND ITS PROSPECTS.

NEITHER THE DELIVERY OF THIS CIRCULAR NOR ANY TRANSFER OF MEMBER INTERESTS MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCE, ANY IMPLICATION THAT THERE HAVE NOT BEEN ANY CHANGES IN THE AFFAIRS OF THE COMPANY AND/OR THE PROMOTER AND OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM OR WITH THE COMPANY, OR ANY PROFESSIONAL ASSOCIATED WITH THE OFFERING, AS LEGAL OR PROFESSIONAL TAX ADVICE. THE OFFEREE AUTHORIZED TO RECEIVE THIS CIRCULAR SHOULD CONSULT THEIR COUNSEL, ACCOUNTANT OR BUSINESS ADVISOR, RESPECTIVELY, AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING EXCHANGE OF THE ASSETS AND LIABILITIES OF THE ELEVEN PARTNERSHIPS FOR MEMBER INTEREST IN HRC HOTELS, L.L.C.

CERTAIN PROVISIONS OF VARIOUS AGREEMENTS OR OTHER DOCUMENTS ARE SUMMARIZED IN THIS CIRCULAR, BUT PROSPECTIVE INVESTORS SHOULD NOT

ASSUME THAT THE SUMMARIES ARE COMPLETE. A PROSPECTIVE INVESTOR SHOULD REVIEW ALL EXHIBITS AND AGREEMENTS IN THIS CIRCULAR.

THIS CIRCULAR DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL THE INFORMATION, WHICH A PROSPECTIVE INVESTOR MAY REQUIRE.

IF ANY PROSPECTIVE INVESTOR HAS ANY QUESTIONS REGARDING THIS OFFERING OR DESIRES ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS PRIVATE OFFERING CIRCULAR, PLEASE WRITE OR CALL TERRY HALL, MANAGING MEMBER OF HRC PROPERTIES, L.L.C., 3495 COOLIDGE ROAD, EAST LANSING, MICHIGAN, (517) 337-8900.

THIS PRIVATE OFFERING CIRCULAR CONTAINS INFORMATION THAT IS CONFIDENTIAL TO THE COMPANY. NO OFFEREE, OFFEREE REPRESENTATIVE, ATTORNEY, ACCOUNTANT OR OTHER AGENT OF AN OFFEREE MAY DIVULGE OR DISCLOSE DIRECTLY OR INDIRECTLY, FOR ANY PURPOSE WHATSOEVER, ANY INFORMATION CONTAINED IN OR DISCLOSED TO SUCH PERSON AS A RESULT OF READING THIS CONFIDENTIAL PRIVATE OFFERING CIRCULAR OR DISCUSSING THE MATERIAL CONTAINED HEREIN WITH THE COMPANY, ITS REPRESENTATIVES AND AGENTS OR ANY OTHER PARTY TO THE OFFERING.

ANY REPRODUCTION OR DISTRIBUTION OF THIS PRIVATE OFFERING CIRCULAR IN WHOLE OR IN PART OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. ANY SUCH REPRODUCTION, DISTRIBUTION OR DIVULGENCE MAY RESULT IN IRREPARABLE DAMAGE TO THE COMPANY. NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OR STATEMENT NOT CONTAINED IN THIS PRIVATE OFFERING CIRCULAR OR IN ANY AGREEMENT CONTEMPLATED HEREBY. NARRATIVE AND CERTAIN FINANCIAL STATEMENTS ARE CONTAINED IN THIS PRIVATE OFFERING CIRCULAR. ANY WRITTEN OR ORAL STATEMENTS REGARDING THE FUTURE OPERATING RESULTS OF THE COMPANY WHICH DO NOT CONFORM TO THOSE CONTAINED IN THIS PRIVATE OFFERING CIRCULAR ARE NOT AUTHORIZED AND SHOULD NOT BE RELIED UPON. NOTHING IN THIS PRIVATE OFFERING CIRCULAR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO THE OFFEREE.

THIS PRIVATE OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE IN ANY STATE OR OTHER JURISDICTION IN, WHICH SUCH OFFER, OR SOLICITATION IS UNLAWFUL OR NOT AUTHORIZED.

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- X. Exhibits
 - A) Operating Agreement
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**STATE SECURITIES REGULATION
STATEMENTS AND DISCLAIMERS**

MEMBER INTERESTS MAY ONLY BE SOLD TO RESIDENTS OF THE STATES OF MICHIGAN, INDIANA, ILLINOIS AND OHIO.

NOTICE TO RESIDENTS OF ILLINOIS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING CIRCULAR AND REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

I. SUMMARY INFORMATION

The primary goals of HRC Properties, L.L.C. for the transaction regarding the eleven hotel properties are to (1) enhance the value of the Member Interest of all Members of the existing eleven hotel properties (2) provide a dividend stream commensurate with its peer group (3) use the leverage of the Company's Balance Sheet to grow the company through the purchase and construction of additional properties (4) create an avenue for an exit strategy for the Members investment in the individual hotel partnerships.

In pursuit of HRC Properties, L.L.C.'s goals, HRC proposes the exchange of the Assets and Liabilities, Franchise Agreements and certain contracts for Member Interest in HRC Hotels, L.L.C. which will have more financial leverage in the business world as a result of its combined value. The combined Company will have increased financial leverage and will be a more attractive candidate to the public markets. This transaction has been suggested by our investment bankers as the first step in preparation to enter the public markets.

The Company created by the exchange of Assets and Liabilities of the eleven hotel partnerships for Member Interests in HRC Hotels, L.L.C. will position the combined Company for the public markets, but it will also create an entity that has enhanced leverage due to the combined value of all eleven of the hotel partnerships. See the "Growth Plans" section of this Memorandum.

Future transactions of the Company may include the use of the leverage of the Balance Sheet to complete the construction of additional hotels without the need for additional equity capital and for the re-structuring of the existing mortgage debt to a more favorable debt financing. See the "Growth Plans" section of this Memorandum.

Additionally, this transaction may provide access to equity capital that will allow HRC Hotels, L.L.C. to acquire or construct new hotel properties. The presentation made to the investment bankers provided for the raising of equity capital to allow the addition of twenty hotel properties. Additional hotel properties may also be added by making Private Placements. See the "Growth Plans" section of this Memorandum.

HRC Hotels, L.L.C., a Michigan Limited Liability Company ("Company") will transfer Member Interests to the eleven hotel partnerships in exchange for the Assets and Liabilities, Franchise Agreements and certain contracts of the eleven hotel partnerships, if a majority of the Members of the eleven hotel partnerships votes in favor of the transaction that is the subject of this Memorandum. The Managing Member of HRC Hotels, L.L.C. will be HRC Management Co., L.L.C., which is owned by Terry Hall, Joe Romkema and James Matuszak.

Based on information contained in this Offering Circular, HRC Hotels, L.L.C. proposes to issue approximately 550,522 Member Interests to the current existing eleven hotel partnerships, in exchange for the Assets and Liabilities, Franchise Agreements and certain contract agreements of the eleven hotel partnerships. The actual Member Interests issued will be increased by the amount of the excess of Current Assets over the Current Liabilities of the individual hotel partnerships as of September 30, 2004.

HRC Properties, L.L.C., the Managing Member of the existing eleven hotel partnerships, completed an "Expression of Interest" survey of all of the Members of the existing eleven hotel partnerships and the required majority of the members voted in favor of exploring the transaction that is the subject of this Memorandum. The process starts with the issue of this Private Placement Memorandum and a vote on the transaction by the Members of the existing eleven hotel partnerships. If a majority of Members vote for the exchange, the Managing Member will complete the process.

HRC Properties, L.L.C., the Managing Member of the existing eleven hotel properties, has confirmed with the Hilton Hotels Corporation that the proposed transaction will not trigger the change in ownership rules of the franchise agreements. The transaction will qualify for the "transfer of franchise" section of the franchise agreement which involves a simple administrative procedure and a \$2,500 fee per franchise license transferred, payable to the Hilton Hotels Corporation. All of the features contained in the existing franchise agreements will be retained and passed on to HRC Hotels, L.L.C.

HRC Hotels, L.L.C. further intends to transfer the existing Management and Agency Agreements currently in effect with Good Hospitality Services, Inc. for the management and operation of the eleven existing hotels.

The Operating Agreements of the existing eleven hotel properties indicate that HRC Properties, L.L.C. must allow the individual investors of the hotel partnerships to recover their original investment in their partnership through a return of dividends or through the sale proceeds of the hotel property, in the event of sale, prior to any return on the development interest of HRC Properties, L.L.C. HRC Properties, L.L.C. has complied with this agreement for the calculation of the values expressed to the Members of the existing eleven hotel partnerships.

Member Interests exchanged by HRC Hotels, L.L.C., may only be exchanged in the States of Michigan, Indiana, Illinois and Ohio. The securities are offered under the private offering exemption provisions of Rules 501 and 506 of Regulation D to Section 4 (2) of the 33 Act. (See "Description of Offeror and Securities").

II. RISK FACTORS

AN INVESTMENT IN THE MEMBER INTERESTS OFFERED BY THE COMPANY INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD GIVE CAREFUL CONSIDERATION, AMONG OTHER ITEMS, TO THE FOLLOWING FACTORS IN ANALYZING THIS OFFER.

Ability to continue as a going concern

The Company will be relying upon Good Hospitality Services, Inc. to operate and manage the Hotels. Although Good Hospitality Services, Inc. owns or manages approximately 1,200 hotel rooms; there is no assurance that Good Hospitality Services, Inc. or its principal will remain in business for the term of this Agreement. The Principal of Good Hospitality Services, Inc. is an existing owner in eight of the existing hotel partnerships.

To the extent that any Hotel does not have net operating income, the Company will be required to provide additional funds required to preserve the going concern status of the Company. There is no additional requirement for investors to make capital contributions to the Company and there is no assurance the Promoter will be able to raise additional funds for this purpose.

The Company's operations will be solely contingent on the success of the travel and tourist business. Any changes in economic and local conditions such as an over-supply and under-demand of hotel accommodations could negatively impact the operations of the hotel.

The Promoter has no experience in the operation or management of a hotel and is wholly reliant upon the ability and loyalty of others and the competencies of Good Hospitality Services, Inc. to successfully manage the Hotel and provide an acceptable return on investment to the Members.

Financial Matters

The ultimate value of the combined properties will be affected by the conditions, which affect the value of real estate and hotels in general. Factors such as economic conditions, interest rates, financial market liquidity for this type of real estate product and other conditions could have an ultimate adverse impact on the ability to successfully operate, sell, or refinance the Hotel Properties.

HRC Hotels, L.L.C. may seek third party financing in an amount that will allow for the consolidation and retirement of the existing long-term debt of the Company. The Company will also attempt to use the leverage of the Company to finance the construction of additional Hotels. There is no assurance that there will be enough equity to provide sufficient capital for the construction of additional hotels. There may be a need to complete a Private Placement Offering to raise additional equity capital for additional construction

projects. We estimate that any third party financing would be secured by a first lien on all property owned by the Company and possibly a general lien on the assets of the Company. See the "Growth Plans" section of this Memorandum.

We may seek additional "Private Placement" equity capital for the acquisition and construction of new hotel properties. See the "Growth Plans" section of this Memorandum.

As part of this transaction, HRC Properties, L.L.C. will discontinue its Development Fee Agreements which previously granted HRC Properties, L.L.C. up to a 25% Development Member Interest in the hotel partnerships, in exchange for Developing each hotel partnership. See the "Management Agreements" section of this Memorandum.

As part of this transaction, HRC Properties, L.L.C. will discontinue its Supervisory Fee Agreements which previously granted a fee of \$200 per room, per year, for each hotel, payable to HRC Properties, L.L.C. for supervisory services.

HRC Hotels, L.L.C. will enter into an agreement with HRC Management Co., L.L.C., owned by Terry Hall, Joe Romkema and Jim Matuszak, for services as the Managing Member of HRC Hotels, L.L.C. and will pay HRC Management Co., L.L.C. a 2.2% management fee for its Managing Member services.

HRC Hotels, L.L.C. will enter into an agreement with a Development Company to be formed by Jeffrey Good, Jim Matuszak and Terry Hall and will pay a 3% fee, based on the turn-key total development cost of the project, to that Development Company for the development of all additional properties added to the portfolio. See the "Management Agreements" section of this Memorandum.

This circular includes financial projections prepared by the Promoter. The projections being furnished speculate on room rate increases, inflationary trends and other forms of projection that illustrate economic activity in future periods. The success of the hotels depend on many factors outside the control of the Company including, but not limited to, overall economic conditions, competition from other hotels in the surrounding areas, interest rates, travel or trends, the success or lack of success of certain other marketing programs offered and administered by and through the Hilton Hotels Corporation and the Marcus Corporation, future and unforeseen environmental problems, labor strikes, change in laws, and other factors.

If the Members of the eleven existing hotels approve the transaction that is the subject of this Memorandum, they will also be approving the reimbursement of the out of pocket expenses incurred to date and costs that may be incurred in the future, that are direct costs in connection with seeking a public offering, structuring the properties for re-financing and for future Private Placements of investment capital. None of the costs will be for reimbursement for time spent by Terry Hall, Jim Matuszak, Joe Romkema or Jeff Good in these efforts.

Environmental Hazards

New and changing laws pose constant threat to the ownership of real estate and could affect the ownership and potential sale or refinance of the hotels. Private owners are required to take full responsibility, in certain circumstances, for all clean-up and remediation of toxic and other environmental problems that occur or have been discovered to be in existence prior to the Company's ownership of the property for which no funds would be available to the Company.

Arbitrary Offer and Price of Member Interests

The valuation of the Assets of the existing eleven hotel partnerships has been arbitrarily determined. A thorough analysis of the offering circulars of multiple REITS recently completing an Initial Public Offering was completed and the methods and formulas used in those transactions have been adopted for the valuation of the Member Interests of the existing eleven hotel partnerships. We have been advised that it is vital that our valuation methods and various operating agreements conform to what is generally accepted in the public market place in order that the Company is positioned for entry into the public markets.

Limited Transferability of Member Interests; Lack of Trading Market

Owners of the Member Interests' offered hereby must be aware of the long-term nature of their investment and be able to bear the economic risks of their investment for an indefinite period of time. No trading market exists for the Member Interests and only a limited market with regard to repurchase of it by the Company. The Member Interests have not been registered under the 33 Act or the securities laws of any state. The rights of any purchaser to sell, transfer, pledge or otherwise dispose of any Member Interests will be limited by the 33 Act and the state securities laws and regulations promulgated thereunder.

Conflicts of Interest

Both the Promoter and Good Hospitality Services, Inc. are engaged in other businesses and business ventures aside from the management of the Company and the management and operation of the Hotels. There is no assurance that other businesses and business ventures may not require a disproportionate amount of time and effort on the part of the Promoter and Good Hospitality Services, Inc. that would otherwise be spent on management of the Company and management and operation of the Hotels.

ERISA Issues

The Promoter will allow qualified retirement plans subject to the Employee Retirement Income Security Act of 1974 to invest in Member Interests, and will not allow such investments in excess of 25% of the total amount invested in Member Interests.

III. DESCRIPTION OF OFFEROR AND SECURITIES

The Offeror, HRC Hotels, L.L.C., is a Michigan Limited Liability Company. The equity of the Company is designated in the form of Member Interests. The Company shall exchange 550,522 Member Interests in HRC Hotels, L.L.C. for the Assets and Liabilities of the existing eleven hotel partnerships. Additional Member Interests will be issued based on the excess of Current Assets over Current Liabilities in each partnership as of September 30, 2004.

By this offering, the Company seeks to exchange the Assets and Liabilities of the existing eleven hotel properties for 550,522 Member Interests in HRC Hotels, L.L.C., a Limited Liability Company, with a total value of \$27,526,123, as determined by using valuation formulas used in recent REIT Initial Public Offerings, (See Arbitrary Offer and Price of Member Interest Section of this Memorandum), effective September 30, 2004. Additional Member Interests will be issued based on the excess of Current Assets over Current Liabilities in each partnership, according to the Balance Sheets to be prepared as of September 30, 2004 for each of the eleven partnerships.

HRC Hotels, L.L.C. has been formed for the purpose of exchanging the Assets and Liabilities of the eleven existing hotel partnerships for Member Interest in HRC Hotels, L.L.C. for the purpose of pursuing additional growth through acquisitions, construction, refinancing and for the purpose of positioning the company for entry into the public markets.

The Managing Member of HRC Hotels, L.L.C. is HRC Management Co., L.L.C. The Managing Member will have extensive powers in the operation and management of the affairs of the Company. The Managing Member is required to perform its duties, as it reasonably believes to be in the best interests of the Company with the same care as an ordinarily prudent person in a like position would use under similar circumstances. The Managing Member may be indemnified for any actions taken on behalf of the Company in its role as Managing Member, with the exception of those acts resulting in unjust enrichment to the Managing Member, acts in violation of law or of the Operating Agreement, or acts that are grossly negligent or represent willful misconduct. The Managing Member is required to manage the Company as its sole and exclusive function.

Non-Managing Members (Members) of the Company will have no right to manage the Company's affairs. The Members have no liability for any of the debts of the Company over and beyond the Members original investment in the Limited Liability Company. The Company will also provide an annual statement of the information required for the Partners to prepare their federal and state income tax returns.

The Company will not hold an annual meeting of its Members unless 25% of the Sharing Ratios of all Members request a special meeting. If a meeting is requested, the Company shall deliver or mail written notice stating the date; time, place and purposes of any meeting to each Member entitled to vote at the meeting. Such notice shall be given not

less than ten (10) and not more than sixty (60) days written notice. Members vote by Member Interests and a vote of more than 50% of the Member Interests are required to take Member action.

Accounting for Company equity is the same as accounting for equity in a partnership. The Company will maintain the capital accounts for each of its Members who will be charged and credited with Company income and distributions. There is no market for Company Member Interests so that if a Member wished to sell their Member Interests, the Managing Member of the Company must approve the transfer and the Member must satisfy the Company that the transfer will not violate state and federal securities laws by providing an opinion of the Member's counsel to the Company to this affect.

The Company will prepare and file IRS Form 1065 being taxed as a partnership for federal and state income tax purposes. Each Member shall receive a Schedule K-1 setting forth that Member's pro-rata share of income tax items reported on the Form 1065 filed by the Company.

The Company shall provide Members with an annual estimation of fair market value of Member Interests if required by Member's qualified retirement plan.

The Company may engage independent Certified Public Accounts to complete a certified audit of the Company's records.

IV. WHO MAY INVEST

Transfer of the Assets and Liabilities of the existing eleven hotel partnerships in exchange for Member Interests in HRC Hotels, L.L.C. can only be completed by the current owners of the Member Interests of the existing eleven hotel partnerships.

The ownership of these Member Interests should be considered a long-term investment as the Member Interests will not be freely transferable. Although Management is structuring the Company for entry into the public markets and a listing on the New York Stock Exchange, there is no guarantee there will be a public market for the Member's Interests.

It is intended that this Offering will be made in accordance with the requirements of Rule 501 and 506 of Regulation D promulgated under Sections 3(b) and 4(2) of the Securities Act and the provisions of certain state securities laws.

The exchange of the Assets and Liabilities in the existing eleven hotels for the Member Interests of HRC Hotels, L.L.C. a Michigan Limited Liability Company, is restricted to persons who are the current Members of the existing eleven hotel properties.

Accredited Investors

The Company will exchange the Assets and Liabilities of the existing eleven hotel partnerships for the Member Interests in HRC Hotels, L.L.C. a Michigan Limited Liability Company, only to persons who qualify as accredited investors as defined by Rule 501 of Regulation D. The following generally describes the criteria of Rule 501 for accredited investor status. Investors may be subject to more stringent requirements for participating in the Offering based upon laws of their states of residence.

An individual Investor meeting one or both of the following standards is an "accredited investor":

1. Had individual income (exclusive of any income attributable to their spouse) of more than \$200,000.00 per year in each of the preceding two (2) years and reasonably expects to have individual income in excess of \$200,000.00 in the current year, or had joint income with their spouse of more than \$300,000.00 per year in each of the preceding two years and reasonably expects to have joint income of more than \$300,000.00 in the current year.
2. Has an individual net worth, or together with their spouse has a combined net worth in excess of \$1,000,000.00.

The following also are accredited investors:

1. Banks as defined in Section 3(a)(2) of the 33 Act, or savings and loan associations or other institutions as defined in Section 3(a)(5)(A) of the 33 Act whether acting in an individual or fiduciary capacity, brokers or dealers registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance companies as defined in Section 2(13) of the 33 Act; investment companies registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(A)(48) of that Act; and Small Business Investment Companies licensed by the U.S. Small Business Administration Under Section 301 (c) or (d) of the Small Business Investment Act of 1958;

2. Private business development companies as defined in Section 202(a) (22) of the Investment Advisors Act of 1940;

3. Organizations described in Section 501(c)(3) of the Internal Revenue Code, corporations or similar business trusts or partnerships, not formed for the specific purpose of acquiring Member Interests, with total assets in excess of \$5,000,000.00;

4. Trusts with total assets in excess of \$5,000,000.00, not formed for the specific purpose of acquiring Member Interests, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Member Interests; and

5. Entities in which all of the equity owners are accredited investors (beneficiaries of a trust or estate do not constitute "equity owners" for this purpose).

A retirement plan will qualify as an "accredited investor" if at least one of the following requirements is satisfied:

1. The Plan is a Self-Directed plan, which is an employee benefit plan within the meaning of ERISA which is a self-directed plan (which means that the beneficiaries of the plan may direct the investment of the funds being held for their accounts) provided that the investment decision is made solely by persons who are accredited investors (which means that the beneficiary directing the plan to invest funds must qualify individually as an accredited investor); or

2. Investment decisions are made by a bank or savings and loan association acting as plan trustee or fiduciary; or

3. The plan was established or is maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees if such plan has assets in excess of \$5,000,000.00; or

4. The plan is an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") and: 1) the investment decision is made by a plan fiduciary as defined in Section 3(21) of ERISA, which is a bank, savings and loan

association, insurance company or registered investment advisor; or 2) the plan has assets in excess of \$5,000,000.00; (Note - For purposes of the Department of Labor permissible plan investments in private placement securities, the Promoter has determined the Company is a Real Estate Operating Company as defined at Section 2510.3 - 101(e) of 29 CFR 2510.3-101. Further, the Promoter will cause the Company to provide the Plan fiduciary with a fair market valuation of the Member Interests of the Company by December 31 of each year); or

5. The plan is a trust with total assets in excess of \$5,000,000.00; the trust's investment in the Company is directed by a sophisticated person who has such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Member Interests; or

6. The plan is a corporation with assets in excess of \$5,000,000.00 and was not formed for the specific purpose of investing in the Member Interests.

Additionally, all investors must certify they are residents of Michigan, Indiana, Illinois or Ohio.

The Manager reserves the right to reject a subscription for Member Interests, both in the Offering and in any substitution of a Member after the Offering is complete, for any reason in its sole discretion. The Manager intends to exercise this right to the extent necessary to comply with certain provisions of ERISA, tax and securities laws.

V. Growth Plans

The Balance Sheet of the eleven existing hotels will have significant financial strength and one advantage of this transaction will be to take advantage of that strength to further improve the Balance Sheet. Some of the growth plans may include the following:

- (1) Restructure the existing debt.
- (2) Accessing capital from existing equity for construction of additional hotels.
- (3) Complete new Private Placement Offerings for additional acquisitions and construction.
- (4) To use the financial strength of the Balance Sheet and Operating Statements to position the Company for entry into the Public Markets.
- (5) To complete the construction of the Professional Office Building which is in process in Valparaiso, Indiana by the Valparaiso Inn, L.L.C.

VI. MANAGING MEMBER, PROMOTERS & PROFESSIONALS

The Managing Member of HRC Hotels, L.L.C. is HRC Management Co., L.L.C. a Michigan Limited Liability Company owned by Terry L. Hall, Joe A. Romkema and James Matuszak. HRC Properties, L.L.C. is the current Managing Member of all eleven of the existing hotel partnerships.

Terry L. Hall, CPA is a stockholder in the Certified Public Accounting Firm of Hall & Romkema, P.C. located in East Lansing, Michigan. Terry has practiced public accounting for over 30 years and specialized in the areas of Taxation and Business Consulting. Terry is a member of the American Certified Public Accountants and the Michigan Association of Certified Public Accountants.

Joe A. Romkema, CPA is a stockholder in the Certified Public Accounting Firm of Hall & Romkema, P.C. located in East Lansing, Michigan. Joe has practiced public accounting for over 20 years and specializes in the areas of Taxation and Business Consulting. Terry Hall and Joe Romkema have practiced public accounting together since 1982.

James J. Matuszak, CPA is a Principal of Hall & Romkema Financial Services, L.L.C., a Michigan Securities firm located in East Lansing, Michigan. Jim has provided business and financial consulting to clients for over 30 years. Jim Matuszak has worked with Terry Hall and Joe Romkema since 1982.

Good Hospitality Services, Inc. is a hotel construction and management company located at 360 Indiana Avenue, Valparaiso, Indiana.

Jeffrey Good, President: Jeff graduated from Purdue University with a Bachelors Degree in Restaurant Hotel Management in 1986. Jeff has worked for Taco Bell in their real estate division and for the Focus Group, Inc. in their hotel division as Vice President of Operations and Development. Jeff also ran an independent chain of hotels called Carlton Lodge as well as other limited service hotel franchises owned by Focus. In 1995, Jeff formed Good Hospitality Services, Inc.

Bryan Moore, Director of Operations: Bryan is a graduate of Grand Valley State University located in Allendale, Michigan with a Bachelors Degree in Hospitality Management. Bryan was hired by Good Hospitality Services, Inc. in 1997 as Director of Operations.

Lori D. Gant, Director of Hotel Operations: Lori joined Good Hospitality Services, Inc. in May 2001. Lori graduated from Ball State University in 1984 with a B.S. in Marketing. Currently Lori is responsible for the day-to-day oversight of all hotel operations as well as all pre-opening functions.

Evan Noll, Controller: Evan is a graduate of Bowling Green University, Bowling Green, Ohio with a B.S. in Accounting. Evan is responsible for all construction and management accounting for Good Hospitality Services, Inc.

Nancy Hensurd, Director of Design and Construction: Nancy joined Good Hospitality Services, Inc. in 1998 and is responsible for the day-to-day activity of hotel new construction and renovation construction and the hotel construction purchasing and design work.

VII. Management Agreements

HRC Properties, L.L.C. Development Member Interests:

With this transaction, HRC Properties, L.L.C. will discontinue its Development Fee Agreements, which previously granted HRC Properties, L.L.C. up to 25% in Development Member Interest in the developed hotel partnerships, in exchange for developing each hotel partnership.

HRC Properties, L.L.C. Supervisory Fee:

HRC Properties, L.L.C., the Managing Member of the existing ten hotel partnerships, receives a Supervisory Fee based on \$200 per hotel room, per year, for the overall supervision of the affairs of the partnerships. The Supervisory Fee Agreement with HRC Properties, L.L.C. will be discontinued upon completion of this transaction, which is the subject of this Memorandum.

Managing Member Fee:

The Managing Member of the newly formed HRC Hotels, L.L.C. will be HRC Management Co., L.L.C. The Managing Member will receive a Management fee of 2.2% of the total Gross Revenue of HRC Hotels, L.L.C., as compensation for the duties of the Managing Member.

Development Fee Agreement:

HRC Hotels, L.L.C. will enter into an agreement with a Development Company to be formed by Jeffrey Good, Terry Hall and Jim Matuszak and will pay a 3% fee based on the total turn-key development cost of the project, to the Development Company, for the development of all additional projects added to the portfolio.

Good Hospitality Services, Inc. Management Agreements – Existing Eleven Hotel Properties:

If a majority of the Members of the eleven existing hotel partnerships approves the transaction that is the subject of this Memorandum, the Hotel Management Agreements that are currently in place between the eleven hotel partnerships and Good Hospitality Services, Inc. will be transferred into the Company without change.

Good Hospitality Services, Inc. Management Agreements – New Development:

For all new hotel properties developed, a new Hotel Management Agreement has tentatively been negotiated that will maintain the majority of provisions of the prior agreements. One important change will be made to the previous Hotel Management Agreements regarding the compensation formula.

The base compensation formula for the existing ten hotel properties is calculated by multiplying the Net Operating Income of the hotel property times 7%. The new agreement will make use of this formula, but a minimum Management Fee will be paid for Hotel Management equaling the greatest of 3% of Gross Revenue or 7% of Net Operating Income.

The purpose of this change is to provide a fair compensation to the Hotel Management Company during the “ramp-up” period of a newly developed hotel property. Considerable effort is required to open and stabilize a newly developed hotel property and during this time period, the net operating income generally is at its lowest point, which results in a lower Management compensation amount for the Hotel Management Company than is fair.

The Hotel Management Compensation agreements for many publicly traded Hotel Real Estate Investment Trusts are based on 4% or more of Gross Revenue. The Management Contract with Good Hospitality Services, Inc. is equal to approximately 3% of Total Gross Revenue.

VIII. DILUTION

There is no dilution with this transaction.

The Assets and Liabilities of the existing eleven hotel partnerships will be exchanged for Member Interests in HRC Hotels, L.L.C.

Valuation formulas were consistently applied to the Assets and Liabilities of the existing eleven hotel partnerships for Member Interests in HRC Hotels, L.L.C., based on the value of the Assets and Liabilities of the hotel partnerships. The result allows each Member of the eleven existing hotel partnerships to receive their value of their investment in their partnership, without any influence from the valuations of the other partnerships.

No additional shares are being distributed to any party for any purpose as part of this transaction.

IX. ELEVEN EXISTING HOTEL PROPERTIES

1. East Arm, L.L.C., purchased 1999, Hampton Inn Hotel, 126 rooms, Traverse City, Michigan
2. Fremont Inn, L.L.C., purchased 2000, Hampton Inn Hotel, 75 rooms, Fremont, Indiana.
3. Portage Inn, L.L.C., purchased 2000, Hampton Inn Hotel, 60 rooms, Portage, Indiana.
4. Inn of Traverse, L.L.C., purchased 2001, Baymont Inn & Suites Hotel, 121 rooms, Traverse City, Michigan.
5. Inn of Petoskey, L.L.C., constructed 2002, Hampton Inn & Suites Hotel, 77 rooms, Petoskey, Michigan.
6. Valparaiso Inn, L.L.C., constructed 2001, Hampton Inn & Suites Hotel, 77 rooms, Valparaiso, Indiana.
7. Inn of Kalamazoo, L.L.C., constructed 2002, Hampton Inn & Suites Hotel, 78 rooms, Kalamazoo, Michigan.
8. LaPorte Inn, L.L.C., constructed 2003, Hampton Inn Hotel, 62 rooms, LaPorte, Indiana.
9. Clearwater Inn, L.L.C., purchased 2002, Hampton Inn Hotel, 185 rooms, Clearwater, Florida.
10. Inn of Indy, L.L.C., constructed 2003, Homewood Suites Hotel, 82 rooms, Plainfield, Indiana.
11. Downtown Indy, L.L.C., construction to begin in 2004, Homewood Suites Hotel, approximately 91 rooms, Indianapolis, Indiana.

X. EXHIBITS

EXHIBIT A
OPERATING AGREEMENT

OPERATING AGREEMENT

OF

HRC HOTELS, L.L.C.

A MICHIGAN LIMITED LIABILITY COMPANY

EFFECTIVE AS OF SEPTEMBER 30, 2004

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ARTICLE I

DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provide herein);

(a) "Articles of Organization" shall mean the Articles of Organization of HRC HOTELS, L.L.C. as filed with the Corporation, Securities and Land Development Bureau, Department of Consumer and Industry Services, State of Michigan, as the same may be amended from time to time.

(b) "Capital Account" as of any given date shall mean the total Capital Contributions to the Company by a Member as adjusted up to the date in question pursuant to Article VIII.

(c) "Capital Contribution" shall mean any contribution to the capital of the Company in cash, property, or services by a Member whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.

(d) "Capital Interest" shall mean the proportion that a Member's positive Capital Account bears to the aggregate positive Capital Accounts of all Members whose Capital Accounts have positive balances as may be adjusted from time to time.

(e) "Code" shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superseding federal revenue laws. References to the Code contained in this Agreement are referenced by endnote Index to this Agreement.

(f) "Act" shall mean the Michigan Limited Liability Company Act as amended.

(g) "Company" shall refer to HRC HOTELS, L.L.C.

(h) "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year after giving effect to the following adjustments:

(i) credit to such Capital Account any amount which Member is obligated to restore under Code Treasury Regulations¹; after taking into account thereunder any changes during such year in Membership minimum gain² and in the minimum gain attributable to any Member nonrecourse debt³; and

(ii) debit to such Capital Account the items described in the Treasury Regulations⁴.

(i) "Distributable Cash" means all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred incident to the normal operation of the Company's business; (iii) such Reserves as the Managers deem reasonably necessary to the proper operation of the Company's business.

(j) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization.

(k) "Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.

(l) "Gifting Member" shall mean any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of its Member's Interests. No Member shall transfer a Member Interest prior to approval of such by the Managers who shall prescribe specific requirements for any such transfer.

(m) "Majority Interest" shall mean one or more Interests of Members which taken together exceed fifty percent (50%) of the aggregate of all Member Interests.

(n) "Manager" shall mean HRC Management Co., L.L.C., or its successor.

(o) "Member" shall mean each of the parties who execute a counterpart of this Operating Agreement as a Member and each of the parties who may hereafter become Members.

(p) "Members' Interests" shall mean a Member's rights in the Limited Liability Company, including, but not limited to, the right to receive distributions to the Limited Liability Company's assets and any right to vote. Member's Interest may be stated by class or series to reflect the differing capital contributions, distribution rights or other differences between Members' Interests pertaining to each.

(q) "Net Profits" and "Net Losses" shall mean the income, gain, loss, deduction and credits of the Company in the aggregate or separately stated, as appropriate, determined in accordance with accounting principles employed under the

chosen method of accounting at the close of each fiscal year on the Company's information tax return filed for federal income tax purposes.

(r) "Operating Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.

(s) "Persons" shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person" where the context so permits.

(t) "Reserves" shall mean, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves which shall be maintained in amounts deemed sufficient by those managing the Company for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.

(u) "Selling Member" shall mean any assignor of a Member's Interest which sells, assigns, pledges, hypothecates, or otherwise transfers for consideration all or any portion of its assigned Member's Interest; provided, an assignee of a Member's Interest shall only be entitled to receive the economic distributions to which the assignor was entitled and not the right to vote unless and until admitted as a Member of the Company. No Member shall sell a Member's Interests without the prior consult of the Managers who shall prescribe specific requirements for any such sale.

(v) "Transferring Member" shall collectively mean a Selling Member and a Gifting Member.

(w) "Treasury Regulations" (T.R.) shall include proposed, temporary, and final regulations promulgated under the Code in effect as of the date of filing the Articles of Organization and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations. Treasury Regulations cited herein are indexed by endnote at the conclusion of this Agreement.

ARTICLE II

ORGANIZATION

2.01 Formation. The Company has been organized as a Michigan Limited Liability Company by the filing of Articles of Organization with the Michigan Corporation, Securities and Land Development Bureau in accordance with and pursuant to the Act.

2.02 Name. The name of the Company shall be HRC Hotels, L.L.C. The Company may also conduct its business under one or more assumed names selected by the Manager.

2.03 Principal Place of Business. The principal place of business of the Company within the State of Michigan shall be 3495 Coolidge Road, East Lansing, Michigan, 48823. The Company may locate its places of business and registered office at any other place or places as the Manager may from time to time deem advisable.

2.04 Registered Office and Resident Agent. The Company's initial registered office shall be at 3495 Coolidge Road, East Lansing, Michigan, 48823, and the name of its initial resident agent at such address shall be Terry L. Hall. The registered office and resident agent may be changed from time to time by filing the address of the new registered office and/or name of the new resident agent with the Michigan Corporation, Securities and Land Development Bureau, Department of Consumer and Industry Services, State of Michigan, pursuant to the Act.

2.05 Term. The term of the Company shall be perpetual.

2.06 Amendment of Articles of Organization. Each Member hereby irrevocably appoints Terry L. Hall, James J. Matuszak and Joe A. Romkema, or any one of them, as attorney-in-fact to approve any amendment to or restatement of the Articles of Organization, as if such Member had voted for the same at a meeting of the Members.

ARTICLE III

BUSINESS OF COMPANY

3.01 Permitted Businesses. The business of the Company shall be:

(a) To accomplish any lawful affairs, business or other activity for which limited liability companies may be formed, or which shall at any time appear conducive to or expedient for the protection or benefit of the Company and its assets.

(b) To exercise all other powers necessary to or reasonably connected with the Company's business, which may be legally exercised by limited liability companies under the Act.

(c) To engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

(d) To provide an entity for the preservation, future acquisition, financing, protection, continued ownership and operation of certain assets constituting hotels.

ARTICLE IV

MEMBERS

The initial Member is as follows:

<u>NAME</u>	<u>ADDRESS</u>
HRC Properties, L.L.C.	3495 Coolidge Road, East Lansing, MI 48823

The Manager shall have the right to approve the admission and admit additional Members upon subscription and execution of this Agreement.

ARTICLE V

MANAGEMENT

5.01 Management. The business and affairs of the Company shall be managed by its Manager, which shall be HRC Management Co., L.L.C. The Manager shall direct, manage and control the business of the Company. The Manager shall have sole authority to admit Members, approve transfer of a Member's Interest in the Company and to admit new Members to the Company. Except for situations in which the approval of the Members is expressly required by this Operating Agreement or by nonwaivable provisions of the Act or other applicable law, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business.

5.02 Tenure and Qualifications. The Manager shall serve until the Manager resigns or is removed for cause by the Members. "Cause" shall mean (i) misappropriating the money or other assets of the Company; (ii) engaging in a criminal act; or (iii) engaging in any activity with the purpose of harming the business of the Company. The affirmative vote of Members having Members' Interests equal to seventy-five percent (75%) of all Members' Interests shall be required to remove the Manager for cause and, if the Manager demands that the issue be arbitrated, the removal shall not be effective until an arbitrator, appointed by the American Arbitration Association conducts a hearing, in Lansing, Michigan, and rules that cause exists. The arbitrator's ruling shall be final and a judgment thereon may be entered in a court of competent jurisdiction. If the Manager shall be removed for cause, a new Manager shall be appointed by the affirmative vote of Members having Members' Interests equal to two-thirds of all Members' Interests. A Manager need not be a resident of the State of Michigan or a Member of the Company.

5.03 Certain Powers of Manager. Without limiting the generality of Section 5.01, the Manager shall have power and authority, on behalf of the Company:

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

(b) To borrow money for the Company from banks, other lending institutions, individuals or other Companies, the Manager, Members, or affiliates of the Manager or Members on such terms as the Manager deems appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Manager, or to the extent permitted under the Act, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Manager;

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

(d) To sell or otherwise dispose of all or substantially all of the assets of the Company as part of a single transaction or plan so long as such disposition is not in violation of or a cause of a default under any other agreement to which the Company may be bound;

(e) To execute on behalf of the 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 the Company's property; assignments; bills of sale; leases; partnership agreements, operating agreements of other limited liability companies; and any other instruments or documents necessary, in the opinion of the Managers, to the business of the Company;

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

(g) To enter into any and all other agreements on behalf of the Company, with any other person for any purpose, in such forms as the Managers may approve;

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

(i) To authorize the transfer of a Member's Interest in the Company or admit a new Member to the Company;

(j) To appoint one or more Person or Entity as an Assistant Manager to exercise certain powers granted to the Manager;

(k) To transfer all of the assets of the Company into a Real Estate Investment Trust or another Entity in return for an interest therein; and

(l) To enter into a Development Agreement with Terry L. Hall, James J. Matuszak and Jeffrey L. Good, or any one or more of them or an Entity consisting of any one or more of them ("Developer") providing for the payment to Developer of a fee equal to three percent (3%) of the total development cost of any hotel property, or other real estate, acquired and/or developed by the Company. The total development cost shall include the land purchase price, construction costs and other costs for a "turn-key" project.

No Member shall have any power or authority to bind the Company unless the Member has been authorized by the Manager to serve as an Assistant Manager.

5.04 Liability for Certain Acts. The Manager shall perform the duties of Manager in good faith, in a manner reasonably believed to be in the best interests of the Company, and with such care as an ordinarily prudent Person in a like position would use under similar circumstances. A Manager who so performs the duties as Manager shall not have any liability, except as specifically provided in the Act, by reason of being or having been a Manager of the Company. The Manager does not, in any way, guarantee the return of the Members' Capital Contributions or a profit for the Members from the operations of the Company. The Manager shall not be liable to the Company or to any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, willful misconduct, a wrongful taking by the Manager, or a violation of the Managers' obligations as otherwise set forth in the Act.

5.05 Manager's Exclusive Duty to Company. The Manager shall manage the Company as its sole and exclusive function and shall not have other business interests and/or engage in other activities in addition to those relating to the Company.

5.06 Bank Accounts. The Manager may from time to time open bank accounts in the name of the Company, and the Manager shall be the sole signatory thereon, unless the Manager determines otherwise.

5.07 Indemnity of the Managers, Employees and Other Agents. To the maximum extent permitted under the Act, the Company shall advance and/or pay expenses incurred by, and indemnify the Managers of the Company. In the discretion of the Managers, the Company may purchase insurance to insure against any such liability. The Company shall indemnify its employees and other agents who are not

Managers to the fullest extent permitted by law, provided that such indemnification in any given situation is approved by the Managers.

5.08 Resignation. The Manager may resign at any time by giving sixty (60) days prior written notice to the Members of the Company.

5.09 Manager Vacancy. Any vacancy occurring in the position of Manager due to resignation or removal for cause shall be filled by the affirmative vote of Members holding a majority of all Members' Interests.

5.10 Fees:

The Manager shall be paid a management fee equal to 2.2% per calendar year of the Gross Revenue of the Company, as calculated by the accountants regularly engaged by the Company. The fee is payable on the 15th day following the end of each month.

ARTICLE VI

RIGHTS AND OBLIGATIONS OF MEMBERS

6.01 Limitation of Liability. Each Member's liability shall be limited as set forth in this Operating Agreement, the Act and other applicable law.

6.02 Company Debt Liability. No Member will be personally liable for any debts or losses of the Company beyond their respective Capital Contributions and any obligation of the Members under Section 8.01 or 8.02 to make Capital Contributions, except as provided in Section 6.07 herein or as otherwise required by law.

6.03 Priority and Return of Capital. Except as may be expressly provided in Article IX, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to net profits, net losses or distributions; provided that this Section shall not apply to loans (as distinguished from Capital Contributions) which a Member has made to the Company.

6.04 Liability of a Member to the Company.

(a) A Member who rightfully receives the return in whole or in part of their contribution (as defined in Section 509 of the Act) is nevertheless liable to the Company to the extent now or hereafter provided by the Act.

(b) A Member who receives a distribution made by the Company:

(i) which is either in violation of this Operating Agreement, or

(ii) which is in violation of Section 307 of the Act shall nevertheless be subject to an enforceable against the Company in accordance with the provisions of that Section of the Act.

Otherwise, said Member is liable to the Company for repayment of the portion of the distribution in violation of Section 307 of the Act for a period of two years after such distribution.

ARTICLE VII

MEETINGS OF MEMBERS

An annual meeting of Members for the transaction of such business as may properly come before the Meeting, may be held at such place, on such date and at such time as the Members shall determine. However, an annual meeting is not required. Special meetings of Members, for any proper purpose or purposes, may be called at any time, by the holders of at least twenty-five-percent (25%) of the Members' Interests. The Company shall deliver or mail written notice stating the date; time, place and purposes of any meeting to each Member entitled to vote at the meeting. Such notice shall be given not less than ten (10) and no more than sixty (60) days before the date of the meeting. All meetings of Members shall be presided over by a Chairperson, for the purpose of that meeting only, who shall be so designated by those holding a majority of the Membership Interests present at the meeting.

ARTICLE VIII

CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

8.01 Members' Capital Contributions. The Members shall contribute the amount set forth on the page with their respective signatures as their Initial Capital Contribution.

8.02 Additional Contributions. No Member shall be required to make an additional Capital Contribution. To the extent approved by the Manager, from time to time, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire, and if the Manager determines that such additional Capital Contributions are necessary or appropriate in connection with the conduct of the affairs of the Company. In such event, the Members shall have the opportunity (but not the obligation) to participate in such additional Capital Contributions on a pro rata basis in accordance with their Interests.

8.03 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by or on such Member's behalf to the Company; (2) the fair market value of property contributed by or on such Member's behalf to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under the Code⁵); (3) allocations to such Member of Net Profits and Net Losses; and (4) allocations to such Member of income described in the Code⁶. Each Member's Capital Account will be decreased by (1) the amount of money distributed to such Member by the Company; (2) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under the Code⁷); (3) allocations to such Member of expenditures described in the Code⁸; and (4) allocations to the account of such Member of Company loss and deduction as set forth in such Regulations, taking into account adjustment to reflect book value.

(b) In the event of a permitted sale or exchange of a Member's Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferred Member's Interest in accordance with the Treasury Regulations⁹. The Company and the Members shall be afforded the opportunity to make any and all elections at any proper time as provided for in Section 754 of the Code.

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 8.03 is intended to comply with the requirements of the Code and the Treasury Regulations promulgated thereunder¹⁰. If, in the opinion of the Company's accountants, the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 8.03 should be modified in order to comply with the Code and the Treasury Regulations thereunder¹¹, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 8.03, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members.

(d) Upon liquidation of the Company, liquidating distributions will be made as provided under the terms of Section 9.03. Liquidation proceeds will be paid within sixty (60) days of the end of the taxable year (or, if later, within one hundred twenty (120) days after the date of the liquidation). The Company may offset damages for breach of this Operating Agreement by a Member whose Interest is liquidated (either upon the withdrawal of the Member or the liquidation of the Company) against the amount otherwise distributable to such Member.

(e) Except as otherwise required in the Act (and subject to Section 8.01 and 8.02), no Member shall have any liability to restore all or any portion of a deficit balance in such Member's Capital Account.

8.04 Withdrawal or Reduction of Members' Contributions to Capital.

(a) A Member shall not receive out of the Company's property any part of its Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them.

(b) A Member, irrespective of the nature of its Capital Contributions, has only the right to demand and receive cash in return for its Capital Contribution. No Member shall have a right to liquidate their Interest in the Company or to receive any liquidating distribution except upon a complete liquidation of the Company.

(c) Except as otherwise provided in this article, all distributions to Members and all Net Income, Net Loss, and tax credits allocable to the Members shall be distributed or allocated, as the case may be, to each Member entitled to such distribution or allocation in the ratio that the Member's Interest held by such Member bears to the total Members' Interest held by all Members, as set forth in Exhibit B.

(d) Upon the sale of substantially all of the assets of the Company, each Member shall be entitled to receive a return of the amount contributed to the Capital of the Company, and as yet unrecovered through periodic distributions, as set forth in Exhibit A. If Members' original contributions have not been returned through periodic distributions, and if net proceeds are insufficient to return any remainder of such capital contributions, then they shall be distributed pro rata based on the ratio that each Members' contributed capital bears to the total contributed capital as set forth in Exhibit A.

ARTICLE IX

ALLOCATION, INCOME TAX, DISTRIBUTIONS, ELECTIONS AND REPORTS

9.01 Allocations of Profits and Losses. The Net Profits and Net Losses of the Company for each fiscal year will be allocated, to each Member in the ratio that the Member's Interest held by such Member bears to the total Members' Interests held by all Members, as set forth in Exhibit B attached.

9.02 Special Allocations to Capital Accounts. Notwithstanding, Section 9.01 hereof.

(a) No allocations of loss, deduction and/or expenditures described in the Code¹² shall be charged to the Capital Accounts of any Member if such allocation would cause such Member to have a Deficit Capital Account. The amount of the loss, deduction and/or Code Section expenditure¹³ which would have caused a Member to have a Deficit Capital Account shall instead be charged to the Capital Account of any Members which would not have a Deficit Capital Account as a result of the allocation, in proportion to their respective Capital Contributions, or, if no such Member exist, then to the Members in accordance with their interest in Company profits pursuant to Section 9.01.

(b) In the event any Member unexpectedly receives any adjustments, allocation, or distributions described in the Treasury Regulations¹⁴, which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specifically credited to the Capital Account of such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 9.02(b) be interpreted to comply with the alternate test for economic effect set forth in the Treasury Regulations¹⁵.

(c) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Treasury Regulations¹⁶ and such Member's share of minimum gain as defined in the Treasury Regulations¹⁷, the Capital Account of such Member shall be specially credited with items of Member's income (including gross income) and gain in the amount of such excess as quickly as possible.

(d) Notwithstanding any other provision of this Section 9.02, if there is a net decrease in the Company's minimum gain as defined in the Treasury Regulations¹⁸ during a taxable year of the Company, then, the Capital Accounts of each Member shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 9.02(d) is intended to comply with the minimum gain charge-back requirements of the Treasury Regulations¹⁹ and shall be interpreted consistently therewith. If in any taxable year that the Company has a net decrease in the Company's minimum gain, if the minimum gain charge-back requirement would cause a distortion in the economic arrangement among the Members and it is not expected that the Company will have sufficient other income to correct that distortion, the Managers may in their discretion (and shall, if requested to do so by a Member) seek to have the Internal Revenue Service waive the minimum gain charge-back requirement in accordance with the Treasury Regulations²⁰.

(e) Items of Company loss, deduction and expenditures described in the Code²¹ which are attributable to any nonrecourse debt of the Company and are characterized as partner (Member) nonrecourse deductions under the Treasury Regulations²² shall be allocated to the Members' Capital Accounts in accordance with the Treasury Regulations²³.

(f) Beginning in the first taxable year, in which there are allocations of "nonrecourse deductions," as described in the Treasury Regulations²⁴, such deductions shall be allocated to the Members in accordance with and as a part of, the allocations of Company profit or loss for such period.

(g) In accordance with the Code²⁵ and the Treasury Regulations²⁶, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company and its fair market value at the time of contribution.

(h) Pursuant to the Code²⁷, if any contributed property is distributed by the Company other than to the contributing Member within seven years of being contributed, then, except as provided in the Code²⁸, the contributing Member shall be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under the Code²⁹ if the property had been sold at its fair market value at the time of the distribution.

(i) In the case of any distribution by the Company to a Member, such Member shall be treated as recognizing gain in an amount equal to the lesser of:

(i) the excess (if any) of (A) the fair market value of the property (other than money) received in the distribution over (B) the adjusted basis of such Member's Interest in the Company immediately before the distribution reduced (but not below zero) by the amount of money received in the distribution, or

(ii) the Net Precontribution Gain (as defined in the Code³⁰) of the Member. The Net Precontribution Gain means the net gain (if any) which would have been recognized by the distributee Member under the Code³¹ of all property which (1) had been contributed to the Company within seven years of the distribution, and (2) is held by the Company immediately before the distribution, had been distributed by the Company to another Member. If any portion of the property distributed consists of property, which had been contributed by the distributee Member to the Company to another Member. If any portion of the property distributed consists of property had been contributed by the distributee Member to the Company, then such property shall not be taken into account under this Section 9.02(i) and shall not be taken into account in

determining the amount of the Net Precontribution Gain. If the property distributed consists of an interest in an entity, the preceding sentence shall not apply to the extent that the value of such interest is attributable to the property contributed to such entity after such interest had been contributed to the Company.

(j) In connection with a Capital Contribution of money or other property (other than a de minimis amount) by a new or existing Member as consideration for a Member's Interest, or in connection with the liquidation of the Company, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property (including intangible assets) in accordance with Treasury Regulations³². If under the Treasury Regulations³³, Company property that has been revalued is properly reflected in the Capital Accounts and on the books of the Company property, then depreciation, depletion, amortization and gain or loss with respect to such property shall be shared among the Members in a manner as variations between the adjusted tax basis and fair market value of property contributed to the Company are taken into account in determining the Members' shares of tax items under the Code³⁴.

(k) All recapture of income tax deductions resulting from sale or disposition of Company property shall be allocated to the Member of Members to whom the deduction that gave rise to such recapture was allocated hereunder to the extent that such Member is allocated any gain from the sale or other disposition of such property.

(l) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 9.02(b), (c), and/or (d), hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 9.01, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 9.01 and 9.02 shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article IX if the special allocations required by Sections 9.02(b), (c), and/or (d), hereof had not occurred.

9.03 Distributions. Notwithstanding anything herein to the contrary, all distributions of Cash Available for Distribution or other property, including distributions arising from the sale of substantially all of the Company's assets shall be made to the Members at the discretion of the Managers taking into account the reasonable business and financial needs of the Company as follows:

Periodic Distributions

Periodic Distributions will be allocated to each Member in the ratio that the Member's Interest, held by such Member, bears to the total Members' Interest held by all Members on the record date of such distributions. Except as provided in Section 9.04, the Manager shall from time to time at

least on an annual basis make a determination of the amount of other property or cash available for distribution to be distributed to Members.

Liquidating Distributions

Upon sale of the Hotel and/or liquidation of the Company, liquidating distributions will be allocated as follows:

Each Member will receive a distribution that will be allocated to each Member, in the ratio that the Member's Interests, held by such Member, bears to the total Members' Interest on the record date of such distribution.

All amounts withheld pursuant to the Code or any provisions of state or local tax law with respect to any payment or distribution to the Members from the Company shall be treated as amounts distributed to the relevant Member or Members pursuant to this Section 9.03.

9.04 Limitation Upon Distributions. No distribution otherwise permissible under this Agreement shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions, or unless the Distribution satisfies the provisions of Section 307 of the Act.

9.05 Accounting Principles. The profits and losses of the Company shall be determined in accordance with accounting principles applied on a consistent basis using the method of accounting determined by the Manager from time to time.

9.06 Interest On and Return of Capital Contributions. No Member shall be entitled to interest on its Capital Contribution or to return of its Capital Contribution, except as otherwise specifically provided for herein.

9.07 Loans to Company. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

9.08 Accounting Period. The Company's accounting period shall be determined by the Manager from time to time.

9.09 Returns and Other Elections. The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business.

All elections permitted to be made by the Company under federal or state laws shall be made solely by the Manger.

ARTICLE X

TRANSFERABILITY

10.01 General. No Member Interest shall be sold or transferred without the approval of the Manager. Except as otherwise specifically provided herein no Member shall have the right to:

(a) sell, assign, pledge, hypothecate, transfer, exchange or otherwise transfer for consideration, (collectively, "sell"), or

(b) gift, bequeath or otherwise transfer for no consideration (whether or not by operation of law, except in the case of bankruptcy), all or any part of its Member's Interest, without the consent of the Manager. The prohibition as to a proposed sale of a Member's Interest without the Manager's consent applies to an attempted sale of any economic interest represented by a Member's Interest.

(c) In the event of a transfer of a Member's Interest in the Company to a third party, and as a condition to recognizing the effectiveness and binding nature of any such transfer by sale or gift and substitution of a new Member to the Company, the Manager shall require the Selling Member or Gifting Member and the proposed purchaser, donee or successor-in-interest, as the case may be to execute, acknowledge and deliver to the Company such instruments of transfer, assignment and assumption and such other certificates, representations and documents, and to perform all such other acts which the Managers may deem necessary or desirable to:

(i) constitute such purchaser, donee or successor-in-interest as a Member;

(ii) confirm that the person desiring to acquire an Interest or Interests in the Company, or to be admitted as a Member, has accepted, assumed and agreed to be subject and bound by all of the terms, obligations and conditions of the Operating Agreement, as the same may have been further amended;

(iii) preserve the Company after the completion of such sale, transfer, assignment, or substitution under the laws of each jurisdiction in which the Company is qualified, organized or does business;

(iv) maintain the status of the Company as a partnership for federal tax purposes; and

(v) assure compliance with any applicable state and federal laws including securities laws and regulations.

(d) Any sale or gift of a Member's Interest or any economic incidents thereof or admission of a Member in compliance with this Article X shall be deemed effective as of the last day of the calendar month in which the Manager's consent thereto was given, then on such date that the donee or successor in interest complies with the requirement of Article X. The Selling Member agrees, upon request of the Manager, to execute such certificates or other documents and perform such other acts as may be reasonably requested by the Manager from time to time in connection with such sale, transfer, assignment, or substitution. The Selling Member hereby indemnifies the Company, the remaining Members, and the Manager against any and all loss, damage, or expense (including, without limitation, tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this Article X.

10.02 Transferee Not Member in Absence of Manager's Consent.

If the Manager does not approve of the proposed sale or gift of a Transferring Member's Interest or the economic incidents of a Member's Interest to a transferee or donee which is not a Member immediately prior to the sale or gift, then the proposed transferee or donee shall not become a Member of the Company and the proposed transfer of economic incidents shall not be recognized by the Company.

ARTICLE XI

ADDITIONAL MEMBERS

From the date of formation of the Company and subject to securities law provisions applicable thereto, any Person or Entity acceptable to the Manager may become a Member in this Company either by the issuance by the Company of Members' Interests for such consideration as the Manager shall determine, or as a transferee of a Member's Interest or any portion thereof, subject to the terms and conditions of this Operating Agreement. No new Members shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Manager may, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to a new Member for that portion of the Company's tax year in which a Member was admitted in accordance with the provisions of the Code³⁵ and the Treasury Regulations.

ARTICLE XII

DISSOLUTION AND TERMINATION

12.01 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events:

(i) When the period fixed for the duration of the Company in the Articles shall expire;

(ii) by the agreement of the majority of the Members' Interests;
or

(ii) if the Company no longer has Members.

(b) As soon as possible following the occurrence of any of the events specified in this Section 12.01 effecting the dissolution of the Company, the appropriate representative of the Company shall execute a statement of intent to dissolve in such form as shall be prescribed by the Corporation, Securities and Land Development Bureau, Michigan Department of Consumer and Industry Services and file same with the Corporation, Securities and Land Development Bureau, Michigan Department of Consumer and Industry Services.

(c) If a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling his estate or administering his property.

(d) A Member shall not voluntarily resign or take any other voluntary action which directly causes a termination of the Company for federal income tax purposes. Unless otherwise approved by the Manager, a Member who resigns (a "Resigning Member") or whose Member's Interest is otherwise terminated for any reason shall not be entitled to receive any distributions to which such Member would have been entitled had such Member remained a Member.

12.02 Effect of Filing of Dissolving Statement. Upon the filing with the Corporation, Securities and Land Development Bureau, Michigan Department of Consumer and Industry Services, of a statement of Intent to Dissolve, 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 shall continue until a Certificate of Dissolution has been issued by the Corporation, Securities and Land Development

Bureau, Michigan Department of Consumer and Industry Services, or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

12.03 Winding Up, Liquidation and Distribution of Assets.

(a) Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Manager(s) shall immediately proceed to wind up the affairs of the Company.

(b) If the Company is dissolved and its affairs are to be wound up, the Manager(s) shall:

(i) Sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Manager(s) may determine to distribute any assets to the Members in kind),

(ii) Allocate any profit or loss resulting from such sales to the Members' Capital Accounts in accordance with Article IX hereof,

(iii) Discharge all liabilities of the Company, including liabilities to Members who are creditors, to the extent otherwise permitted by law, other than liabilities to Members for distributions, and establish such Reserves as may be reasonable necessary to provide for contingent or liabilities of the Company (for purposes of determining the Capital Accounts of the Members, the amounts of such Reserves shall be deemed to be an expense of the Company.

(iv) Distribute the remaining assets in accordance with Article IX, Section 9.03.

(c) Notwithstanding anything to the contrary in this Operating Agreement, upon a liquidation within the meaning of the Treasury Regulations³⁷, if any Member has a Deficit Capital Account (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

(d) Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

(e) The Manager(s) shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of assets.

12.04 Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, Articles of Dissolution shall be executed in duplicate and verified by the person signing the articles, which articles shall set forth the information required by the Act. Duplicate originals of such articles of dissolution shall be delivered to the Corporation, Securities and Land Development Bureau, Michigan Department of Consumer and Industry Services.

12.05 Certificate of Dissolution. Upon the issuance of the Certificate of Dissolution, the existence of the Company shall cease, except for the purpose of suits, other proceedings and appropriate action as provided in the Act. The Manager shall have authority to distribute any Company property discovered after dissolution, convey real estate and take such other action as may be necessary on behalf of and in the name of the Company.

12.06 Return of Contribution Nonrecourse to Other Members. Except as provided by law or as expressly provided in this Operating Agreement, upon dissolution, each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.01 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Operating Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as appropriate, which is set forth in this Operating Agreement. Except as otherwise provided herein, any such notice shall be deemed to be given three business days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

13.02 Books of Account and Records. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Managers in which shall be entered fully and accurately all transactions and other matters relating to the Company's

business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. Such books and records at all times shall be maintained at the principal executive office of the Company and shall be open to the reasonable inspection and examination of the Members or their duly authorized representatives during reasonable business hours.

13.03 Application of Michigan Law. This Operating Agreement and the application of interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Michigan, and specifically the Act.

13.04 Waiver of Action for Partition. Each Member irrevocably waives any right to maintain any action for partition with respect to the property of the Company.

13.05 Amendments. This Operating Agreement may be amended by the Manager so long as such amendment shall not result in a diminution of the rights of Members as herein granted. Any such amendment shall be provided to all of the Members within thirty (30) days after its effective date.

13.06 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

13.07 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

13.08 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

13.09 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

13.10 Right and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

13.11 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or

unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

13.12 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

13.13 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditors of the Company.

13.14 Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

13.15 Rule Against Perpetuities. The parties hereto intend that the Rule against Perpetuities (and any other similar rule of law) not be applicable to any provisions of this Operating Agreement. However, notwithstanding anything to the contrary in this Operating Agreement, if any provision in this Operating Agreement would be invalid or unenforceable because of the Rule against Perpetuities or any similar rule of law but for this Section 13.15, the parties hereto hereby agree that any future interest which is created pursuant to said provision shall cease if it is not vested within fifty years of the date of this Agreement.

13.16 Investment Representations. The undersigned Members, if any, understand (1) that the Members' Interest evidenced by this Operating Agreement have not been registered under the Securities Act of 1933, the Michigan Securities Act or any other state securities laws ("the Securities Acts") because the Company is issuing these Members' Interest with belief of the Managers that they are issued in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (2) that the Company has relied upon the fact that the Members' Interests are to be held by each Member for investment, and (3) that exemption from registrations under the Securities Acts would not be available if the Members' Interests were acquired by a Member with a view to distribution.

Accordingly, each Member hereby confirms to the Company that such Member is acquiring the Members' Interests for such own Member's account, for investment and not with a view to the resale or distribution thereof. Each Member agrees not to transfer, sell or offer for sale any of portion of the Members' Interests unless there is an effective registration or other qualification relating thereto under the Securities Act of 1933 and under any applicable state securities laws or unless the holder of Members' Interests delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Act and applicable state

securities laws or unless the holder of Members' Interests delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Act and applicable state securities laws is not required in connection with such transfer, offer or sale. Each Member understands that the Company is under no obligation to register the Members' Interests or to assist such Member in complying with any exemption from registration under the acts if such Member should at a later date, wish to dispose of the Members' Interest. Furthermore, each Member realizes that the Members' Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission unless such Member is not an "affiliate" of the Company and the Members' Interest has been beneficially owned and fully paid for by such Member for at least three years.

Prior to acquiring the Members' Interests, each Member has made an investigation of the Company and its purposes and has had made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire the Members' Interest. Each Member considers himself or itself to be a person possessing experience and sophistication as an investor, which are adequate for the evaluation of the merits and risks of such Member's investment in the Members' Interest.

CERTIFICATE

The undersigned hereby agree, acknowledge and certify that the foregoing Operating Agreement, consisting of 23 pages, excluding the Table of Contents and attached Exhibits, constitutes the Operating Agreement of HRC HOTELS, L.L.C. adopted by the members of the Company as of September 30, 2004.

MANAGER:

HRC MANAGEMENT CO., L.L.C.

By: _____
Terry L. Hall, Manager

MEMBER:

HRC PROPERTIES, L.L.C.

By: _____
Terry L. Hall, Manager

EXHIBIT A

INTERNAL REVENUE CODE AND TREASURY REGULATION INDEX

1. Section 1.704-1(b)(2)(ii)(c) T.R.
2. Section 1.704-2(d) T.R.
3. Section 1.704-2(i)(3) T.R.
4. Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6)
5. Section 752 I.R.C.
6. Section 705(a)(1)(B)
7. Section 752 I.R.C.
8. Section 705(a)(2)(B) I.R.C.
9. Section 1.704-1(b)(2)(iv) T.R.
10. Section 704(b) I.R.C.
11. Section 704(b) I.R.C.
12. Section 705(a)(2)(B)
13. Section 705(a)(2)(B)
14. Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6) T.R.
15. Section 1.704-1(b)(2)(ii)(d) T.R.
16. Section 1.704-1(b)(2)(ii)(c)
17. Section 1.704-1(b)(2)(ii)(d)
18. Section 1.704-2(d) T.R.
19. Section 1.704-2 T.R.
20. Section 1.704-2(f)(4) T.R.

21. Section 705(a)(2)(B)
22. Section 1.704-2(i) T.R.
23. Section 1.704-2(i) T.R.
24. Section 1.704-2(b) T.R.
25. Section 704(c)(1)(A)
26. Section 1.704-1(b)(2)(l)(iv) T.R.
27. Section 704(c)(1)(B)
28. Section 704(c)(2)
29. Section 704(c)(1)(A)
30. Section 737(b)
31. Section 704(c)(1)(B)
32. Section 1.704-1(b)(2)(iv)(f) T.R.
33. Section 1.704-1(b)(2)(iv)(f) T.R.
34. Section 704(c)
35. Section 706(d)
36. Section 1.704-1(b)(2)(ii)(b)(2) T.R.
37. Section 1.704-1(b)(2)(ii)(g) T.R.

EXHIBIT B

PRO-FORMA FINANCIAL PROJECTIONS
2004 BUDGET FOR THE COMBINED ELEVEN HOTEL PROPERTIES

HRC Hotels, L.L.C.
Funds From Operations – 2004 Budget
Eleven Existing Hotels
January 1, 2004 to December 31, 2004

Gross Revenue	\$17,105,108
Total Expenses Before Depreciation, Amortization & Interest	<u>11,487,401</u>
Funds From Operations	<u>\$ 5,617,707</u>

EXHIBIT C

PORTFOLIO PRESENTATION OF THE ELEVEN EXISTING HOTELS